

Commonwealth of Massachusetts
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDING JUNE 30, 2021

Commonwealth of Massachusetts



Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2021

Prepared by
Office of the Comptroller
Statewide Financial Reporting Team



William McNamara
Comptroller of the Commonwealth

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Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2021

Table of Contents

INTRODUCTORY SECTION

<i>LETTER OF TRANSMITTAL</i>	1
<i>CONSTITUTIONAL OFFICERS</i>	6
<i>COMMONWEALTH ORGANIZATIONAL STRUCTURE</i>	7
<i>ADVISORY BOARD TO THE COMPTROLLER</i>	8
<i>ACKNOWLEDGMENTS</i>	9
<i>CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING</i>	10

FINANCIAL SECTION

<i>INDEPENDENT AUDITORS' REPORT</i>	13
<i>MANAGEMENT'S DISCUSSION AND ANALYSIS</i>	17
<i>BASIC FINANCIAL STATEMENTS</i>	37
<i>GOVERNMENT-WIDE FINANCIAL STATEMENTS</i>	37
<i>Statement of Net Position</i>	38
<i>Statement of Activities</i>	40
<i>GOVERNMENTAL FUND FINANCIAL STATEMENTS</i>	43
<i>Balance Sheet</i>	44
<i>Reconciliation of Fund Balances to the Statement of Net Position</i>	45
<i>Statement of Revenues, Expenditures and Changes in Fund Balances</i>	46
<i>Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities</i>	47
<i>PROPRIETARY FUND FINANCIAL STATEMENTS</i>	49
<i>Statement of Net Position</i>	50
<i>Statement of Revenues, Expenses and Changes in Net Position</i>	52
<i>Statement of Cash Flows</i>	53
<i>FIDUCIARY FUND FINANCIAL STATEMENTS</i>	55
<i>Statement of Net Position</i>	56
<i>Statement of Changes in Net Position</i>	57
<i>DISCRETELY PRESENTED COMPONENT UNIT FINANCIAL STATEMENTS</i>	59
<i>Statement of Net Position</i>	60
<i>Statement of Revenues, Expenses and Changes in Net Position</i>	61
<i>TABLE OF CONTENTS – NOTES TO THE BASIC FINANCIAL STATEMENTS</i>	63
<i>Notes to the Basic Financial Statements</i>	65

<i>REQUIRED SUPPLEMENTARY INFORMATION-OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS</i>	141
<i>Schedules of Revenues, Expenditures and Changes in Fund Balances – Statutory Basis – Budget and Actual – General Fund</i>	142
<i>Explanation of Differences between Revenues, Expenditures and Other Financing Sources (Uses) for the General Fund on a Budgetary Basis and GAAP Basis</i>	143
<i>Notes to Required Supplementary Information – Budgetary Reporting</i>	144
<i>Schedule of Changes in the State Employees' Retirement System (SERS) Net Pension Liability and Related Ratios</i>	146
<i>Notes to the SERS Schedule</i>	148
<i>Schedule of Changes in the Massachusetts Teachers' Retirement System (MTRS) Net Pension Liability and Related Ratios</i>	152
<i>Notes to the MTRS Schedule</i>	154
<i>Schedule of Changes in the State Retirees' Benefit Trust (SRBT) Net OPEB Liability and Related Ratios</i>	158
<i>Notes to the SRBT Schedule</i>	160
<i>Schedule of Investment Returns</i>	163
<i>Schedule of Proportionate Share of the Net Pension Liability and Contributions - SERS</i>	164
<i>Schedule of Proportionate Share of the Net Pension Liability and Contributions - MTRS</i>	166
<i>Schedule of Proportionate Share of the Net Pension Liability and Contributions - BRS</i>	168
<i>Notes to the Schedules of Proportionate Share of the Net Pension Liability and Contributions</i>	170
<i>Schedule of Employer Contributions - OPEB</i>	171
 <i>OTHER SUPPLEMENTARY INFORMATION</i>	 173
<i>Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis - Budget and Actual - Combined General Fund</i>	174
<i>Combining Balance Sheet – Other Governmental Funds</i>	176
<i>Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Other Governmental Funds</i>	180
<i>Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis – Budget and Actual – Other Budgeted Nonmajor Governmental Funds</i>	184
<i>Combining Budget to GAAP Reconciliation – Other Budgeted Nonmajor Governmental Funds</i>	190
<i>Combining Statement of Net Position Available for Post - Employment Benefits – Pension and OPEB Trust Funds</i>	192
<i>Combining Statement of Changes in Net Position Available for Post - Employment Benefits – Pension and OPEB Trust Funds</i>	193
<i>Combining Statement of Net Position Held in Trust for Pool Participants – External Investment Trust Fund</i>	194
<i>Combining Statement of Changes in Net Position Held in Trust for Pool Participants – External Investment Trust Fund</i>	195
<i>Combining Statement of Fiduciary Net Position – Custodial Funds</i>	196

<i>Combining Statement of Changes in Fiduciary Net Position – Custodial Funds</i>	197
<i>Combining Statement of Net Position – Nonmajor Discretely Presented Component Units</i>	198
<i>Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Discretely Presented Component Units</i>	199

STATISTICAL SECTION

<i>Statistical Section Narrative and Table of Contents</i>	202
<i>Schedule of Net Position by Component Last Ten Fiscal Years</i>	204
<i>Changes in Net Position – Last Ten Fiscal Years</i>	206
<i>Fund Balances, Governmental Funds Last Ten Fiscal Years</i>	208
<i>Ten-Year Schedule of Revenues and Other Financing Sources All Governmental Fund Types – Fund Perspective</i>	210
<i>Ten-Year Schedule of Expenditures and Other Financing Uses by Secretariat All Governmental Fund Types – Fund Perspective</i>	212
<i>Personal Income by Industry Last Ten Calendar Years</i>	214
<i>Commonwealth of Massachusetts Personal Income Tax Filers and Liability by Income Level – Tax Years 2019 and 2010</i>	216
<i>Ten – Year Schedule of Per Capita General Long-Term Bonded Debt and Capital Leases</i>	217
<i>Ten-Year Schedule of Outstanding Direct Debt and Statutory Debt Limit</i>	218
<i>Ten-Year Schedule of Pledged Revenue Coverage</i>	220
<i>Ten-Year Schedule of Percentage of Annual Debt Service Expenditures For General Bonded Debt to Total Non-Capital Expenditures – Fund Perspective All Governmental Fund Types</i>	222
<i>Component Units Revenue Bond Coverage for the Last Ten Fiscal Years</i>	223
<i>Ten-Year Schedule of Massachusetts and United States Resident Population</i>	224
<i>Ten-Year Schedule of Massachusetts and United States Resident Per Capita Net Income</i>	225
<i>Ten-Year Schedule of Annual Average Civilian Labor Force, Unemployment and Unemployment Rates for Massachusetts and the United States</i>	226
<i>Largest Private Sector Massachusetts Employers</i>	227
<i>Full Time Equivalent Employees by Function / Program Last Ten Years</i>	228
<i>Average Annual Medicaid Caseload and Medicaid Expenditures – Fund Perspective – Last Ten Fiscal Years</i>	230
<i>Massachusetts Road Inventory Calendar Year End, Lane Miles by Type Last Ten Calendar Years</i>	231
<i>Massachusetts Real Property Owned and Leased Annual Inventory, Acreage, Improvements and Square Footage Last Ten Years</i>	232
<i>Massachusetts Public Higher Education Enrollment and Degrees Conferred Last Ten Academic Years</i>	234
<i>Calculation of Transfers: Stabilization Fund</i>	236
<i>Calculation of Transfers: Tax Reduction Fund</i>	237
<i>Massachusetts General Information</i>	238



Introductory Section

(Unaudited)

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





WILLIAM McNAMARA
COMPTROLLER

Commonwealth of Massachusetts

OFFICE OF THE COMPTROLLER

ONE ASHBURTON PLACE, 9TH FLOOR
BOSTON, MASSACHUSETTS 02108
(617) 727-5000
MACOMPTROLLER.ORG



April 28, 2022

*To His Excellency Governor Charles D. Baker,
Honorable Members of the General Court,
and the People of the Commonwealth of Massachusetts*

I am pleased to provide this Letter of Transmittal for the Commonwealth's fiscal year 2021 (FY21) Annual Comprehensive Financial Report (ACFR) prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America. The objective of this report is to provide a clear financial picture of our government as a single, unified entity.

This document presents the Commonwealth's financial information on three bases of accounting, each serving a different purpose. The report includes "required supplementary information" in the form of budgetary basis statements, which are prepared in accordance with the Commonwealth's budgetary or statutory basis of accounting and summarized by Commonwealth branch and agency. This information is aggregated from FY21 line item appropriations, the legal level of budgetary control -- i.e., the amount up to which state departments can spend without approval of additional appropriations (in a so-called "supplemental budget") by the Massachusetts Legislature. Line items specify a dollar amount that can be legally spent on specified programs or activities; for example, separate line items are authorized in the state's annual budget for general administrative expenses (including personnel expenses) and for benefit payments in the Commonwealth's Medicaid program. More detailed information on the statutory basis of accounting and the results of operations on that basis from FY21 are found in the Statutory Basis Financial Report (SBFR) issued separately on November 19, 2021. The SBFR documents compliance with the legislatively adopted budget at a fund level. Further documentation is found within the Commonwealth's accounting system, the Massachusetts Management Accounting and Reporting System (MMARS). Each state maintains different rules for budgetary reporting and therefore the SBFR should not be used for comparisons across states.

The ACFR "fund perspective" statements present the governmental operations on a modified accrual basis of accounting. The fund perspective is designed to measure inter-period equity, the extent to which current resources (available within one year) fully fund all current services provided by the government. Long-term liabilities are excluded with the implicit assumption that future tax revenues will fund these liabilities as they come due. This fund perspective provides results similar to the SBFR.

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

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

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

This ACFR is presented in three sections: **Introductory**, **Financial**, and **Statistical**. The **Introductory Section** contains an overview of current initiatives and summary financial data. The **Financial Section** contains the Management's Discussion and Analysis (MD&A) and the Commonwealth's Basic Financial Statements. GAAP requires that management provide a narrative overview and analysis in the form of an MD&A to accompany the basic financial statements. This ACFR is prepared by the Office of the State Comptroller in conjunction with management of Commonwealth's departments, which is collectively responsible for its contents.

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

PROFILE OF THE COMMONWEALTH

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

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

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

The table on page 3 reconciles the fund balances on three bases of accounting: the statutory basis presented in separately issued financial statements on November 19, 2021; the fund basis; and the entity-wide basis statements, the latter two of which are included in this report.

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

Governmental Funds - Statutory Basis, June 30, 2021	
Budgeted fund balance	\$ 12,099.2
Non-budgeted special revenue fund balance	4,249.0
Capital projects fund balance	<u>(994.9)</u>
Governmental Fund Balance - Statutory Basis, June 30, 2021	\$ 15,353.3
Plus: Expendable Trust and Similar Fund Statutory balances that are considered Governmental Funds for GAAP reporting purposes	675.1
Less: Massachusetts Department of Transportation Funds	<u>(1,563.5)</u>
Adjusted Statutory Governmental fund balance	14,464.9
Reclassification of funds due to implementation of GASB Statement No. 84	44.9
Short-term accruals, net of allowances and deferrals for increases /(decreases):	
Taxes, net of refunds and abatements	2,580.4
Tobacco settlement agreement receivable	106.0
Medicaid	<u>(193.5)</u>
Other short-term accruals:	
Assessments and other receivables	1,376.9
Amounts due to authorities and municipalities, net	<u>(752.4)</u>
Claims, judgments and other risks	<u>(13.3)</u>
Amounts due to health care providers and insurers	<u>(19.1)</u>
Workers' compensation and group insurance	<u>(168.7)</u>
Other accruals, net	<u>(5,392.5)</u>
Net increase to governmental fund balances	(2,431.3)
Massachusetts School Building Authority fund balance	<u>1,783.7</u>
Total changes to governmental funds	<u>(647.6)</u>
Governmental fund balance (fund perspective)	13,817.3
Plus: Capital assets including infrastructure, net of accumulated depreciation	5,053.8
Deferred revenue, net of other eliminations	570.2
Long-term receivables	28.0
Long-term accruals:	
Net pension liability	(46,159.8)
Net deferred (inflows)/outflows of resources related to pension	8,229.1
Net OPEB liability	(18,434.7)
Net deferred (inflows)/outflows of resources related to OPEB	607.4
Environmental remediation liability	<u>(595.3)</u>
Massachusetts School Building Authority debt and school construction payables	<u>(6,640.9)</u>
Long-term debt, unamortized premiums and net deferrals on debt refundings	<u>(33,217.7)</u>
Compensated absences	<u>(754.1)</u>
Capital leases	<u>(14.3)</u>
Accrued interest on bonds	<u>(441.4)</u>
Other long-term liabilities	<u>(1,103.5)</u>
Total governmental activities net position (entity wide perspective)	<u>\$ (79,055.9)</u>

The deficit of \$79.056 billion in governmental activities net position is largely attributable to several factors. First, the Commonwealth has made a policy decision to finance construction of assets owned by other government entities, particularly Commonwealth roads and bridges, school buildings, and assets of cities and towns and local authorities. As a result of transportation reform implemented during FY10, the Commonwealth shifted virtually all

its road and bridge assets from its books to the newly created Massachusetts Department of Transportation (MassDOT), a component unit of the Commonwealth. Second, starting in FY15, the Commonwealth's net (or unfunded) pension liability, was placed on the Commonwealth's books in accordance with [GASB Statement No. 68, Accounting and Financial Reporting for Pensions](#). Third, the Commonwealth's net (or unfunded) OPEB, or other post-employment benefits (mainly health insurance), liability, was placed on the Commonwealth's books starting in FY18 in accordance with [GASB Statement No. 75, Accounting and Financial Reporting for Post Employment Benefits Other than Pensions](#). These factors are described in detail on pages 20 and 24 of the MD&A.

Since MassDOT retains virtually all the Commonwealth's road and bridge assets using debt issued by the Commonwealth and MassDOT ended FY21 with a positive net position of \$29.464 billion, it is more informative to view the Commonwealth's financial statements in combination with MassDOT than to analyze the two separately, while also keeping in mind that significant assets owned by the Institutions of Higher Education and local governments and authorities were financed by liabilities still on the Commonwealth's books.

As of June 30, 2021, the net pension liability in governmental activities totaled \$46.160 billion, offset by GASB 68 related adjustments (in the form of deferred inflows and outflows of resources) of \$8.229 billion; resulting in a reduction in governmental activities net position of \$37.931 billion. The governmental activities' net OPEB liability totaled \$18.435 billion.

The net deficit in governmental activities (which excludes "business-type activities" of Unemployment Insurance, the Family and Employment Security Trust and Higher Education) increased by \$1.379 billion between June 30, 2020 and June 30, 2021. The most significant changes were as follows:

- The Commonwealth's current assets increased by \$9.178 billion, primarily as a result of increased cash on hand primarily due to strong tax revenue growth in FY21 and provision of federal government financial aid under the American Rescue Plan Act of 2021 (ARPA), which provided the state with \$5.286 billion in aid to offset the impacts of the COVID-19 pandemic. None of that ARPA revenue was expended in FY21 so remains on the balance sheet and is available for use in future years, but offset current assets since it was classified an "unearned revenue" liability on the balance sheet as of June 30, 2021 and remain so classified until it is expended.
- The Commonwealth's other net post-employment benefits (OPEB) liability, after taking into account deferrals of the liability decrease caused by lower than projected retiree medical costs and a change in the discount rate by which OPEB liabilities are calculated, increased by \$485 million between FY20 and FY21.
- Commonwealth long-term debt outstanding increased by \$1.084 billion from June 30, 2020 as debt issuance to fund FY21 capital spending exceeded the amount of debt retired.
- The Commonwealth's net pension liability, after taking into account deferrals of FY21 investment gains and other adjustments that will be recognized over the next several years, increased by \$2.873 billion, primarily due to a reduction, from 7.25%, to 7.15%, in the rate used to discount liabilities.
- As noted above and explained in more detail in the MD&A, the Commonwealth continues to fund, through its own debt, transportation-related assets owned by the Massachusetts Department of Transportation (MassDOT), Institutions of Higher Education, cities and towns and quasi-public authorities. In FY21, approximately \$2.508 billion of the more than \$3.062 billion in state-funded capital spending generated assets not owned by the Commonwealth. As a result of this capital spending on assets owned by entities other than the Commonwealth, the amount of debt outstanding increased by \$1.859 billion while the Commonwealth's governmental activities capital assets net of depreciation increased by only \$165 million.

The net deficit in the primary government, in addition to governmental activities, includes the Commonwealth's business-type activities of the Unemployment Insurance system, Family and Employment Security Trust and Higher Education institutions, increased by \$858 million from FY20, due primarily to an increased liabilities for pension and post-employment (health insurance) benefits for state employees, which together increased by a total of \$1.612 billion, and decrease in net position of business-type activities of \$521 million, caused by a reduction of \$202 million in the Unemployment Insurance fund balance, partially offset by an increase of \$767 million in Family and

Employment Security Trust and smaller surpluses in Higher Education. These changes are explained in more detail on pages 22 through 27 of this report.

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

REPORTING ENTITY

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

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

INDEPENDENT AUDIT

The Commonwealth's independent auditors, CliftonLarsonAllen, LLP, have performed an independent audit of the Commonwealth for the fiscal year ended June 30, 2021. The [Independent Auditors' Report](#) is presented in the Financial Section.

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

The Annual Comprehensive Financial Report is the single most important financial statement that the Commonwealth, and every state, is required to produce annually. It requires a year-long focus on careful execution and accounting for financial transactions, which is a shared responsibility of financial professionals across state government and the Office of the Comptroller. The work culminates in an intensive process led by the Statewide Financial Reporting team, engaged with departments statewide and with the independent auditor. I thank especially Chief Financial Reporting Officer Pauline Lieu and the Reporting team, Chief Accounting Officer, Kristin Lacroix and the Statewide Accounting Team, and Howard Merkowitz. Every department within the Office of the Comptroller has a direct impact on our ability to produce accurate financial information, and I extend my sincere appreciation every manager and employee for their professionalism and hard work.

Sincerely,



William McNamara
Comptroller of the Commonwealth

CONSTITUTIONAL OFFICERS

Charles D. Baker
Governor

Karyn E. Polito
Lieutenant Governor

William F. Galvin
Secretary of State

Maura Healey
Attorney General

Deborah B. Goldberg
Treasurer and Receiver-General

Suzanne Bump
Auditor

LEGISLATIVE OFFICERS

Karen E. Spilka
Senate President

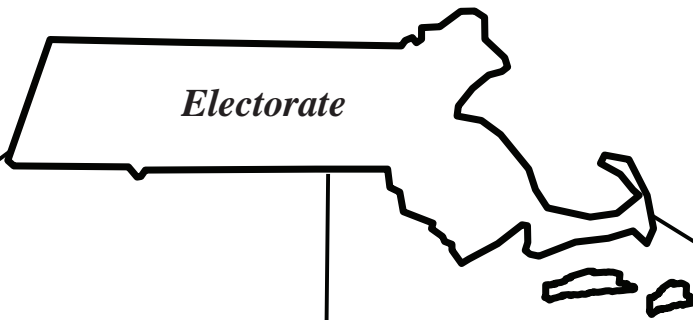
Ronald Mariano
Speaker of the House

JUDICIAL OFFICERS

Kimberly S. Budd
Chief Justice, Supreme Judicial Court

Mark Green
Chief Justice, Appeals Court

John A. Bello
Court Administrator, Trial Court



<i>Legislative Branch</i>	<i>Executive Branch</i>	<i>Judicial Branch</i>
House of Representatives Senate	Governor and Lieutenant Governor [#] Governor's Council District Attorneys Sheriffs State Auditor Attorney General Victim and Witness Assistance Board Secretary of the Commonwealth Treasurer and Receiver-General Lottery Commission Massachusetts Cultural Council Independent Offices and Commissions*	Supreme Judicial Court Appeals Court Trial Court Committee for Public Counsel Board of Bar Examiners Commission on Judicial Conduct Mental Health Legal Advisors

<i>Executive Branch Independent Offices and Commissions*</i>		
Board of Library Commissioners Campaign and Political Finance Cannabis Control Commission Center for Health Information & Analysis Commission Against Discrimination	Commission on the Status of Women Disabled Persons Protection Commission Massachusetts Gaming Commission Office of the Child Advocate Office of the Comptroller	Office of the Inspector General State Ethics Commission State Retiree Benefits Trust Fund Board University of Massachusetts System

<i>Executive Departments Under Gubernatorial Authority[#]</i>		
<p><u>Administration and Finance</u> Executive Office for Administration and Finance Appellate Tax Board Bureau of the State House Civil Service Commission Department of Revenue Developmental Disabilities Council Division of Administrative Law Appeals Division of Capital Asset Management and Maintenance George Fingold Library Group Insurance Commission Health Policy Commission Human Resource Division Massachusetts Office on Disability Massachusetts Teachers' Retirement System Operational Services Division Public Employee Retirement Administration Commission</p> <p><u>Education</u> Executive Office of Education Department of Early Education and Care Department of Elementary and Secondary Education Department of Higher Education Community Colleges State Universities</p>	<p><u>Housing and Economic Development</u> Executive Office of Housing and Economic Development Department of Business Development Office of Consumer Affairs & Business Regulations Massachusetts Marketing Partnership Department of Housing & Community Development Department of Telecommunications and Cable Division of Banks Division of Insurance Division of Professional Licensure Division of Standards</p> <p><u>Energy and Environmental Affairs</u> Executive Office of Energy and Environmental Affairs Department of Agricultural Resources Department of Conservation and Recreation Department of Energy Resources Department of Environmental Protection Department of Fish and Game Department of Public Utilities State Reclamation Board</p> <p><u>Technology and Security</u> Executive Office of Technology Services and Security</p> <p><u>Transportation and Public Works</u> Massachusetts Department of Transportation (MassDOT)</p>	<p><u>Executive Office of Labor and Workforce Development</u></p> <p><u>Health and Human Services</u> Executive Office of Health and Human Services Executive Office of Elder Affairs Department of Children and Families Department of Developmental Services Department of Mental Health Department of Public Health Department of Transitional Assistance Department of Veterans' Services Department of Youth Services Massachusetts Commission for the Blind Massachusetts Commission for the Deaf and Hard of Hearing Massachusetts Rehabilitation Commission Office for Refugees and Immigrants Soldiers' Home, Holyoke Soldiers' Home, Massachusetts</p> <p><u>Public Safety</u> Executive Office of Public Safety and Security Chief Medical Examiner Department of Criminal Justice Information Services Department of Correction Department of Fire Services Department of State Police Massachusetts Emergency Management Agency Military Division/ Massachusetts National Guard Municipal Police Training Committee Parole Board Sex Offender Registry</p>

ADVISORY BOARD TO THE COMPTROLLER

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

Suzanne Bump
Auditor

Deborah B. Goldberg
Treasurer and Receiver-General

John A. Bello
Chief Administrator, Trial Court

Maura Healey
Attorney General

Michael Esmond
Chief Financial Officer
Massachusetts Convention Center Authority
Gubernatorial Appointee

Natalie Monroe
First Assistant Inspector General
Office of the Inspector General
Gubernatorial Appointee

REPORT PREPARED BY:

Statewide Financial Reporting

Pauline Lieu, CPA, CFE, CGFM
Chief Financial Reporting Officer

Howard Merkowitz
Project Manager

Christine Bender
Accountant

Wagdy Rizk
Accountant

Nana Law, CPA
Accountant

Brian Johnson
Accountant

Emily Pun, CPA
Accountant

Ken Li
Accountant

Cathy Hunter
Program Coordinator



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for the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

Financial Section

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

Notes to the Basic Financial Statements

Required Supplementary Information Other Than Management's Discussion and Analysis

Other Supplementary Information





Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts (Commonwealth), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit.

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

Opinion Unit	Entity	Percent of Opinion Unit's Total	
		Assets	Revenues / Additions
Governmental Activities	Lotteries Fund; Massachusetts School Building Authority Fund	5.83%	9.82%
Business-Type Activities	University of Massachusetts; State Universities; Community Colleges	71.83%	16.96%
Lotteries Fund	Lotteries Fund	6.63%	100.00%
Massachusetts School Building Authority Fund	Massachusetts School Building Authority Fund	100.00%	100.00%

Opinion Unit	Entity	Percent of Opinion Unit's Total	
		Assets	Revenues / Additions
University of Massachusetts	University of Massachusetts	100.00%	100.00%
State Universities	State Universities	100.00%	100.00%
Community Colleges	Community Colleges	100.00%	100.00%
Aggregate Remaining Fund Information	External Investment Trust Funds	24.92%	40.39%
Aggregate Discretely Presented Component Units	Massachusetts Department of Transportation; Commonwealth Health Insurance Connector; Massachusetts Clean Water Trust; Massachusetts Convention Center Authority; Massachusetts Development Finance Agency; Massachusetts Clean Energy Center; Massachusetts Technology Park Corporation; Massachusetts Housing Partnership; Economic Development Entities; Higher Education Foundations	100.00%	100.00%

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

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1T to the financial statements, an error related to the classification of custodial funds resulted in an understatement of the lotteries (major governmental fund) fund balance. Accordingly, an adjustment has been made to beginning fund balance of the lotteries fund. Also as discussed in Note 1T to the financial statements, the Massachusetts Department of Transportation (MassDOT), a discretely presented component unit, adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. As a result, MassDOT reported a restatement for the change in accounting principle. Our auditors' opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2022, on our consideration of the Commonwealth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commonwealth's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commonwealth's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Boston, Massachusetts
April 28, 2022

Management's Discussion and Analysis (Unaudited)

Financial Highlights – Primary Commonwealth Government

Government–Wide Highlights

This analysis, prepared by the Office of the Comptroller, offers readers of the Commonwealth's financial statements a narrative overview of the activities of the Commonwealth for the fiscal year ended June 30, 2021 (FY21). We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal and with the Commonwealth's financial statements, which follow. This analysis is required by the Governmental Accounting Standards Board (GASB), which provides preparers with guidelines on what must be included in and excluded from this analysis.

Net Position – The liabilities and deferred inflows of resources of the primary government exceeded its assets and deferred outflows of resources at the end of FY21 by \$73.858 billion, an increase in the net deficit of \$858 million from FY20.

Of the \$73.858 billion deficit, “unrestricted net position” has a deficit of \$79.290 billion and there is a \$2.203 billion positive balance attributable to net investment in capital assets. There are five primary reasons for the Commonwealth's negative unrestricted net position:

- In FY10, the Commonwealth implemented transportation reform, which created the Massachusetts Department of Transportation (MassDOT) and transferred to that entity virtually all highway and bridge assets of the Commonwealth totaling approximately \$15.521 billion, net of depreciation, as of the date of the transfer. These and subsequently constructed road and bridge assets were valued at \$25.918 billion as of June 30, 2021. However, the Commonwealth originally paid and continues to pay for the construction of these assets and retains approximately \$13.930 billion in transportation-related debt, which is now unrelated to any capital asset owned by the Commonwealth.
- The Commonwealth has a net liability of \$4.857 billion for its share of the construction costs of schools owned and operated by municipalities through the Massachusetts School Building Authority (MSBA).
- The Commonwealth, through debt issuances, also pays for non-transportation capital assets held by quasi-public entities, local governments, and housing authorities.
- With the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which was effective starting in FY15, the Commonwealth was required to place on its books the full amount of its unfunded pension liability (known as the “net pension liability”), which totaled \$47.142 billion as of June 30, 2021 (based on a June 30, 2020 actuarial valuation, per GASB 68).
- The implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which was effective starting in FY18, required the Commonwealth to record on its statement of net position its unfunded non-pension retiree benefits (or OPEB, mostly health insurance benefits), which totaled \$19.694 billion as of June 30, 2021 (based on a June 30, 2020 valuation, per GASB 75).

At the end of FY21, the Commonwealth also held \$3.229 billion in “restricted net position”, which are assets restricted primarily for payment of debt service, unemployment insurance benefits, and the Institutions of Higher Education. Approximately \$919 million was restricted for debt retirement (of which \$891 million was restricted for MSBA debt retirement), \$312 million was restricted for Higher Education, and \$402 million was restricted for other governmental purposes.

The Commonwealth's governmental activity (which excludes the “business-type activities” of the Institutions of Higher Education, Family and Employment Security Trust and Unemployment Insurance) net deficit increased by

\$1,379 million, to \$79.056 billion, and its governmental activities unrestricted net deficit increased by approximately \$1,203 million, to \$78.718 billion, as of June 30, 2021.

Total revenues of the primary government increased by \$17.740 billion, or 23.2% in FY21, to \$94.323 billion due to strong revenue growth as the economy recovered from coronavirus pandemic and the receipt of additional federal aid from the American Rescue Plan Act of 2021 (ARPA). Total expenses of the primary government increased by \$14.579 billion, or approximately 18.1%, to \$95.182 billion,. Details on revenues and expenses for the primary government can be found on pages 22–29.

The net position of business–type activities increased by \$521 million, due to surpluses of \$767 million in the Family and Employment Security Trust Fund (as assessments were collected for all of FY21 entire but benefits began only in the second half of the fiscal year) and \$376 million in Higher Education, which offset a deficit of \$622 million in the Unemployment Insurance program (as unemployment benefits continued at an elevated rate due to the pandemic).

On a "funds perspective" basis, at June 30, 2021, the Commonwealth’s governmental funds reported a combined ending fund balance of \$13.817 billion, an increase of \$3.905 billion from June 30, 2020. Of the ending balances:

- There are \$755 million nonspendable balances, \$1.321 billion is restricted, \$6.806 billion is committed, \$2.047 billion is assigned, and \$2.889 billion is unassigned fund balance (a full discussion of these classifications is included in [Note 1](#) to the basic financial statements, on pages 67-71).
- The MSBA’s fund balance of \$1.784 billion is blended with the Commonwealth. Within this fund balance is \$1.713 billion in cash and restricted investments, which resulted primarily from the issuance of debt in FY21 and previous fiscal years, less approximately \$57 million in liabilities. In FY21, \$1.072 billion was dedicated to the MSBA from Commonwealth sales taxes, and the MSBA issued \$1.761 billion in long-term dedicated sales tax bonds.

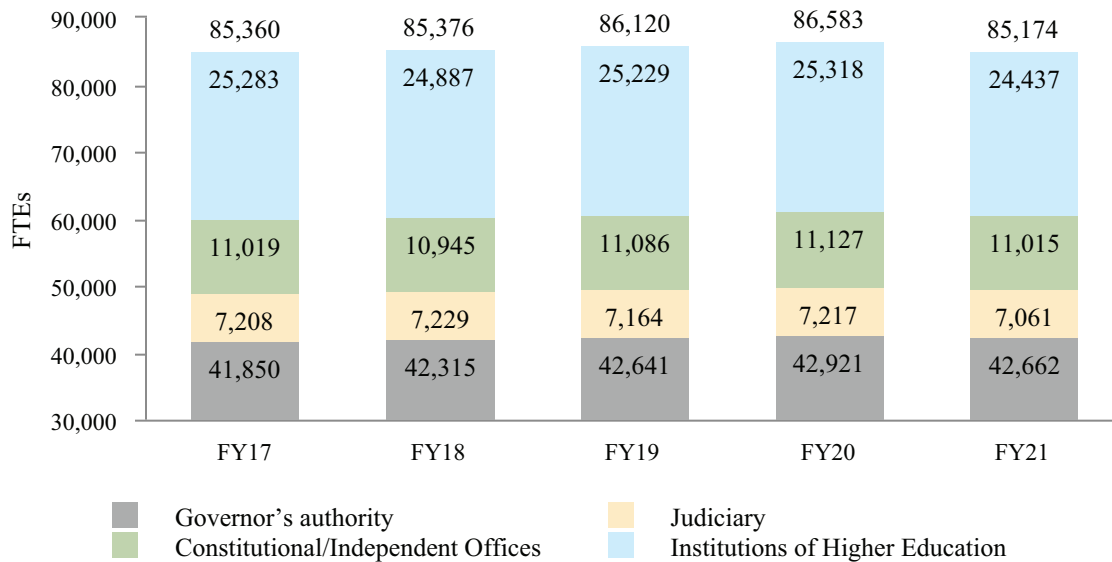
Other highlights of FY21 financial operations include:

- Tobacco settlement proceeds for the year were approximately \$226 million on a GAAP basis, an increase of approximately \$4 million from FY20. Approximately \$106 million has been reported as a receivable in the governmental funds, equal to half of the anticipated tobacco settlement proceeds to be received in FY22. In FY21 approximately \$25 million, or the equivalent of 10% of tobacco settlement proceeds, was transferred to the State Retiree Benefits Trust Fund (SRBTF) to fund the Commonwealth’s liability for retiree health care. Per statute, the proportion of tobacco settlement revenues transferred to the SRBTF increases annually until an amount equal to 100% of the tobacco settlement proceeds is to be transferred to the SRBTF in FY23, although the requirement to transfer increasing percentages of tobacco settlement proceeds was modified for FY21 with the percentage reduced to 10%.
- During the fiscal year, the Commonwealth passed or agreed to terms of approximately \$15.370 billion in bond authorizations, with the major items being approximately \$10.405 billion for transportation-related projects, \$2.975 billion for state financial assistance to municipalities for improvements projects, \$660 million for technology and telecommunication infrastructure, \$421 million provided funding to component units. There were no bond de-authorizations of previously approved capital appropriations during the fiscal year. The Commonwealth determines the timing and extent of capital spending and bonding as part of its five-year capital plan.
- Lottery revenues for FY21 were \$5.829 billion, an increase of approximately \$434 million, or 8.0%, from FY20, as ticket sales recovered from the coronavirus-induced FY20 sales decline. Prizes were approximately \$4.721 billion. Lottery profits, after deducting administrative expenses and fringe benefit charges to reimburse the Commonwealth’s General Fund for pension and employee health insurance benefits, but prior to distributions to reimburse the Massachusetts Cultural Council and compulsive gamblers appropriation as mandated in the FY21 budget, totaled \$1.108 billion an increase of \$123 million, or 12.5%, from FY20. Mandated transfers to the General Fund to reimburse it for administrative expense appropriations and other spending totaled \$1.208 billion.

Full-Time Equivalent Employment

The following chart shows the Commonwealth’s full-time equivalent employment, including the Massachusetts Department of Transportation (MassDOT) for all state funding sources (budgetary, non-budgetary, capital, federal, and trust) over the past five fiscal years. As of June 30, 2021, the number of Commonwealth employees decreased by a net of 1,409 full-time equivalent employees (FTEs) from June 30, 2020, to a total of 85,174. The largest decreases were in the University of Massachusetts (483 FTEs), the Executive Office of Health and Human Services (232 FTE's), the Community Colleges (205 FTEs), the State Universities (192 FTEs), Judiciary (156 FTE's), and the Executive Office of Public Safety (106 FTE's).

**Full Time Equivalent Workforce
Including Higher Education
June 2017 – June 2021**



OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government–Wide Financial Statements

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

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

The government-wide financial statements can be found on [pages 38-41](#) of this report.

Fund Financial Statements and Component Unit Financial Statements

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

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

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

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

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

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

The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements as of the date provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on [pages 63-140](#).

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

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

GOVERNMENT-WIDE ANALYSIS

The primary government's combined net position (governmental and business-type activities) showed a net deficit of \$73.858 billion at the end of FY21, an increase in the net deficit of \$858 million from the end of FY20. Government-wide unrestricted net position is negative by \$79.290 billion. As explained previously, in addition to the \$47.142 billion government-wide net pension liability and the \$19.694 billion OPEB liabilities recorded on the Commonwealth's books, a substantial portion of this deficit is a result of programs where the Commonwealth has funded assets owned by political subdivisions of the Commonwealth (in particular the result of the transfer of assets to MassDOT during FY10), as well as continued borrowing by the Commonwealth that funds, through its capital budget and debt issuance, construction of new assets owned by MassDOT, local governments, and local authorities. MassDOT reports its capital assets on its financial statements, which are incorporated into the Commonwealth's financial statements similarly to other component units.

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

Massachusetts School Building Authority net deficit	\$ 4,856,518
Outstanding bonds issued to fund the MBTA	207
Debt related to MassDOT assets	13,930,475
Effects on governmental unrestricted net position of items unique to the Commonwealth	<u>\$ 18,787,200</u>

Of the Commonwealth's approximately \$3.062 billion in FY21 state funded capital spending, about \$2.508 billion did not result in capital assets attributed to governmental activities of the Commonwealth, including approximately \$1.657 billion in transportation spending (with \$492 million in grants and other financial assistance to cities and towns), \$166 million for Institutions of Higher Education (which are included in the Commonwealth's business-type activities) and approximately \$669 million in other capital grants and financial assistance to local governments and quasi-public entities. Between FY05 and FY21 the Commonwealth's capital spending on projects owned by non-Commonwealth entities or by the Institutions of Higher Education totaled \$29.580 billion. These include:

- Higher Education capital projects totaling approximately \$2.361 billion
- Capital spending for transportation projects now owned by the Massachusetts Department of Transportation totaling approximately \$14.722 billion
- Transportation-related financial assistance to local governments totaling more than \$4.707 billion
- Grants and financial assistance for non-Commonwealth entities such as cities and towns and quasi-public authorities funded through the Commonwealth's capital budget of almost \$7.606 billion, including \$1 billion in FY05 and FY06 to capitalize the Massachusetts School Building Authority.

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

Current assets and liabilities are amounts that are available in the current period and obligations that will be paid within one year of the financial statement date, respectively. As of June 30, 2021, the Commonwealth's government-wide current unrestricted cash and cash equivalents totaled \$21.663 billion, an increase of \$13.783 billion from June 30, 2020 due primarily to strong tax revenue growth and increased federal coronavirus relief aid. Total current assets were \$31.815 billion, an increase of \$12.644 billion from June 30, 2020. As of June 30, 2021, the Commonwealth's current liabilities were \$20.544 billion, an increase of \$8.596 billion from June 30, 2020, primarily due to a \$4.436 billion increase in unexpended federal coronavirus relief classified as "unearned revenue" under GASB rules and an increase of \$2.140 billion in bonds payable.

As of June 30, 2021, the primary government's non-current assets increased by \$84 million from June 30, 2020, to \$17.422 billion, due mainly to an increase of \$444 million in restricted assets in the long-term investments of higher

Education Institutions.

The Commonwealth holds \$13.048 billion in traditional capital assets such as land, construction in process, buildings, infrastructure, and equipment, net of accumulated depreciation. GASB requires the reporting of the value of investments in the Commonwealth's infrastructure, including roads, bridges, beaches, dams and other immovable assets on the face of the Commonwealth's financial statements. As these assets provide services to citizens, they are not available to finance future spending unless they are sold. Although the Commonwealth's investment in its capital assets is also reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves generally cannot be used to liquidate these liabilities.

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

Net Position as of June 30, 2021 and 2020
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Current assets	\$ 25,032,305	\$ 15,854,027	\$ 6,783,016	\$ 3,316,988	\$ 31,815,321	\$ 19,171,015
Non-capital non-current assets	2,512,822	2,745,184	1,861,255	1,709,859	4,374,077	4,455,043
Capital assets	5,053,814	4,922,839	7,994,110	7,960,376	13,047,924	12,883,215
Total assets	32,598,941	23,522,050	16,638,381	12,987,223	49,237,322	36,509,273
Deferred outflows of resources	11,907,792	8,088,490	811,733	758,472	12,719,525	8,846,962
Total assets and deferred outflows	44,506,733	31,610,540	17,450,114	13,745,695	61,956,847	45,356,235
Current liabilities	15,946,066	10,543,756	4,598,127	1,404,078	20,544,193	11,947,834
Long term liabilities	103,645,738	94,540,163	6,869,625	7,100,293	110,515,363	101,640,456
Total liabilities	119,591,804	105,083,919	11,467,752	8,504,371	131,059,556	113,588,290
Deferred inflows of resources	3,970,829	4,203,986	784,709	564,173	4,755,538	4,768,159
Total liabilities and deferred inflows	123,562,633	109,287,905	12,252,461	9,068,544	135,815,094	118,356,449
Net Position:						
Net investment in capital assets	(1,658,414)	(1,705,745)	3,861,405	3,938,922	2,202,991	2,233,177
Restricted	1,320,793	1,543,264	1,908,348	1,319,929	3,229,141	2,863,193
Unrestricted	(78,718,279)	(77,514,884)	(572,100)	(581,700)	(79,290,379)	(78,096,584)
Total Net Position	\$ (79,055,900)	\$ (77,677,365)	\$ 5,197,653	\$ 4,677,151	\$ (73,858,247)	\$ (73,000,214)

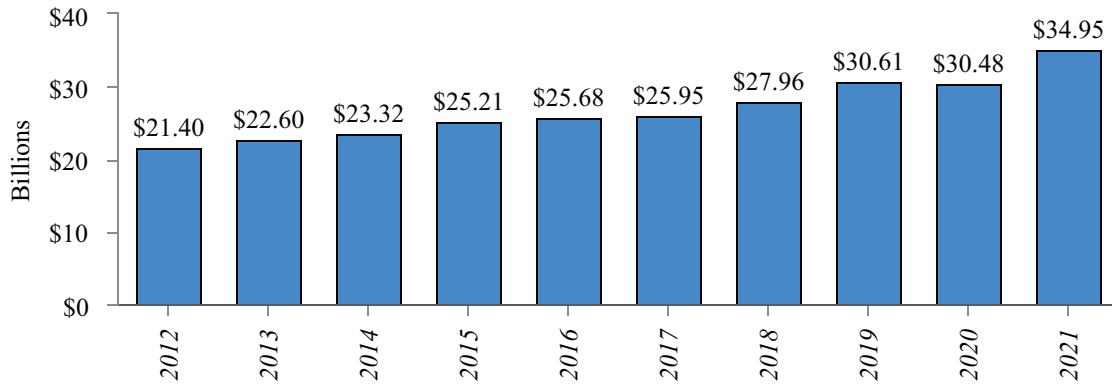
Changes in Net Position

As noted earlier, the Commonwealth's total primary government net deficit increased by approximately \$858 million between FY20 and FY21, to \$73.858 billion. The main reasons for the increase in the net deficit were the \$1.379 billion loss in governmental activities primarily due to increases of \$2.961 billion in the Commonwealth's net pension liability (net of deferrals) and a \$1.562 billion increase in the Commonwealth's bonds payable and unamortized premiums, which offset strong operating gains due to tax revenue growth.

The following table shows the major categories of government-wide revenues and expenses for FY20 and FY21, as well as net position for the two fiscal years. In FY21, approximately 37.1% of the total revenue for governmental activities came from taxes, while the remainder resulted from programmatic revenues, including charges for services

and grants and contributions, the majority of which was federal aid. FY21 revenues totaled \$94.323 billion, an increase of \$17.740 billion, or 23.2% from FY20, with tax revenue totaling \$34.947 billion, an increase of \$4.465 billion, or 14.6%, from FY20. All major tax sources benefited from the economic recovery, with income tax increasing by \$2.707 billion, or 15.5%, sales tax revenue grew by \$669 million, or 9.6%, and corporate excise tax increased by \$925 million, or 33.9%.

**Revenue from Taxation
FY12 - FY21**



Changes in Net Position during the Fiscal Years Ended June 30, 2021 and 2020
(in thousands of dollars except percentages)

	Governmental Activities		Business - Type Activities		Total Primary Government		Total Primary Government		
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021 Distribution	June 30, 2020 Distribution	21 to '20 % Change
Revenues									
Program Revenues:									
Charges for services	\$ 11,942,508	\$ 11,077,441	\$ 4,952,602	\$ 5,384,806	\$ 16,895,110	\$ 16,462,247	17.9 %	21.5 %	(16.7)%
Operating grants and contributions	22,611,465	18,661,840	18,546,091	9,250,714	41,157,556	27,912,554	43.6 %	36.4 %	19.8 %
Capital grants and contributions	77,259	77,964	174,851	145,646	252,110	223,610	0.3 %	0.3 %	— %
General Revenues:									
Taxes	34,947,335	30,482,040	—	—	34,947,335	30,482,040	37.1 %	39.8 %	(6.8)%
Other	697,132	1,169,416	374,249	333,608	1,071,381	1,503,024	1.1 %	2.0 %	(45.0)%
Total Revenues	70,275,699	61,468,701	24,047,793	15,114,774	94,323,492	76,583,475	100.0 %	100.0 %	
Expenses									
Medicaid	20,208,100	19,206,749	—	—	20,208,100	19,206,749	21.2 %	23.9 %	(11.3)%
Direct local aid	6,499,305	6,390,233	—	—	6,499,305	6,390,233	6.8 %	7.9 %	(13.9)%
Health and human services	11,658,328	9,645,198	—	—	11,658,328	9,645,198	12.2 %	12.0 %	1.7 %
Lottery	4,617,789	4,306,512	—	—	4,617,789	4,306,512	4.9 %	5.3 %	(7.5)%
Higher education	—	—	5,369,639	5,484,490	5,369,639	5,484,490	5.6 %	6.8 %	(17.6)%
Early elementary and secondary education	7,687,798	6,618,282	—	—	7,687,798	6,618,282	8.1 %	8.2 %	(1.2)%
Unemployment compensation	—	—	19,438,890	11,948,319	19,438,890	11,948,319	20.4 %	14.8 %	37.8 %
Family and employment security trust	—	—	236,361	5,434	236,361	5,434	0.2 %	— %	— %
Other	19,465,315	16,997,557	—	—	19,465,315	16,997,557	20.5 %	21.1 %	(2.8)%
Total Expenses	70,136,635	63,164,531	25,044,890	17,438,243	95,181,525	80,602,774	99.9 %	100.0 %	
Excess/(Deficiency)									
before transfers	139,064	(1,695,830)	(997,097)	(2,323,469)	(858,033)	(4,019,299)			
Transfers	(1,517,599)	(1,404,336)	1,517,599	1,404,336	—	—			
Change in net position (deficits)	(1,378,535)	(3,100,166)	520,502	(919,133)	(858,033)	(4,019,299)			
Net position/(deficits) - beginning, as restated	(77,677,365)	(74,577,199)	4,677,151	5,596,284	(73,000,214)	(68,980,915)			
Net position/(deficits) - ending	<u>\$ (79,055,900)</u>	<u>\$ (77,677,365)</u>	<u>\$ 5,197,653</u>	<u>\$ 4,677,151</u>	<u>(\$73,858,247)</u>	<u>(\$73,000,214)</u>			

Operating grants and contributions (including federal revenue for Medicaid, coronavirus relief, and Unemployment Insurance) totaled \$41.158 billion, an increase of \$13.245 billion, or 47.5%, in FY21, with federal revenue for the Unemployment Compensation program growing from \$8.320 billion in FY20 to \$17.208 billion in FY21, as federal supplementary aid for expanded and extended unemployment insurance benefits was delivered to the Commonwealth. The remainder of the increase in operating grants and contributions was primarily due to additional federal coronavirus relief delivered to the state and growth in Medicaid revenues.

Charges for services totaled \$16.895 billion increasing \$433 million, or 2.6% from FY20, with the increase resulting primarily from growth in Health and Human Services \$754 million and Lottery charges \$436 million, with offsetting decreases in General Government \$180 million, Labor and Workforce Development \$147 million, and Medicaid \$116 million.

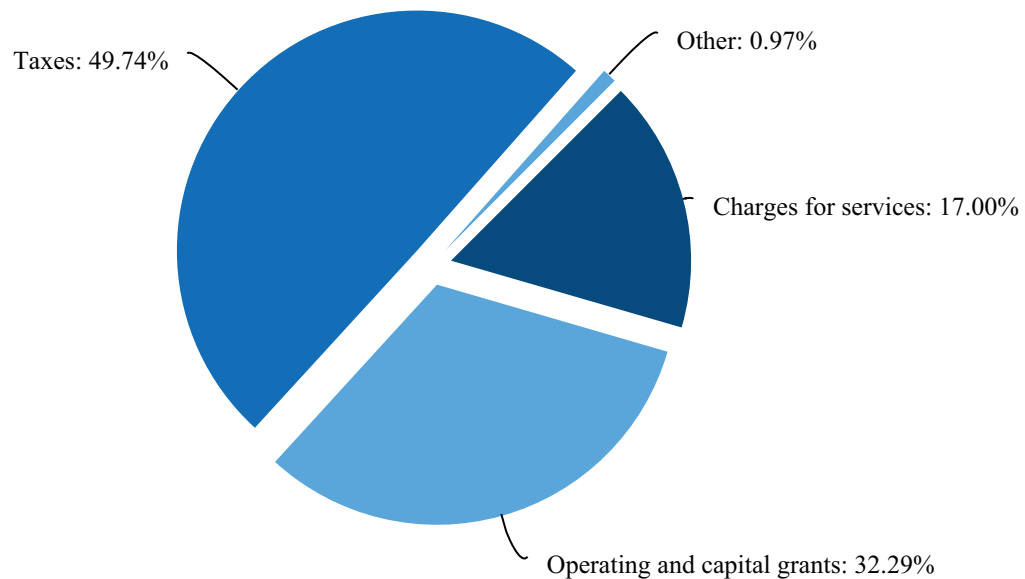
As of June 30, 2021, government-wide restricted net position totaled \$3.229 billion, an increase of \$366 million, with the majority of the increase due to assets restricted for the Paid Family Leave program.

Primary government spending totaled \$95.182 billion, an increase of \$14.579 billion, or 18.1%, from FY20, with governmental activities spending (i.e., excluding business-type activities such as Higher Education and the Unemployment Insurance program) totaling \$70.137 billion, an increase of \$6.972 billion, or 11.0%, and business-type activities spending totaling \$25.045 billion, an increase of \$7.607 billion, or 43.6%. Medicaid expenses totaled

\$20.208 billion, an increase of \$1.001 billion, or 5.2%, from FY20, with the increase due to higher spending on responses to the coronavirus pandemic. Health and Human services spending totaled \$11.658 billion, an increase of \$2.013 billion or 20.9%, transportation and public works spending totaled \$3.283 billion, an increase of \$476 million, or 17.0%, early and secondary education spending totaled \$7.688 billion, an increase of \$1.070 billion, or 16.2%, public safety and homeland security spending totaled \$3.717 billion, a decrease of \$245 million, or 6.2%, and general government expenses totaled \$3.523 billion, an increase of \$599 million, or 20.5%. In addition, direct local aid spending totaled \$6.499 billion, an increase of \$109 million, or 1.7% as the Commonwealth continued its commitment to allocating a proportionate increase in projected budgetary tax revenues to local assistance. Included in these increases across these functions and programs (especially those with large numbers of employees) is \$3.370 billion in higher expenditures due to growth in pension and OPEB liabilities in FY21 compared to FY20. In business-type activities, unemployment insurance compensation expenditures totaled \$19.439 billion, an increase of \$7.491 billion, or 62.7%, in the form of expanded benefits mandated by the federal government due to increased unemployment caused by the pandemic.

Income taxes comprise the majority of tax revenue. Of the \$34.947 billion in FY21 tax revenue within governmental activities, \$20.121 billion, or approximately 57.6%, of total taxes, was from income taxes, \$7.627 billion, or 21.8%, was from sales taxes, \$3.652 billion, or 10.5%, was from corporate taxes, \$667 million, or 1.9%, was from motor fuels taxes and \$2.881 billion, or 8.2%, was from other forms of taxation. Lottery revenues of \$5.828 billion made up 48.8% of the Commonwealth’s governmental charges for services. The largest operating grants were federal Medicaid subsidies, which totaled \$12.320 billion, or approximately 54.5%, of all grants, other health and human services grants of \$4.584 billion, or 20.3% of all grants, and education grants of \$1.520 billion, or 6.7% of all grants. Most of the state’s capital grants are for highway construction, and those federal grants are recorded not in the Commonwealth’s financial statements but in the financial statements of the Massachusetts Department of Transportation.

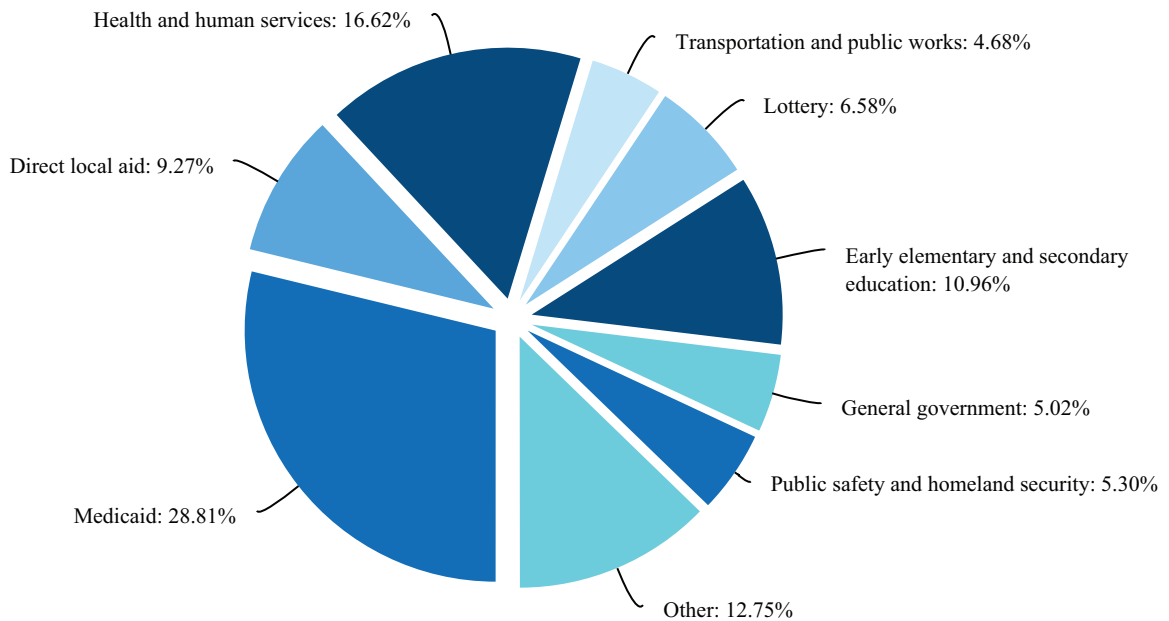
***Revenue—Governmental Activities
Fiscal Year Ending June 30, 2021***



Medicaid expenses of \$20.208 billion accounted for 28.8% of the Commonwealth’s governmental activities expenses. Historically, approximately half of Medicaid expenses have been reimbursed by the federal government, although under the Affordable Care Act some Medicaid expenditures are reimbursed at higher rates. The largest expense that is not subsidized by program revenues is direct local aid to the municipalities of the Commonwealth of approximately \$6.499 billion.

Other large expenditures for governmental activities included non-Medicaid health and human services costs of approximately \$11.658 billion, accounting for 16.6% of governmental expenses, pre-kindergarten through secondary education costs of approximately \$7.688 billion, accounting for 11.0% of governmental expenses and public safety and homeland security costs of approximately \$3.717 billion, accounting for 5.3% of governmental expenses. State employees' pensions and other post-employment benefits, which are included in the department spending amounts above, were \$5.010 billion.

Major Expenses—Governmental Activities
Fiscal Year Ending June 30, 2021

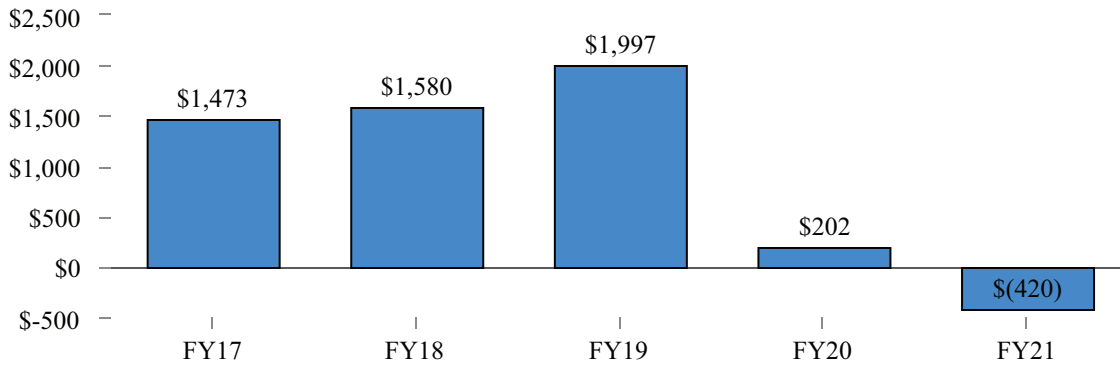


Business–Type Activities

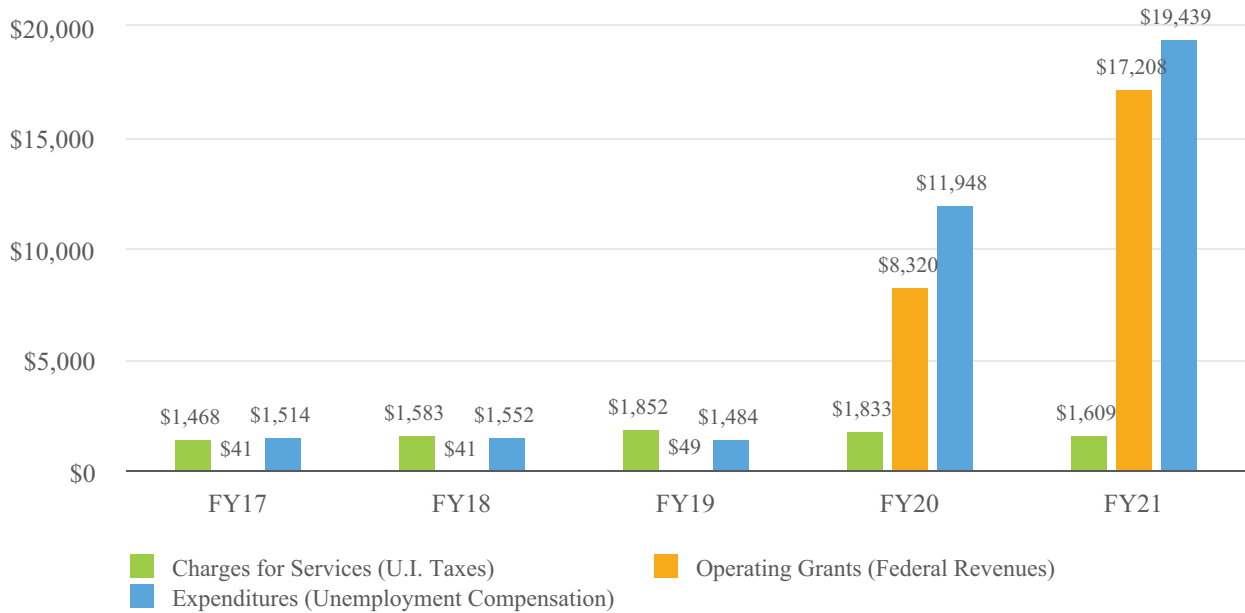
Business–type activities are functions that are similar to activities of a private enterprise. In the Commonwealth, the Family and Employment Security Trust Fund and the Institutions of Higher Education are deemed to be business-type activities because of their lack of separate taxation; GASB standards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

As of June 30, 2021, business-type activities' net position totaled \$5.198 billion, an increase of \$521 million, or 11.1%, from FY20, with the net position of the Family and Medical Leave program increasing by \$767 million and \$376 million in the Institutions of Higher Education partially offset by declines in the net position of \$622 million in the Unemployment Insurance program. Program revenues of business-type activities totaled \$23.674 billion an increase of \$8.892 billion, or 60.2%, resulting almost entirely from higher operating grants and contributions, which totaled \$18.546 billion, an increase of \$9.295 billion, or 100.5%, mainly the result of an increase in federal aid for unemployment insurance benefits due to the pandemic. Federal unemployment insurance aid totaled \$17.208 billion an increase of \$8.888 billion from FY20. The two charts on the following page show fiscal year ending balances of the Unemployment Compensation Trust Fund as well as revenue and expenses of the Fund over the past five fiscal years.

**Unemployment Compensation Trust Fund
Net Position
Fiscal Years 2017 - 2021
(amounts in millions)**



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



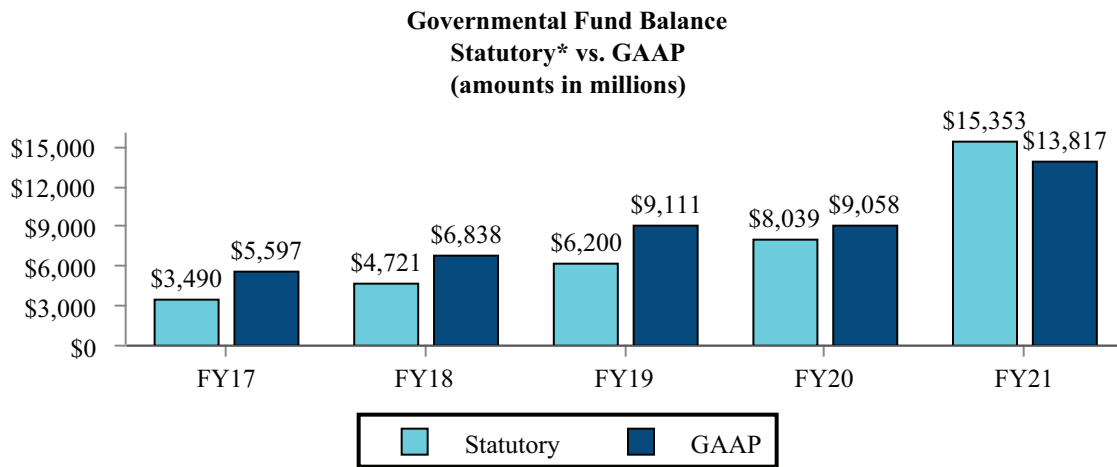
FINANCIAL ANALYSIS OF THE COMMONWEALTH’S FUNDS

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

Governmental Funds

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

The General Fund is the primary operating fund of the Commonwealth. At the end of FY21, the fund balance of the General Fund was \$9.742 billion. Of this amount, \$4.626 billion represents the balance in the Commonwealth's Stabilization Fund, \$1.071 billion was classified as assigned for continuing appropriations from FY21 into FY22 and \$4.045 billion was unassigned.



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

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

	FY21*	FY20*	FY19	FY18	FY17
Beginning fund balances	\$ 9,912,839	\$ 9,165,887	\$ 6,838,444	\$ 5,597,382	\$ 5,273,746
Revenues and other financing sources	84,720,267	72,506,995	69,775,850	68,990,424	68,437,190
Expenditures and other financing uses	80,815,761	72,615,366	67,502,959	67,749,362	68,113,554
Excess/(deficiency)	3,904,506	(108,371)	2,272,891	1,241,062	323,636
Ending fund balances	<u>\$ 13,817,345</u>	<u>\$ 9,057,516</u>	<u>\$ 9,111,335</u>	<u>\$ 6,838,444</u>	<u>\$ 5,597,382</u>

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

FY21 governmental fund revenues and other financing sources totaled \$84.720 billion, an increase of \$12.213 billion, or 16.8%, from FY20, with an increase of \$860 million in Massachusetts School Building Authority (MSBA) long term debt and commercial paper issuance, an increase of \$11.414 billion, or 16.2%, in non-MSBA revenues and other financing sources. Tax revenues totaled \$34.955 billion, an increase of \$4.688 billion, or 15.5%, as the Massachusetts economy recovered strongly from the coronavirus-induced recession. Federal grants and reimbursements totaled \$22.953 billion, an increase of \$4.478 billion, mainly due to growth in revenue from Medicaid spending reimbursements and from a full fiscal year of the 6.2% increase in the federal Medicaid reimbursement rate implemented to provide states with an infusion of cash to offset the fiscal impacts of the pandemic, an increase of \$548 million in CARES Act revenue that was received in FY20 but under GAAP rules recognized in FY21 as it was spent, as well as an increase of \$2.468 billion in Federal Grants Fund revenue, primarily the result of additional federal program aid provided under the CARES Act and American Rescue Plan Act (ARPA) as well as a \$1.154 billion increase in Supplemental Nutrition Assistance Program (SNAP) benefits, or food stamps, during the pandemic. It should be noted that while federal aid from ARPA totaled \$5.286 billion, GAAP requirements specify that only the revenues that were expended in FY21 be recognized on the Statement of Revenues and Expenditures, with the balance of \$5.659 billion classified on the balance sheet as "unearned revenue"

as it had yet to be expended by June 30, 2021.

Assessments, fees, and investment earnings totaled \$13.473 billion, an increase of \$659 million, or 5.1%. Revenues from other financing sources totaled \$13.339 billion, an increase of \$2.388 billion, or 21.8% due almost entirely to the net growth of \$2.480 billion in new and refunding bond issuance at the MSBA.

FY21 governmental fund expenditures and other financing uses totaled \$80.816 billion, an increase of \$8.200 billion, or 11.3% from FY20, with the \$7.366 billion of that growth in programmatic spending (as opposed to "other financing uses). Medicaid expenditures totaled \$20.208 billion, an increase of \$1.001 billion, or 5.2% from FY20. Other changes in programmatic expenditures include increases of \$1.885 billion, or 21.4%, in Health and Human Services expenditures, an increase of \$1.154 billion, or 82.2% in food stamp expenditures in response to the pandemic, a \$1.217 billion, or 99.4% increase in mostly pandemic related Housing and Economic Development relief spending) as well as an increase of \$725 million, or 16.8%, in Executive Office of Education spending, and \$622 million, or 10.4% Treasury and Receivable General Spending, due primarily to increases in Lottery prize payments. Other financing uses totaled \$10.555 billion, an increase of \$835 million, or 8.6%, with \$717 million of that amount due to an increase in debt service-related expenditures, all of which was the result of payments to an escrow agent in support of an advanced bond refunding. Factoring out that refunding payments, FY21 debt service expenditures declined compared to FY20.

As of June 30, 2021 the Commonwealth's governmental funds reported combined ending fund balance of \$13.817 billion, an increase of \$3.905 billion, or 39.4%, from the previous year.

Governmental Funds - Fund Balance Classification
(amounts in thousands)

	2021	2020	Change	% Change
<u>Nonspendable/Restricted:</u>				
Nonspendable	\$ 755,378	\$ —	\$ 755,378	100.0%
Restricted	\$ 1,320,793	\$ 1,294,124	\$ 26,669	2.1%
Total Nonspendable/Restricted	2,076,171	1,294,124	782,047	60.4%
<u>Unrestricted:</u>				
Committed	6,805,570	5,325,797	1,479,773	27.8%
Assigned	2,046,997	1,682,922	364,075	21.6%
Unassigned	2,888,607	754,673	2,133,934	282.8%
Total Unrestricted	11,741,174	7,763,392	3,977,782	51.2%
Total fund balances	\$ 13,817,345	\$ 9,057,516	\$ 4,759,829	52.6%

GAAP requires that fund balances be classified by the degree of restriction placed upon their use by constitutional, statutory, or contractual requirements, and these classifications are shown in the table above. Restricted fund balances represent amounts restricted for Commonwealth and MSBA debt service or restricted by bond covenants, funds that are restricted in capital projects and special revenue funds, balances in the federal grants funds, and some balances held in expendable trusts. Unrestricted amounts include fund balances classified as committed, including those generated by revenue sources directed to specific purposes but with a lower level of constraint on their use than restricted balances, as well the fund balance of the Stabilization Fund. Unrestricted amounts also included prior appropriations continued, and residual balances in the General Fund, both of which are classified as unassigned. The \$1.480 billion, or 27.8%, increase in committed balances results primarily from growth in balances in numerous non-budgetary funds which Legislature has designated for specific purposes. Assigned fund balance increased by \$364 million or 21.6%, due primarily to \$339 million growth in budgetary fund "prior appropriations continued", or PACs, where the Legislature allocated FY21 funding for expenditure in FY22, as well as an increase in funds the MSBA reserved for grants and loans to local cities and towns for school construction projects, and the \$2.134 billion, or 282.8%, increase in unassigned balances is due mainly to a \$1.460 billion balance in the newly established Transitional Escrow Fund (which is combined with the General Fund in financial statements) which holds the FY21 statutory surplus for appropriations in FY22, and as surpluses in the General Fund. A full discussion of the Commonwealth's fund balance classification policy under GASB 54 and a table of fund balances by program

type can be found in [Note 1](#) to the basic financial statements, on pages [68-72](#).

Proprietary Funds

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

As discussed on page 29, the business-type activities increased the Commonwealth's net position by approximately \$521 million.

BUDGETARY HIGHLIGHTS

The FY21 budget enacted by the Legislature (the General Appropriation Act, or GAA) included an FY21 tax revenue estimate of \$27.637 billion prior to tax initiatives (and including \$125 million in tax settlements), a decrease of \$3.514 billion from the FY21 consensus estimate of \$31.151 billion, with the reduction due to the actual and projected impact of the pandemic on tax revenue in FY21. The GAA estimate was further increased to \$27.976 billion as a result of enacted tax law changes and other tax-generating initiatives included in the budget. \$25.908 billion of that revenue was to be deposited in the budgeted funds and available for use, with \$2.520 billion to be deposited into non-budgeted funds, including transfers of sales tax revenue dedicated to the Massachusetts Bay Transportation Authority (\$1.102 billion) and the Massachusetts School Building Authority (\$942 million), capital gains tax revenues transferred to the Stabilization Fund (\$452 million), and revenue allocated to the non-budgeted Workforce Training Fund (\$25 million).

In October 2020, the Secretary of Administration and Finance reduced the FY21 tax revenue estimate by \$334 million, to \$27.642 billion (including \$50 million in judgments and settlements revenue exceeding \$10 million each). In January 2021, the Secretary of Administration and Finance revised the Fiscal Year 2021 state tax revenue estimate upward to \$29.090 billion (including \$50 million in judgment and settlement revenue), to reflect stronger than projected growth in year-to-date income tax collections, primarily due to a surge in capital gains taxes.

FY21 tax revenues ended the year at \$34.156 billion (including \$44 million in tax settlements exceeding \$10 million each), of which \$31.772 billion was deposited in the budgeted funds. Tax revenue deposited in the budgeted funds increased by \$4.159 billion, or 15.1%, from FY20, \$5.864 billion above the original FY21 tax estimate and \$5.202 billion above the final FY21 estimate.

The FY21 General Appropriation Act (GAA) authorized approximately \$47.898 billion in spending, exclusive of approximately \$3.115 billion in required pension contributions and \$756 million in FY20 spending authorized to be continued into FY21 as part of the FY20 and FY21 general appropriation acts and various FY20 supplemental budgets.

Approximately \$593 million in supplemental appropriations were authorized during FY21, \$259 million of which were enacted by June 30, 2021. Subsequent to year end, a supplemental budget was enacted totaling approximately \$334 million in new appropriations. The year's significant supplemental appropriation activity included:

- \$252 million to fund collective bargaining costs of state employees;
- \$131 million to fund childcare services;
- \$32 million for the Medical Assistance Trust Fund payments to hospitals that care for low-income patients;
- \$28 million for aid to families with dependent children;
- \$26 million to fund Sheriffs' personnel costs;
- \$20 million for additional aid to local schools;

- \$17 million for homeless services;
- \$13 million to fund services provided by the Massachusetts National Guard;
- \$13 million to fund police reform initiatives;
- \$11 million to fund State Police operations.

FY21 budgeted revenues and other financing sources (before transfers between the budgeted funds, which are included in both spending and revenue and thus have no effect on fund balances) totaled \$56.882 billion, an increase of \$9.566 billion, or 20.2%, from FY20. Tax revenue growth picked up in FY21 as the Massachusetts economy re-opened following a decline in FY20 due to the pandemic, with total taxes receipts increasing by \$4.159 billion, or 15.1% from FY20. All major tax types grew strongly in FY21. Total income tax collections increased by \$2.258 billion, or 13.0%, with personal income tax withholding growing by \$983 million, or 7.2%, non-withheld personal income tax increased by \$1.225 billion, or 35.9%, the latter driven in large part by growth in capital gains tax revenue, which totaled \$2.533 billion an increase of \$873 million, or 52.6%, from FY20. Corporate and business taxes (comprising corporate excise, financial institutions, insurance company, and public utilities taxes) increased by \$1.206 billion, or 40.9% (with approximately \$50 million of that increase due to businesses taking advantage of a delay in the tax payment deadline from the first half of calendar year 2020 to July 2021, which shifted payments from FY20 to FY21) and sales and use tax (including regular sales, meals, and motor vehicle sales tax, but excluding cannabis sales tax) increased by \$629 million, or 13.1%, despite a \$131 million, or 12.1% decline in sales and meals taxes as the pandemic cut into restaurant dining. Other notable tax revenue changes include deeds excise revenues, which increased by \$83 million, or 26.4%, as the real estate market staged a strong recovery, cannabis sales and excise taxes, which also increase by \$83 million, or 116.8%, as the number of cannabis dispensaries expanded, and estate and inheritance taxes, which grew by \$88 million, 12.6%.

Budgetary fund federal reimbursements totaled \$18.339 billion, an increase of \$5.544 billion, or 43.3%, with growth primarily the result of \$4.892 billion in America Rescue Plan Act (ARPA) revenues received in the fourth quarter of FY21, and deposited in the newly created budgeted Federal COVID-19 Response Fund (a fund subject to appropriation by the Legislature) and carried forward for expenditure in future years (an additional \$394 million in ARPA revenues was retained in the non-budgeted Federal Grants, Special Revenue, and Expendable Trust funds in FY21 for COVID-19-related expenditures). Federal reimbursements for the Commonwealth's Medicaid program totaled \$12.338 billion, an increase of \$968 million, or 8.5%, primarily due to increased costs of the program during the pandemic (see explanation on following page).

Departmental revenue, which consists primarily of assessments and fees for state licenses and state services, totaled \$4.776 billion, a decrease of \$145 million, or 2.9%, from FY20, with the largest revenue declines being a reduction of \$90 million in one-time health insurance assessments received in FY20 and a drop of \$98 million, or 8.1%, in Medicaid manufacturer prescription drug rebates. These declines were partly offset by growth in several other revenue sources, the most significant of which was an increase motor vehicle license and registration revenues, which rose by \$67 million, or 13.8%.

Interfund transfers from non-budgeted funds to the budgeted funds totaled \$1.996 billion, an increase of \$8 million, or 0.4%, from FY20, including a \$121 million, or 21.0% decrease in fringe benefit assessments resulting from reductions in payroll in higher education (which accounts for a significant share of the Commonwealth's a fringe benefit recoveries) as well as reduced non-budgeted personnel spending in coronavirus-related accounts. These reductions were offset by a \$123 million, or 12.7% increase in Lottery Fund transfers to the General Fund as Lottery profits recovered in FY21 from their coronavirus-induced slump in the fourth quarter of FY20.

The Commonwealth continues to receive revenues, as it will in perpetuity, from the Master Settlement Agreement (MSA) between the states and the tobacco industry to recover health care costs for tobacco-related illnesses. In FY21, the Commonwealth received \$246 million in tobacco settlement funds, an increase of \$16 million compared to FY20. Statute requires that a portion of tobacco settlement proceeds be transferred to the State Retiree Benefits Trust Fund (SRBTF) to fund the Commonwealth's liability for retiree health care, with the percentage of proceeds transferred increasing by 10% each year until 100% of such proceeds is deposited in the SRBTF in FY22 and after. For FY21, the statutorily required transfer was 90% of tobacco settlement revenues; however, FY21 budget actions

reduced the percentage of tobacco settlement revenues deposited to the SRBTF from 90% to 10%. That action reduced the FY21 transfer to approximately \$25 million, compared to the statutorily required amount of \$221 million.

FY21 budgeted expenditures and other financing uses, including transfers to non-budgeted funds (but before transfers between the budgeted funds) totaled \$49.078 billion, an increase of \$2.098 billion, or 4.5%, from FY20, with the increase primarily attributable to coronavirus relief expenditures, higher spending on Medicaid and other health care, pension contributions, and Local Aid.

Spending on programs and services totaled \$41.593 billion, an increase of \$1.726 billion, or 4.3%, from FY20. Medicaid expenditures totaled \$18.122 billion, an increase of \$1.100 billion, or 6.5%, from FY20, due to an approximate 10% increase in caseload during the coronavirus epidemic, when disenrollment of beneficiaries was suspended as long as a federally-declared public health emergency is in effect. Spending for direct local aid (both education aid and unrestricted aid), at \$6.482 billion, was up \$106 million, or 1.7%, from FY20. Other significant spending included \$46 million in new spending for economic recovery from COVID-19, \$50 million for a homeless prevention program (an increase of \$32 million from FY20),

Spending on state employee health benefits paid through the Group Insurance Commission increased by \$55 million, or 3.3%, from \$1.680 billion to \$1.736 billion. Transfers to the state pension fund (including the \$61 million transfer capital gains tax transfer, as required by a statute that mandates such transfers from a portion of capital gains tax collections above an annual threshold) totaled \$3.176 billion, an increase of \$335 million, or 11.8%. Budgeted debt service totaled \$2.289 billion, down \$121 million, or 5.0%, from FY20, due to savings achieved when the Commonwealth refunded debt service at favorable interest rates.

Interfund transfers from budgeted to non-budgeted funds totaled \$1.444 billion, an increase of \$46 million or 3.3%, from FY20.

CAPITAL ASSETS

Capital assets of the Commonwealth include land, buildings, improvements, equipment, vehicles and infrastructure. The Commonwealth's investment in capital assets for its governmental and business-type activities as of June 30, 2021 amounts to approximately \$24.494 billion, with accumulated depreciation of approximately \$11.447 billion, leaving a net book value of \$13.048 billion. Infrastructure includes assets that are normally immovable and of value only to the Commonwealth, such as roads, bridges, piers and dams (the investments in capital assets noted above do not include capital assets owned by MassDOT). The total increase in the Commonwealth's net investment in capital assets from 2020 to 2021 was approximately \$165 million, with a \$131 million increase in governmental activities and a \$34 million increase in business-type activities. The major increase in the net value of capital assets was in construction in process and machinery and equipment.

The following table details the capital assets for the Commonwealth.

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

	Governmental		Business - Type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Land	\$ 957,406	\$ 941,961	\$ 230,569	\$ 228,778	\$ 1,187,975	\$ 1,170,739
Historical treasures	—	—	2,136	19,429	2,136	19,429
Construction in process	892,334	713,719	435,656	536,054	1,327,990	1,249,773
Buildings	2,573,982	2,634,834	7,055,127	6,895,081	9,629,109	9,529,915
Machinery and equipment	468,765	462,852	240,703	240,247	709,468	703,099
Infrastructure, excluding central artery	161,327	169,473	—	—	161,327	169,473
Library collections	—	—	29,919	40,787	29,919	40,787
Total	\$ 5,053,814	\$ 4,922,839	\$ 7,994,110	\$ 7,960,376	\$ 13,047,924	\$ 12,883,215

Additional detail on the Commonwealth’s FY21 capital asset activity can be found in [Note 5](#) to the basic financial statements (“Capital Assets”) on pages 94–95.

DEBT ADMINISTRATION

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

To fund the FY21 capital budget, the Commonwealth borrowed by issuing \$1.982 billion in long-term bonds, which was new money general obligation debt and \$400 million was special obligation debt secured by motor fuel taxes and motor vehicle license and registration fees. All new bond sales were either for general government purposes, for road and bridge repair, or unallocated as of year-end and assumed to be for general purposes, including for construction and equipment purchases. In addition, the Commonwealth issued \$1.766 billion in debt to refund already existing debt, taking advantage of continued low interest rates in FY21. During the year, the Commonwealth also issued \$1.500 billion in Revenue Anticipation Notes (RANs) in two separate \$500 million series and one \$400 million series. The two \$500 million notes were retired in April and May, 2020 while the \$400 million note was retired in June 2021. In addition, during FY20 the Commonwealth drew down \$500 million from working capital agreements. This was repaid in August 2020. Finally, to meet cash needs the Department of Unemployment, \$2.108 billion was borrowed in FY21 under [Title XII of the Social Security Act](#), for a total of \$2.268 billion outstanding as of June 30, 2021.

Approximately 6.4% of the Commonwealth’s \$24.765 billion in general obligation debt outstanding as of June 30, 2021 was issued as variable rate bonds. During fiscal 2021 there were no changes to credit ratings on any of the Commonwealth's outstanding debt.

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

Outstanding Long - Term Debt Obligations

(amounts in thousands)

	Governmental Activities		Business - Type Activities		Total	
	2021	2020	2021	2020	2021	2020
	General obligation bonds	\$ 24,765,437	\$ 23,953,160	\$ —	\$ —	\$ 24,765,437
Special obligation bonds (excluding GANs)....	3,700,470	3,483,460	—	—	3,700,470	3,483,460
Revenue obligation bonds	—	—	4,574,415	4,508,010	4,574,415	4,508,010
Federal unemployment insurance borrowing...	—	—	2,268,015	159,907	2,268,015	159,907
Grant anticipation notes	582,550	662,270	—	—	582,550	662,270
Subtotal	29,048,457	28,098,890	6,842,430	4,667,917	35,890,887	32,766,807
Massachusetts School Building Authority	6,104,240	6,053,947	—	—	6,104,240	6,053,947
Total	\$ 35,152,697	\$ 34,152,837	\$ 6,842,430	\$ 4,667,917	\$ 41,995,127	\$ 38,820,754

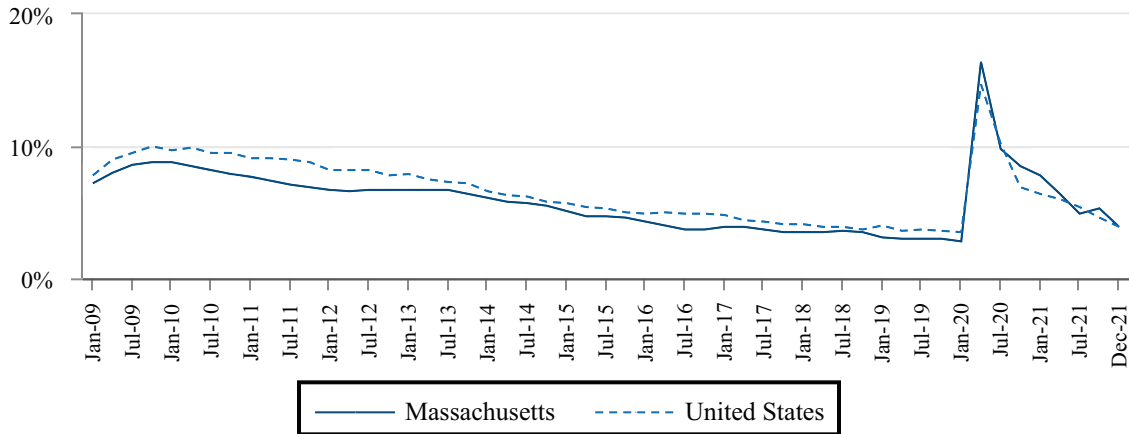
Additional detail on the Commonwealth’s short-term debt can be found in [Note 6](#) (“Short-Term Financing and Credit Arrangements”) on pages 95–96 and [Note 7](#) (“Long-Term Obligations”) on pages 96–111.

ECONOMIC FACTORS AFFECTING THE FISCAL YEAR 2022 BUDGET

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

The Massachusetts economy, along with the rest of the nation, was adversely affected by the recession caused by the coronavirus pandemic, after many years performing better than the U.S. economy as a whole. In January 2021 the Massachusetts unemployment rate was 7.8%, compared to the national rate of 6.4%, but by July 2021, the Massachusetts rate was 4.9% versus a national rate of 5.4%. Since then the two rates have converged with the Massachusetts rate only equal to the national rate in December 2021, at 3.9%.

*Unemployment Rate
January 2009 – December 2021*



The FY22 General Appropriation Act (GAA) is based on an FY22 tax revenue estimate of approximately \$34.541 billion, an increase of \$385 million, or 1.2%, from FY21 actual tax collections. Of that amount, \$28.789 billion represents taxes available for budget after adjusting for \$5.752 billion in tax revenue that is allocated to state pension contributions (\$3.415 billion), sales tax revenue dedicated to the Massachusetts Bay Transportation Authority (\$1.236 billion), the Massachusetts School Building Authority (\$1.076 billion), and revenue allocated to the non-budgetary Workforce Training Fund (\$25 million).

With tax revenues through December 2021 \$2.142 billion above the year-to-date tax revenue benchmark, on January 15, 2022, the Secretary of Administration and Finance raised the FY21 tax revenue estimate by \$700 million. Through January 31, 2022, FY22 year-to-date tax collections totaled \$21.872 billion, up \$4.219 billion, or 23.9%, from the same period in FY21, \$1.450 billion above the upwardly revised year-to-date benchmark.

REQUESTS FOR INFORMATION

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



Basic Financial Statements

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

Statement of Net Position

June 30, 2021

(Amounts in thousands)

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Government Wide Total	
ASSETS AND DEFERRED OUTFLOWS				
Current assets:				
Cash and cash equivalents	\$ 16,813,248	\$ 4,849,496	\$ 21,662,744	\$ 4,795,788
Restricted cash with fiscal agent	248,690	—	248,690	—
Short-term investments	304,140	783,464	1,087,604	—
Assets held in trust	—	—	—	130,188
Receivables, net of allowance for uncollectibles:				
Taxes	4,087,398	—	4,087,398	—
Federal grants and reimbursements receivable	2,307,778	60,616	2,368,394	355,578
Loans	6,859	6,876	13,735	513,696
Other receivables	1,242,332	1,022,349	2,264,681	380,493
Due from cities and towns	21,263	—	21,263	—
Due from component units	597	352	949	—
Due from primary government	—	—	—	634,205
Other current assets	—	59,863	59,863	91,359
Total current assets	25,032,305	6,783,016	31,815,321	6,901,307
Noncurrent assets:				
Cash and cash equivalents - restricted	—	247,256	247,256	905,862
Long-term investments	—	1,438,047	1,438,047	1,563,299
Investments, restricted investments and annuity contracts	1,832,078	1,110	1,833,188	84,338
Receivables, net of allowance for uncollectibles:				
Taxes	435,544	—	435,544	—
Federal grants and reimbursements receivable	380	—	380	—
Loans	73,366	31,011	104,377	4,284,897
Other receivables	162,253	16,874	179,127	47,559
Due from component units	6,198	—	6,198	—
Due from primary government	—	—	—	3,906
Non-depreciable capital assets	1,849,740	668,361	2,518,101	15,798,496
Depreciable capital assets, net	3,204,074	7,325,749	10,529,823	25,007,308
Other noncurrent assets	—	126,957	126,957	46,154
Other noncurrent assets - restricted	3,003	—	3,003	—
Total noncurrent assets	7,566,636	9,855,365	17,422,001	47,741,819
Total assets	32,598,941	16,638,381	49,237,322	54,643,126
Deferred outflows of resources:				
Deferred change in fair value of interest rate swaps	88,793	1,204	89,997	114,666
Deferred loss on refunding	95,806	169,076	264,882	216,950
Deferred outflows related to pension	8,709,458	277,125	8,986,583	384,224
Deferred outflows related to OPEB	3,013,735	362,691	3,376,426	434,446
Certain asset retirement obligations	—	1,158	1,158	—
MSCBA bond restructure	—	479	479	—
Total deferred outflows of resources	11,907,792	811,733	12,719,525	1,150,286
Total assets and deferred outflows	44,506,733	17,450,114	61,956,847	55,793,412
LIABILITIES AND DEFERRED INFLOWS				
Current liabilities:				
Accounts payable and other liabilities	4,109,262	699,386	4,808,648	1,465,512
Accrued payroll	179,478	239,716	419,194	2,835
Compensated absences	530,368	168,861	699,229	36,769
Accrued interest payable	441,358	21,345	462,703	188,770
Tax refunds and abatements payable	1,453,334	693,390	2,146,724	—
Due to component units	673,272	7	673,279	—
Due to primary government	—	—	—	949
Due to federal government	506,638	152,226	658,864	—
Claims and judgments	13,271	—	13,271	—
Unearned revenue	6,134,899	37,409	6,172,308	347,327
Prizes payable	124,362	—	124,362	—

(continued)

Statement of Net Position

June 30, 2021

(Amounts in thousands)

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Government Wide Total	
Deposits and unearned revenue	—	138,229	138,229	—
School construction grants payable	141,370	—	141,370	—
Capital leases	3,231	2,952	6,183	—
Massachusetts School Building Authority bonds and unamortized premiums	186,651	—	186,651	—
Notes payable	—	—	—	—
Bonds payable and unamortized premiums	1,440,282	2,444,606	3,884,888	1,144,459
Environmental remediation liability	8,290	—	8,290	—
Total current liabilities	15,946,066	4,598,127	20,544,193	3,186,621
Noncurrent liabilities:				
Compensated absences	223,779	61,927	285,706	23,111
Accrued interest payable	—	—	—	171,456
Due to component units	3,906	—	3,906	—
Due to primary government	—	—	—	6,198
Due to federal government - grants	—	3,887	3,887	—
Claims and judgments	20,000	—	20,000	—
Unearned revenue	—	—	—	35,941
Prizes payable	631,016	—	631,016	—
Capital leases	11,029	5,772	16,801	72,796
Bonds payable and unamortized premiums	30,789,031	4,397,824	35,186,855	10,116,576
Massachusetts School Building Authority bonds and unamortized premiums	6,321,734	—	6,321,734	—
School construction grants payable	37,929	—	37,929	—
Environmental remediation liability	586,985	—	586,985	—
Liability for derivative instruments	88,793	1,204	89,997	143,041
Net pension liability	46,159,763	982,015	47,141,778	2,299,007
Net OPEB liability	18,434,733	1,259,744	19,694,477	3,200,799
Other noncurrent liabilities	337,040	157,252	494,292	232,782
Total noncurrent liabilities	103,645,738	6,869,625	110,515,363	16,301,707
Total liabilities	119,591,804	11,467,752	131,059,556	19,488,328
Deferred inflows of resources:				
Deferred service concession arrangements	—	13,585	13,585	296
Deferred gain on refunding	1,084,179	7,957	1,092,136	64,191
Deferred advance subsidies	—	—	—	—
Deferred inflows related to pension	480,355	72,150	552,505	185,472
Deferred inflows related to OPEB	2,406,295	631,573	3,037,868	693,978
Governmental voluntary nonexchange transaction	—	59,333	59,333	—
MSCBA bond restructure	—	111	111	—
Total deferred inflows of resources	3,970,829	784,709	4,755,538	943,937
Total liabilities and deferred inflows	123,562,633	12,252,461	135,815,094	20,432,265
NET POSITION				
Net investment in capital assets	(1,658,414)	3,861,405	2,202,991	34,512,326
Restricted for:				
Family and employment security	—	1,596,367	1,596,367	—
Retirement of indebtedness	918,907	—	918,907	—
Higher education endowment funds	—	22,925	22,925	—
Higher education academic support and programs	—	5,553	5,553	—
Higher education scholarships and fellowships:				
Nonexpendable	—	3,142	3,142	—
Expendable	—	20,878	20,878	—
Higher education capital projects - expendable purposes	—	1,706	1,706	—
Grants and gifts	401,886	257,777	659,663	—
Other purposes	—	—	—	4,693,134
Unrestricted (deficits)	(78,718,279)	(572,100)	(79,290,379)	(3,844,313)
Total net position	\$ (79,055,900)	\$ 5,197,653	\$ (73,858,247)	\$ 35,361,147

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

(concluded)

Statement of Activities
Fiscal Year Ended June 30, 2021
(Amounts in thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			Discretely Presented Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 3,522,506	\$ 747,288	\$ 2,419,259	\$ 24,582	\$ (331,377)	\$ —	\$ (331,377)	\$ —
Judiciary	1,429,817	59,074	3,812	—	(1,366,931)	—	(1,366,931)	—
Direct local aid	6,499,305	—	—	—	(6,499,305)	—	(6,499,305)	—
Medicaid	20,208,100	1,272,228	12,319,582	—	(6,616,290)	—	(6,616,290)	—
Group health insurance	1,710,258	860,726	—	—	(849,532)	—	(849,532)	—
Energy and environmental affairs	900,326	319,315	46,033	—	(534,978)	—	(534,978)	—
Housing and economic development	2,963,819	242,815	885,052	—	(1,835,952)	—	(1,835,952)	—
Health and human services	11,658,328	1,576,692	4,583,792	52,677	(5,445,167)	—	(5,445,167)	—
Transportation and public works	3,283,352	627,594	—	—	(2,655,758)	—	(2,655,758)	—
Early elementary and secondary education	7,687,798	6,624	1,519,899	—	(6,161,275)	—	(6,161,275)	—
Public safety and homeland security	3,716,834	345,917	594,003	—	(2,776,914)	—	(2,776,914)	—
Labor and workforce development	428,225	56,603	240,033	—	(131,589)	—	(131,589)	—
Lottery	4,617,789	5,827,632	—	—	1,209,843	—	1,209,843	—
Interest (unallocated)	1,510,178	—	—	—	(1,510,178)	—	(1,510,178)	—
Total governmental activities	70,136,635	11,942,508	22,611,465	77,259	(35,505,403)	—	(35,505,403)	—
Business-Type Activities:								
Unemployment Compensation	19,438,890	1,608,603	17,208,485	—	—	(621,802)	(621,802)	—
Family and Employment Security Trust	236,361	1,005,102	1,164	—	—	769,905	769,905	—
Higher Education:								
University of Massachusetts	3,417,854	1,635,792	846,694	62,592	—	(872,776)	(872,776)	—
State Universities	1,050,949	502,827	156,155	51,980	—	(339,987)	(339,987)	—
Community Colleges	900,836	200,278	333,593	60,279	—	(306,686)	(306,686)	—
Total business-type activities	25,044,890	4,952,602	18,546,091	174,851	—	(1,371,346)	(1,371,346)	—
Total primary government	\$ 95,181,525	\$ 16,895,110	\$ 41,157,556	\$ 252,110	(35,505,403)	(1,371,346)	(36,876,749)	—
Discretely Presented Component Units:								
Massachusetts Department of Transportation	\$ 6,008,439	\$ 906,314	\$ 3,366,666	\$ 3,584,255	—	—	—	1,848,796
Commonwealth Health Insurance Connector	1,087,062	883,408	206,669	—	—	—	—	3,015
Massachusetts Clean Water Trust	130,940	92,945	26,571	99,151	—	—	—	87,727
Other nonmajor component units	1,197,025	425,980	762,140	41,225	—	—	—	32,320
Total discretely presented component units	\$ 8,423,466	\$ 2,308,647	\$ 4,362,046	\$ 3,724,631	—	—	—	1,971,858

(continued)

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
General revenues:				
Taxes:				
Income	20,120,712	—	20,120,712	—
Sales taxes	7,626,572	—	7,626,572	—
Corporate taxes	3,652,060	—	3,652,060	—
Motor and special fuel taxes	666,730	—	666,730	—
Other taxes	2,881,261	—	2,881,261	—
Miscellaneous:				
Investment earnings/(loss)	22,388	148,569	170,957	293,610
Tobacco settlement	225,892	—	225,892	—
Contribution from municipalities	53,819	—	53,819	—
Other revenue (expense)	395,033	225,680	620,713	—
Transfers	(1,517,599)	1,517,599	—	—
Total general revenues and transfers	34,126,868	1,891,848	36,018,716	293,610
Change in net position	(1,378,535)	520,502	(858,033)	2,265,468
Net position/(deficits) - beginning, as restated	(77,677,365)	4,677,151	(73,000,214)	33,095,679
Net position/(deficits) - ending	\$ (79,055,900)	\$ 5,197,653	\$ (73,858,247)	\$ 35,361,147

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

(concluded)



Governmental Fund Financial Statements

Balance Sheet
Governmental Funds
June 30, 2021
(Amounts in thousands)

	General	Lotteries	Massachusetts School Building Authority	Coronavirus Relief	Federal COVID-19 Response	Other Governmental Funds	Total
ASSETS							
Cash and cash equivalents	\$ 7,571,342	\$ 47,857	\$ 636,735	\$ 534,558	\$ 4,891,987	\$ 3,130,769	\$ 16,813,248
Restricted cash with fiscal agent	—	—	—	—	—	248,690	248,690
Investments, restricted investments and annuity contracts	304,140	755,378	1,076,700	—	—	—	2,136,218
Receivables, net of allowance for uncollectibles:							
Taxes	4,327,157	—	53,993	—	—	141,792	4,522,942
Due from federal government	1,408,708	—	—	—	—	899,450	2,308,158
Loan receivable	—	—	68,012	—	—	12,213	80,225
Other receivables	1,271,311	5,798	5,162	—	—	90,807	1,373,078
Due from cities and towns	21,263	—	—	—	—	—	21,263
Due from other funds	328,813	—	—	—	—	89,751	418,564
Due from component units	597	—	—	—	—	—	597
Total assets	\$ 15,233,331	\$ 809,032	\$ 1,840,602	\$ 534,558	\$ 4,891,987	\$ 4,613,472	\$ 27,922,983
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 2,779,393	\$ 46,620	\$ 9,862	\$ 58,289	\$ —	\$ 1,195,133	\$ 4,089,297
Accrued payroll	163,843	—	—	16	—	15,619	179,478
Tax refunds and abatements payable	1,452,680	—	288	—	—	366	1,453,334
Due to other funds	—	—	—	—	—	418,564	418,564
Due to component units	35,070	—	—	—	—	638,202	673,272
Due to federal government	506,638	—	—	—	—	—	506,638
Unearned revenue	—	—	—	476,253	4,891,987	766,658	6,134,899
Claims and judgments	13,271	—	—	—	—	—	13,271
School construction grants payable	—	—	46,743	—	—	—	46,743
Other accrued liabilities	831	—	—	—	—	19,134	19,965
Total liabilities	4,951,726	46,620	56,893	534,558	4,891,987	3,053,676	13,535,461
Deferred inflows of resources	539,292	5,712	—	—	—	25,173	570,177
Total liabilities and deferred inflows of resources	5,491,018	52,332	56,893	534,558	4,891,987	3,078,849	14,105,638
Fund balances:							
Nonspendable	—	755,378	—	—	—	—	755,378
Restricted	—	—	971,301	—	—	349,492	1,320,793
Committed	4,626,419	—	—	—	—	2,179,151	6,805,570
Assigned	1,070,523	1,322	812,408	—	—	162,744	2,046,997
Unassigned (deficits)	4,045,371	—	—	—	—	(1,156,764)	2,888,607
Fund balances	9,742,313	756,700	1,783,709	—	—	1,534,623	13,817,345
Total liabilities, deferred inflows of resources and fund balances	\$ 15,233,331	\$ 809,032	\$ 1,840,602	\$ 534,558	\$ 4,891,987	\$ 4,613,472	\$ 27,922,983

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

Reconciliation of Governmental Fund Balances to the Statement of Net Position

June 30, 2021

(Amounts in thousands)

Total fund balances - governmental funds **\$ 13,817,345**

Amounts reported for governmental activities in the statement of net position are different because:

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

Capital assets not being depreciated	1,849,740	
Capital assets being depreciated, net	3,204,074	
Capital assets, net of accumulated depreciation		5,053,814

Revenues are not available soon enough after year end to pay for the current period's expenditures and therefore are unavailable deferred inflows of resources in the governmental funds		570,177
--	--	---------

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

Gain on refunding	(1,084,179)	
Pension related	(480,355)	
OPEB related	(2,406,295)	
Total deferred inflow of resources		(3,970,829)

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

Change in fair value of interest rate swaps	88,793	
Loss on refunding	95,806	
Pension related	8,709,458	
OPEB related	3,013,735	
Total deferred outflow of resources		11,907,792

Massachusetts School Building Authority assets		6,511
--	--	-------

Long-term receivables		28,000
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Due from component units		6,198
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Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. These liabilities include:

Retirement systems' net pension liability	(46,159,763)	
Net OPEB liability	(18,434,733)	
Commonwealth bonded debt	(29,048,457)	
Unamortized bond premiums	(3,180,856)	
Accrued interest on bonds	(441,358)	
Massachusetts School Building Authority bonded debt	(6,508,385)	
Massachusetts School Building Authority grants to municipalities	(132,556)	
Prizes payable	(755,378)	
Capital leases	(14,260)	
Environmental remediation liability	(595,275)	
Claims and judgments	(20,000)	
Liability for derivative instruments	(88,793)	
Employee benefits, including compensated absences, health insurance benefits and other compensation claims	(1,095,094)	
Long-term liabilities (including current portions)		(106,474,908)

Total net (deficit) - governmental activities **\$ (79,055,900)**

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Fiscal Year Ended June 30, 2021
(Amounts in thousands)

	General	Lotteries	Massachusetts School Building Authority	Coronavirus Relief	Federal COVID-19 Response	Other Governmental Funds	Total
REVENUES							
Taxes	\$ 30,644,106	\$ 20	\$ 1,071,686	\$ —	\$ —	\$ 3,238,876	\$ 34,954,688
Assessments	396,914	—	—	—	—	952,917	1,349,831
Federal grants and reimbursements	13,777,958	—	—	1,308,908	—	7,866,356	22,953,221
Departmental	3,919,261	5,827,985	—	—	—	1,374,927	11,122,173
Miscellaneous	500,388	653	7,180	—	—	493,035	1,001,256
Total revenues	49,238,627	5,828,658	1,078,866	1,308,908	—	13,926,111	71,381,169
EXPENDITURES							
Current:							
Legislature	72,682	—	—	—	—	—	72,682
Judiciary	1,017,350	—	—	—	—	5,522	1,022,872
Inspector General	5,747	—	—	—	—	7	5,754
Governor and Lieutenant Governor	8,921	—	—	—	—	78	8,999
Secretary of the Commonwealth	58,444	—	—	—	—	19,237	77,681
Treasurer and Receiver-General	235,097	4,721,164	15,240	11,208	—	1,600,693	6,583,402
Auditor of the Commonwealth	19,825	—	—	—	—	—	19,825
Attorney General	54,103	—	—	—	—	57,727	111,830
Ethics Commission	2,489	—	—	—	—	—	2,489
District Attorney	145,969	—	—	—	—	7,820	153,789
Office of Campaign and Political Finance	1,660	—	—	—	—	—	1,660
Sheriff's Departments	686,640	—	—	—	—	11,957	698,597
Disabled Persons Protection Commission	5,464	—	—	—	—	1,203	6,667
Commission on Status of Women	206	—	—	—	—	3	209
Board of Library Commissioners	33,821	—	—	—	—	3,274	37,095
Massachusetts Gaming Commission	—	—	—	—	—	45,591	45,591
Comptroller	19,689	—	—	—	—	1,951	21,640
Administration and Finance	2,048,335	—	—	297,275	—	564,656	2,910,266
Energy and Environmental Affairs	289,805	—	—	416	—	170,307	460,528
Health and Human Services	6,930,871	—	—	12,211	—	3,759,376	10,702,458
Executive Office of Technology Services	147,316	—	—	257	—	8,015	155,588
Massachusetts Department of Transportation	—	—	—	3,280	—	2,905,855	2,909,135
Office of the Child Advocate	1,723	—	—	—	—	—	1,723
Commission Against Discrimination	6,824	—	—	—	—	—	6,824
Cannabis Control Commission	—	—	—	—	—	11,334	11,334
Executive Office of Education	3,539,520	—	—	251,756	—	1,257,618	5,048,894
Center for Health and Information Analysis	21,284	—	—	—	—	—	21,284
Massachusetts School Building Assistance	—	—	751,521	—	—	—	751,521
Public Safety and Homeland Security	1,463,381	—	—	388	—	305,612	1,769,381
Massachusetts Peace Officer Standards and Training	23	—	—	—	—	—	23
Housing and Economic Development	807,481	—	—	728,925	—	903,588	2,439,994
Labor and Workforce Development	62,497	—	—	2,467	—	291,068	356,032
Medicaid	18,214,658	—	—	—	—	1,993,441	20,208,099
Post employment benefits	1,641,918	—	2,731	—	—	12,271	1,656,920
Direct local aid	6,369,568	—	—	—	—	129,737	6,499,305
Capital outlay:							
Capital acquisition and construction	—	—	—	—	—	1,307,695	1,307,695
Debt service/commercial paper repayments	—	—	600,064	—	—	2,507,945	3,108,009
Principal on current refundings	—	—	—	—	—	1,064,644	1,064,644
Total expenditures	43,913,311	4,721,164	1,369,556	1,308,184	—	18,948,225	70,260,439
Excess/(deficiency) of revenues over/(under) expenditures	5,325,316	1,107,494	(290,690)	724	—	(5,022,114)	1,120,730
OTHER FINANCING SOURCES							
Bonds premium	—	—	93,521	—	—	692,595	786,116
Issuance of general and special obligation bonds	—	—	1,834,375	—	—	2,382,048	4,216,423
Issuance of current refunding bonds	—	—	—	—	—	865,115	865,115
Issuance of advance refunding bonds	—	—	—	—	—	900,775	900,775
Issuance of capital leases	2,126	—	—	—	—	—	2,126
Transfers in for debt service	—	—	—	—	—	2,458,994	2,458,994
Transfers in	2,065,944	—	—	—	—	2,043,604	4,109,548
Total other financing sources	2,068,071	—	1,927,896	—	—	9,343,131	13,339,097
OTHER FINANCING USES							
Payments to refunding bond escrow agent	—	—	1,570,822	—	—	898,359	2,469,181
Transfers out	839,545	1,207,661	—	724	—	1,863,195	3,911,125
Transfers of appropriations	1,543,381	—	—	—	—	4,718	1,548,099
Transfers of bond proceeds	—	—	—	—	—	167,923	167,923
Transfers out for debt service	1,198,237	—	—	—	—	1,260,757	2,458,994
Total other financing uses	3,581,163	1,207,661	1,570,822	724	—	4,194,952	10,555,322
Total other financing sources and (uses)	(1,513,092)	(1,207,661)	357,074	(724)	—	5,148,179	2,783,776
Net change in fund balances/(deficits)	3,812,224	(100,167)	66,384	—	—	126,065	3,904,506
Fund balances at beginning of year, as restated	5,930,089	856,867	1,717,325	—	—	1,408,558	9,912,839
Fund balances at end of year	\$ 9,742,313	\$ 756,700	\$ 1,783,709	\$ —	\$ —	\$ 1,534,623	\$ 13,817,345

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

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

For the fiscal year ended June 30, 2021

(Amounts in thousands)

Net change in fund balances - total governmental funds	\$ 3,904,506
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents capital outlays including increases to construction in process, net of reductions and dispositions	347,759
Current year depreciation expense	(216,784)
Amounts presented in the statement of activities, but not in the change in fund balances due to differences in revenue and expense recognition under different bases of accounting	(250,388)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized as part of the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items	(1,806,965)
Change in capital leases	2,854
Massachusetts School Building Authority	(5,099)
Net pension costs	(2,873,279)
Net OPEB costs	(484,523)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. These expenses include accrued interest, lottery prizes, claims and benefits that are reported in the statement of activities, but not in funds	3,384
Change in net position of governmental activities	\$ (1,378,535)

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



Proprietary Fund Financial Statements

Statement of Net Position
Proprietary Funds
Fiscal Year Ended June 30, 2021
(Amounts in thousands)

	Unemployment Compensation Trust Fund	Family and Employment Security Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
ASSETS AND DEFERRED OUTFLOWS:						
Current assets:						
Cash and cash equivalents	\$ 2,714,565	\$ 1,342,587	\$ 143,864	\$ 366,003	\$ 282,477	\$ 4,849,496
Short-term investments	—	—	639,163	73,993	70,308	783,464
Receivables, net of allowance for uncollectibles:						
Federal grants and reimbursements receivable	—	—	26,377	24,698	9,541	60,616
Loans	—	—	5,667	1,209	—	6,876
Other receivables	336,213	293,948	284,206	26,030	64,676	1,005,073
Due from affiliates	—	—	17,028	65	183	17,276
Due from foundation	—	—	—	168	184	352
Other current assets	—	—	48,356	6,396	5,111	59,863
Total current assets	3,050,778	1,636,535	1,164,661	498,562	432,480	6,783,016
Noncurrent assets:						
Cash and cash equivalents - restricted	—	—	210,070	37,150	36	247,256
Long-term investments	—	—	1,163,887	204,780	69,380	1,438,047
Restricted investments	—	—	—	1,110	—	1,110
Other receivables, net	—	—	16,625	249	—	16,874
Loans receivable, net	—	—	27,692	3,319	—	31,011
Non-depreciable capital assets	—	—	448,925	106,706	112,730	668,361
Depreciable capital assets, net	—	—	4,795,044	1,791,975	738,730	7,325,749
Other noncurrent assets	—	—	115,863	9,925	1,169	126,957
Total noncurrent assets	—	—	6,778,106	2,155,214	922,045	9,855,365
Total assets	3,050,778	1,636,535	7,942,767	2,653,776	1,354,525	16,638,381
Deferred outflows of resources:						
Deferred change in fair value of interest rate swaps	—	—	—	—	1,204	1,204
Deferred outflows related to pensions	—	—	185,335	60,674	31,116	277,125
Deferred outflows related to OPEB	—	—	239,859	84,270	38,562	362,691
Loss on debt refunding	—	—	125,201	43,875	—	169,076
Certain asset retirement obligations	—	—	1,158	—	—	1,158
MSCBA bond restructure	—	—	—	479	—	479
Total deferred outflows of resources	—	—	551,553	189,298	70,882	811,733
Total assets and deferred outflows	3,050,778	1,636,535	8,494,320	2,843,074	1,425,407	17,450,114
LIABILITIES AND DEFERRED INFLOWS:						
Current liabilities:						
Accounts payable and other liabilities	365,985	31,315	217,459	42,693	41,934	699,386
Accrued payroll	—	119	162,296	47,517	29,784	239,716
Compensated absences	—	—	97,562	36,304	34,995	168,861
Accrued interest payable	—	—	21,103	105	137	21,345
Tax refunds and abatements payable	684,656	8,734	—	—	—	693,390
Unearned revenue	—	—	—	25,024	12,385	37,409
Student deposits and unearned revenues	—	—	96,685	7,006	34,538	138,229
Due to foundation	—	—	—	—	7	7
Capital leases	—	—	904	1,139	909	2,952
Due to federal government	152,226	—	—	—	—	152,226
Bonds, notes payable and other obligations	2,268,015	—	136,055	35,726	4,810	2,444,606
Total current liabilities	3,470,882	40,168	732,064	195,514	159,499	4,598,127
Noncurrent liabilities:						
Compensated absences	—	—	23,878	20,854	17,195	61,927
Due to federal government - grants	—	—	—	3,887	—	3,887
Capital leases	—	—	1,289	3,188	1,295	5,772
Bonds, notes payable and other obligations	—	—	3,121,428	1,231,967	44,429	4,397,824
Liability for derivative instruments	—	—	—	—	1,204	1,204
Net pension liability	—	—	644,879	235,434	101,702	982,015
Net OPEB liability	—	—	829,808	299,071	130,865	1,259,744
Other noncurrent liabilities	—	—	140,455	10,213	6,584	157,252
Total noncurrent liabilities	—	—	4,761,737	1,804,614	303,274	6,869,625
Total liabilities	3,470,882	40,168	5,493,801	2,000,128	462,773	11,467,752

(continued)

Statement of Net Position
Proprietary Funds
Fiscal Year Ended June 30, 2021
(Amounts in thousands)

	Unemployment Compensation Trust Fund	Family and Employment Security Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
Deferred inflows of resources:						
Deferred service concession arrangements	—	—	—	13,418	167	13,585
Deferred inflows related to pensions	—	—	18,297	22,356	31,497	72,150
Deferred inflows related to OPEB	—	—	338,233	176,554	116,786	631,573
Governmental voluntary nonexchange transaction	—	—	54,921	—	4,412	59,333
Gain on refunding	—	—	—	7,957	—	7,957
MSCBA bond restructure	—	—	—	111	—	111
Total deferred inflows of resources	—	—	411,451	220,396	152,862	784,709
Total liabilities and deferred inflows	3,470,882	40,168	5,905,252	2,220,524	615,635	12,252,461
NET POSITION:						
Net investment in capital assets	—	—	2,306,226	755,109	800,070	3,861,405
Restricted for:						
Family and employment benefits	—	1,596,367	—	—	—	1,596,367
Higher education endowment funds	—	—	22,378	40	507	22,925
Higher education academic support and programs	—	—	—	1,358	4,195	5,553
Higher education scholarships and fellowships:						
Nonexpendable	—	—	—	3,142	—	3,142
Expendable	—	—	—	10,225	10,653	20,878
Higher Education capital projects - expendable purposes	—	—	—	1,252	454	1,706
Grants and gifts	—	—	232,756	23,722	1,299	257,777
Unrestricted	(420,104)	—	27,708	(172,298)	(7,406)	(572,100)
Total net position	\$ (420,104)	\$ 1,596,367	\$ 2,589,068	\$ 622,550	\$ 809,772	\$ 5,197,653

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

(concluded)

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Unemployment Compensation Trust Fund	Family and Employment Security Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
Operating revenues:						
Unemployment compensation contribution	\$ 1,565,470	\$ —	\$ —	\$ —	\$ —	\$ 1,565,470
Family and employment security contribution	—	1,005,102	—	—	—	1,005,102
Net tuition and fees	—	—	930,613	373,444	179,474	1,483,531
Grants and reimbursements	—	—	667,149	94,793	216,785	978,727
Auxiliary enterprises	—	—	163,812	72,077	2,355	238,244
Sales & services	—	—	415,781	34,976	5,446	456,203
Miscellaneous	43,133	—	125,586	22,330	13,003	204,052
Total operating revenues	1,608,603	1,005,102	2,302,941	597,620	417,063	5,931,329
Operating expenses:						
Unemployment compensation	19,438,890	—	—	—	—	19,438,890
Family and employment security	—	236,361	—	—	—	236,361
Instruction	—	—	934,793	340,588	300,765	1,576,146
Research	—	—	552,472	222	16	552,710
Academic support	—	—	199,897	100,336	103,767	404,000
Student services	—	—	141,160	111,672	133,544	386,376
Scholarships and fellowships	—	—	85,500	57,709	78,891	222,100
Public service	—	—	90,363	5,008	4,494	99,865
Operation and maintenance of plant	—	—	226,965	109,933	73,269	410,167
Institutional support	—	—	314,676	118,611	139,098	572,385
Other operating expenses	—	—	314,182	3,033	2,062	319,277
Depreciation	—	—	300,201	107,429	47,368	454,998
Auxiliary operations	—	—	218,370	94,102	2,761	315,233
Total operating expenses	19,438,890	236,361	3,378,579	1,048,643	886,035	24,988,508
Operating income/(loss)	(17,830,287)	768,741	(1,075,638)	(451,023)	(468,972)	(19,057,179)
Nonoperating revenues/(expenses):						
Other federal revenues	17,200,114	—	179,545	61,362	116,808	17,557,829
Other revenues	—	—	209,799	15,881	—	225,680
Other expenses	—	—	(39,275)	(2,306)	(14,801)	(56,382)
Investment income/(loss)	8,371	1,164	133,393	(5,434)	20,610	158,104
Total nonoperating revenues/(expenses)	17,208,485	1,164	483,462	69,503	122,617	17,885,231
Income/(loss) before capital grants and contributions and transfers	(621,802)	769,905	(592,176)	(381,520)	(346,355)	(1,171,948)
Capital grants and contributions	—	—	62,592	51,980	60,279	174,851
Transfers, net	—	(3,252)	685,885	390,390	444,576	1,517,599
Total capital grants and contributions and transfers	—	(3,252)	748,477	442,370	504,855	1,692,450
Change in net position	(621,802)	766,653	156,301	60,850	158,500	520,502
Total net position - beginning	201,698	829,714	2,432,767	561,700	651,272	4,677,151
Total net position - ending	\$ (420,104)	\$ 1,596,367	\$ 2,589,068	\$ 622,550	\$ 809,772	\$ 5,197,653

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

Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2021
(Amounts in thousands)

	Unemployment Compensation Trust Fund	Family and Employment Security Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Collection of unemployment contributions	\$ 1,823,332	\$ —	\$ —	\$ —	\$ —	\$ 1,823,332
Collection of family and employment security contributions	—	958,454	—	—	—	958,454
Tuition, residence, dining and other student fees	—	—	1,025,916	367,938	176,296	1,570,150
Research grants and contracts	—	—	650,603	132,878	229,683	1,013,164
Payments to suppliers	—	—	(834,725)	(228,662)	(139,241)	(1,202,628)
Payments to employees	—	—	(2,061,084)	(506,065)	(508,720)	(3,075,869)
Payments to students	—	—	(89,267)	(42,813)	(78,891)	(210,971)
Payments for unemployment benefits	(18,687,125)	—	—	—	—	(18,687,125)
Payments for family and employment security benefits	—	(215,327)	—	—	—	(215,327)
Collection of loans to students and employees	—	—	8,661	1,182	—	9,843
Income from contract services	—	—	421,292	1,878	500	423,670
Maintenance costs	—	—	—	(1,820)	—	(1,820)
Auxiliary enterprise charges	—	—	163,585	37,696	90	201,371
Other receipts/(payments)	43,133	—	(556,909)	(379,932)	(427,897)	(1,321,605)
Net cash provided by/(used in) operating activities	(16,820,660)	743,127	(1,271,928)	(617,720)	(748,180)	(18,715,361)
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES						
State appropriations	—	—	845,481	300,454	316,380	1,462,315
Grants and contracts	17,200,114	—	220,922	58,914	114,544	17,594,494
Student organizations agency transactions	—	—	818	—	—	818
Net transfers in/(out)	—	(3,252)	685,885	390,390	444,576	1,517,599
Assignment of Perkins loans	—	—	—	(219)	—	(219)
Net cash provided by/(used in) non-capital financing activities	17,200,114	(3,252)	1,753,106	749,539	875,500	20,575,007
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital appropriations	—	—	62,592	32,293	13,105	107,990
Purchases of capital assets	—	—	(322,341)	(56,350)	(24,597)	(403,288)
Proceeds/(loss) from sales of capital assets	—	—	7,734	2,734	—	10,468
Proceeds from debt issuance	2,108,108	—	792,956	43,972	—	2,945,036
Other capital asset activity	—	—	8,413	(772)	324	7,965
Principal paid on capital debt and leases	—	—	(708,067)	(49,801)	(5,394)	(763,262)
Payment of debt issuance costs and mortgage insurance premium	—	—	(54,930)	—	—	(54,930)
Interest paid on capital debt and leases	—	—	(153,367)	(46,327)	(2,073)	(201,767)
Net cash provided by/(used in) capital financing activities	2,108,108	—	(367,010)	(74,251)	(18,635)	1,648,212
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sales and maturities of investments	—	—	1,048,212	118,885	24,547	1,191,644
Purchases of investments	—	—	(1,325,603)	(115,645)	(35,347)	(1,476,595)
Investment earnings	8,371	1,164	54,561	8,993	1,134	74,223
Net cash provided by/(used in) investing activities	8,371	1,164	(222,830)	12,233	(9,666)	(210,728)
Net increase/(decrease) in cash and cash equivalents	2,495,933	741,039	(108,662)	69,801	99,019	3,297,130
Cash and cash equivalents, restricted cash and cash equivalents at the beginning of the fiscal year	218,632	601,548	462,596	333,352	183,494	1,799,622
Cash and cash equivalents, restricted cash and cash equivalents at the end of the fiscal year	\$ 2,714,565	\$ 1,342,587	\$ 353,934	\$ 403,153	\$ 282,513	\$ 5,096,752
Reconciliation of net operating revenues and expenses to cash used by operating activities:						
Operating income/(loss)	\$ (17,830,287)	\$ 768,741	\$ (1,075,638)	\$ (451,023)	\$ (468,972)	\$ (19,057,179)
Adjustments to reconcile operating income/(loss) to net cash provided by/(used in) operating activities:						
Depreciation expense	—	—	300,201	107,429	47,368	454,998
Fringe benefits paid by the Commonwealth	—	—	—	96,456	110,262	206,718
Changes in assets and liabilities:						
Accounts receivable, prepaids and other assets	59,882	(55,382)	(678,619)	(397,800)	(447,947)	(1,519,866)
Accounts payable, accrued liabilities and benefits	751,765	29,768	85,044	11,308	14,243	892,128
Student deposits and other unearned and deferred revenues	—	—	6,881	20,894	9,667	37,442
Other noncurrent assets - restricted and liabilities	197,980	—	90,203	(4,984)	(12,801)	270,398
Net cash provided by/(used in) operating activities	\$ (16,820,660)	\$ 743,127	\$ (1,271,928)	\$ (617,720)	\$ (748,180)	\$ (18,715,361)

Non-cash investing, capital and financing activities:

The University System, the State Universities and Community Colleges had \$38.0 million, \$173.2 million and \$171.5 million, respectively, of non-cash activities.

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



Fiduciary Fund

Financial Statements

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2021

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Custodial Funds
ASSETS				
Cash and cash equivalents	\$ 289,585	\$ 5,713,259	\$ 1,216	\$ 517,657
Short-term investments	—	33,680	—	—
Net investment in PRIT at fair value	74,585,737	21,107,131	—	—
Investments, restricted investments	—	—	—	527,160
Receivables, net of allowance for uncollectibles:				
Taxes	—	—	—	28,742
Other receivables	187,063	2,105	—	174,984
Due from federal government	—	—	—	2,203
Other assets	361	—	—	—
Total assets	75,062,746	26,856,175	1,216	1,250,746
LIABILITIES				
Accounts payable and other accrued liabilities	24,211	421	—	7,509
Due to cities and towns	—	—	—	56,768
Other liabilities	—	—	—	6,559
Total liabilities	24,211	421	—	70,836
NET POSITION				
Restricted for:				
Employees' pension	73,127,595	—	—	—
Employees' post-employment benefits	1,910,940	—	—	—
External investment trust fund participants	—	26,855,754	—	—
Individuals, organizations, and other governments	—	—	1,216	1,179,910
Total net position	\$ 75,038,535	\$ 26,855,754	\$ 1,216	\$ 1,179,910

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

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS				
Contributions:				
Employer contributions - Commonwealth	\$ 1,675,827	\$ —	\$ —	\$ —
Non-employer contributions - Commonwealth	1,790,446	—	—	—
Employer contributions - other employers	13,352	—	—	—
Employee contributions	1,486,147	—	—	—
ERIP funding contribution - Commonwealth	28,449	—	—	—
Boston teachers' contribution from Commonwealth	162,976	—	—	—
Proceeds from sale of units	—	20,436,971	—	—
Sales tax collections for other governments	—	—	—	296,188
Child support collections	—	—	—	678,362
Other additions	183,006	1,290,068	1	1,910,726
Total contributions	5,340,203	21,727,039	1	2,885,276
Net investment gain/(loss):				
Investment gain/(loss)	17,427,125	5,207,583	—	24,537
Less: investment expense	(327,762)	(337,294)	—	(29,626)
Net investment gain/(loss)	17,099,363	4,870,289	—	(5,089)
Total additions	22,439,566	26,597,328	1	2,880,187
DEDUCTIONS				
Administration	43,714	—	—	—
Retirement benefits and refunds	6,421,640	1,112,598	—	—
Payments to State Boston Retirement System	162,976	—	—	—
Cost of units redeemed	—	20,996,377	—	—
Distribution to unit holders	—	7,834	—	—
Sales tax payments to other governments	—	—	—	296,188
Child support payments to individuals	—	—	—	691,905
Other deductions	72,310	—	—	1,914,472
Total deductions	6,700,640	22,116,809	—	2,902,565
Change in net position	15,738,926	4,480,519	1	(22,378)
Net position - beginning	59,299,609	22,375,235	1,215	1,202,288
Net position - ending	\$ 75,038,535	\$ 26,855,754	\$ 1,216	\$ 1,179,910

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



*Discretely Presented
Component Unit
Financial Statements*

Statement of Net Position
Discretely Presented Component Units
June 30, 2021

(Amounts in thousands)

	Massachusetts Department of Transportation	Commonwealth Health Insurance Connector	Massachusetts Clean Water Trust	Nonmajor Component Units	Total
ASSETS AND DEFERRED OUTFLOWS					
Current assets:					
Cash and cash equivalents	\$ 802,360	\$ 82,153	\$ 1,058,177	\$ 307,078	\$ 2,249,768
Short-term investments	—	—	208,331	338,813	547,144
Restricted cash and investments	1,757,806	—	—	241,070	1,998,876
Assets held in trust	—	—	81,753	48,435	130,188
Receivables, net of allowance for uncollectibles:					
Federal grants and reimbursement receivable	297,628	—	40,983	16,967	355,578
Loans	—	—	423,408	90,288	513,696
Other receivables	283,234	6,404	45,153	45,702	380,493
Due from primary government	556,509	42,619	—	35,077	634,205
Inventory	—	—	—	88	88
Other current assets	69,287	894	—	21,090	91,271
Total current assets	3,766,824	132,070	1,857,805	1,144,608	6,901,307
Noncurrent assets:					
Cash and cash equivalents - restricted	874,220	—	—	31,642	905,862
Long-term investments	—	—	427,613	1,135,686	1,563,299
Restricted investments and annuity contracts	—	—	—	84,338	84,338
Other receivables, net	26,582	—	—	20,977	47,559
Loans receivables, net	—	—	3,660,682	624,215	4,284,897
Due from primary government	3,906	—	—	—	3,906
Non-depreciable capital assets	15,541,415	—	—	257,081	15,798,496
Depreciable capital assets, net	24,272,896	9,642	—	724,770	25,007,308
Other noncurrent assets	31,504	—	1,354	13,296	46,154
Total noncurrent assets	40,750,523	9,642	4,089,649	2,892,005	47,741,819
Total assets	44,517,347	141,712	5,947,454	4,036,613	54,643,126
Deferred outflows of resources:					
Deferred change in fair value of interest rate swaps	99,016	—	—	15,650	114,666
Deferred loss on refunding	184,829	—	32,121	—	216,950
Deferred outflows related to pension	375,376	—	—	8,848	384,224
Deferred outflows related to OPEB	430,462	1,452	—	2,532	434,446
Certain asset retirement obligations	—	—	—	—	—
Total deferred outflows of resources	1,089,683	1,452	32,121	27,030	1,150,286
Total assets and deferred outflows	45,607,030	143,164	5,979,575	4,063,643	55,793,412
LIABILITIES AND DEFERRED INFLOWS					
Current liabilities:					
Accounts payable and other liabilities	1,183,463	26,353	89,751	165,945	1,465,512
Accrued payroll	—	256	—	2,579	2,835
Compensated absences	31,928	1,004	—	3,837	36,769
Accrued interest payable	138,701	—	47,745	2,324	188,770
Due to primary government	—	—	—	949	949
Unearned revenue	205,641	44,937	15,894	80,855	347,327
Bonds, notes payable and other obligations	872,835	—	210,885	60,739	1,144,459
Total current liabilities	2,432,568	72,550	364,275	317,228	3,186,621
Noncurrent liabilities:					
Compensated absences	21,111	—	—	2,000	23,111
Accrued interest payable	171,456	—	—	—	171,456
Due to primary government	—	—	—	6,198	6,198
Unearned revenue	35,856	—	—	85	35,941
Capital leases	72,796	—	—	—	72,796
Bonds, notes payable and other obligations	6,828,050	—	2,720,860	567,666	10,116,576
Net pension liability	2,248,963	—	—	50,044	2,299,007
Net OPEB liability	3,191,997	8,354	—	448	3,200,799
Liability for derivative instruments	141,981	—	—	1,060	143,041
Other noncurrent liabilities	127,547	—	—	105,235	232,782
Total noncurrent liabilities	12,839,757	8,354	2,720,860	732,736	16,301,707
Total liabilities	15,272,325	80,904	3,085,135	1,049,964	19,488,328
Deferred inflows of resources:					
Deferred gain on refundings	149	—	64,042	—	64,191
Deferred advance subsidies	—	—	—	—	—
Deferred service concession arrangements	—	—	—	296	296
Deferred inflows related to pension	183,363	—	—	2,109	185,472
Deferred inflows related to OPEB	686,744	4,028	—	3,206	693,978
Total deferred inflows of resources	870,256	4,028	64,042	5,611	943,937
Total liabilities and deferred inflows	16,142,581	84,932	3,149,177	1,055,575	20,432,265
NET POSITION					
Net investment in capital assets	33,543,727	9,642	—	958,957	34,512,326
Restricted for:					
Other purposes	1,025,665	—	2,191,908	1,475,561	4,693,134
Unrestricted	(5,104,943)	48,590	638,490	573,550	(3,844,313)
Total net position	\$ 29,464,449	\$ 58,232	\$ 2,830,398	\$ 3,008,068	\$ 35,361,147

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

Statement of Revenues, Expenses and Changes in Net Position

Discretely Presented Component Units

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Massachusetts Department of Transportation	Commonwealth Health Insurance Connector	Massachusetts Clean Water Trust	Nonmajor Component Units	Total
Operating revenues:					
Charges for services	\$ 906,314	\$ 883,398	\$ 5,280	\$ 250,157	\$ 2,045,149
Other	—	10	87,665	94,701	182,376
Total operating revenues	906,314	883,408	92,945	344,858	2,227,525
Operating expenses:					
Cost of services	4,053,973	841,146	127,622	256,237	5,278,978
Administration costs	838,897	77,110	3,318	146,333	1,065,658
Depreciation	1,107,057	4,001	—	62,723	1,173,781
Total operating expenses	5,999,927	922,257	130,940	465,293	7,518,417
Operating income/(loss)	(5,093,613)	(38,849)	(37,995)	(120,435)	(5,290,892)
Nonoperating revenues/(expenses):					
Operating grants	3,366,666	206,669	26,571	762,140	4,362,046
Interest income/(loss)	13,339	74	—	280,197	293,610
Other nonoperating revenue/(expense)	(8,512)	(164,805)	—	(650,610)	(823,927)
Nonoperating revenues/(expenses), net	3,371,493	41,938	26,571	391,727	3,831,729
Income/(loss) before contributions	(1,722,120)	3,089	(11,424)	271,292	(1,459,163)
Capital contributions	3,584,255	—	99,151	41,225	3,724,631
Change in net position	1,862,135	3,089	87,727	312,517	2,265,468
Net position - beginning, as restated	27,602,314	55,143	2,742,671	2,695,551	33,095,679
Net position - ending	\$ 29,464,449	\$ 58,232	\$ 2,830,398	\$ 3,008,068	\$ 35,361,147

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



Table of Contents

Notes to the Basic Financial Statements

1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	65
	<i>A. FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION</i>	65
	<i>B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS</i>	68
	<i>C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING</i>	68
	<i>D. CASH, CASH EQUIVALENTS, SHORT-TERM INVESTMENTS AND INVESTMENTS</i>	73
	<i>E. RECEIVABLES</i>	74
	<i>F. DUE FROM CITIES AND TOWNS</i>	75
	<i>G. CAPITAL ASSETS</i>	75
	<i>H. INTERFUND / INTRAFUND TRANSACTIONS</i>	76
	<i>I. STATEWIDE COST ALLOCATION PLAN – FRINGE BENEFIT COST RECOVERY</i>	76
	<i>J. SCHOOL CONSTRUCTION GRANTS, CONTRACT ASSISTANCE AND OTHER PAYABLES</i>	76
	<i>K. COMPENSATED ABSENCES</i>	77
	<i>L. DEDICATED REVENUES AND PLEDGES</i>	78
	<i>M. LOTTERY REVENUE AND PRIZES</i>	78
	<i>N. RISK FINANCING</i>	79
	<i>O. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES</i>	79
	<i>P. NET POSITION</i>	79
	<i>Q. SERVICE CONCESSION AGREEMENTS</i>	80
	<i>R. ESTIMATES</i>	80
	<i>S. PENSIONS AND OPEB</i>	80
	<i>T. SIGNIFICANT NEW ACCOUNTING PRONOUNCEMENTS/PRIOR PERIOD ADJUSTMENTS</i>	81
2.	DEPOSITS, SHORT-TERM INVESTMENTS AND INVESTMENTS	81
	<i>A. DERIVATIVE INSTRUMENTS</i>	86
	<i>B. DISCRETELY PRESENTED COMPONENT UNIT INVESTMENTS</i>	87
	<i>C. FAIR VALUE MEASUREMENTS OF INVESTMENTS</i>	87
3.	RECEIVABLES AND TAX ABATEMENTS	89
	<i>A. RECEIVABLES</i>	89
	<i>B. TAX ABATEMENTS</i>	90
4.	INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS BETWEEN FUNDS	93
5.	CAPITAL ASSETS	94
6.	SHORT-TERM FINANCING AND CREDIT AGREEMENTS	95
	<i>A. GENERAL FUND</i>	95
	<i>B. CREDIT FACILITIES</i>	96
7.	LONG-TERM OBLIGATIONS	96
	<i>A. GENERAL OBLIGATION BONDS</i>	99
	<i>B. SPECIAL OBLIGATION BONDS</i>	101
	<i>C. FEDERAL GRANT ANTICIPATION NOTES</i>	102

D.	THE BUILD AMERICA BOND PROGRAM	102
E.	INTEREST RATE SWAP AGREEMENTS – OBJECTIVES AND RISKS	102
F.	OUTSTANDING SWAPPED DEBT	105
G.	OUTSTANDING LONG-TERM DEBT AND CHANGES IN LONG TERM DEBT	106
H.	PRIOR DEFEASANCE	108
I.	STATUTORY DEBT LIMIT	108
J.	ADMINISTRATION DEBT LIMIT	109
K.	CHANGES IN LONG-TERM LIABILITIES	110
8.	INDIVIDUAL FUND DEFICITS	112
9.	PENSIONS	112
A.	PLAN DESCRIPTIONS	112
B.	INVESTMENTS	114
C.	NET PENSION LIABILITY OF THE SYSTEMS REQUIRED BY GASB 67	115
D.	NET PENSION LIABILITY OF THE COMMONWEALTH REQUIRED BY GASB 68	117
E.	STATEMENTS OF NET POSITION AND CHANGES IN NET POSITION	121
F.	RESERVES	122
10.	OTHER POST EMPLOYMENT BENEFITS	122
A.	PLAN DESCRIPTIONS	122
B.	INVESTMENTS	123
C.	NET OPEB LIABILITY OF THE OPEB PLAN REQUIRED BY GASB 74	123
D.	NET OPEB LIABILITY OF THE COMMONWEALTH REQUIRED BY GASB 75	125
E.	STATEMENT OF NET POSITION AND CHANGES IN NET POSITION	130
11.	LEASES	130
12.	OTHER LONG-TERM LIABILITIES	131
A.	WORKERS' COMPENSATION AND GROUP INSURANCE LIABILITIES	131
B.	OTHER CLAIMS & JUDGMENTS	132
C.	ENVIRONMENTAL REMEDIATION	133
D.	COST OF LIVING ADJUSTMENTS	134
13.	CONTINGENCIES/COMMITMENTS	134
A.	PRIMARY GOVERNMENT	135
B.	TOBACCO SETTLEMENT	135
C.	OTHER CONSTRUCTION COMMITMENTS	135
D.	CONTRACTUAL ASSISTANCE TO AUTHORITIES	136
E.	MSBA	136
F.	SOCIAL IMPACT BONDS	136
G.	PENSIONS	137
14.	COMPONENT UNITS AND DETAILS OF DEPARTMENTS AND ENTITIES THAT ARE SEPARATELY AUDITED	137
15.	SUBSEQUENT EVENTS	139

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION

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

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

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

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

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

The Pension Reserves Investment Trust Fund (PRIT) is the investment portfolio for the pension assets of the Commonwealth and as such, is presented as a blended component unit. PRIT is managed by the Pension Reserves Investment Management (PRIM) Board. Certain portions of PRIT's net position totaling approximately \$21.107 billion relate to holdings on behalf of cities and towns that participate in the Pool and are reported as an external investment trust within the fiduciary fund type.

The Massachusetts Municipal Depository Trust (MMDT) is an investment pool of the Commonwealth and its political subdivisions. The various local governments and other political subdivisions share of net position is approximately \$5.749 billion at June 30, 2021, and is reported as an external investment trust within the fiduciary fund type.

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

Commonwealth:

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

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

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

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

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

Major component units:

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

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

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

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

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

MTA have been transferred to SERS.

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

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

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

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

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

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

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

Related Organizations

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

Availability of Financial Statements

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

The Commonwealth reports the following fund types:

Governmental Fund Types:

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

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

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

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

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

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

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

The Coronavirus Relief Fund is a special revenue fund to account for activities under the Federal Coronavirus Aid, Relief and Economic Security (CARES) Act to combat the global Covid-19 pandemic.

The Federal COVID-19 Response Fund is a special revenue fund to account for federal funds authorized under the federal legislation enacted after December 4, 2020 and in response to the COVID-19 outbreak or related economic recovery.

Proprietary Fund Types:

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

The proprietary funds include the following:

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

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

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

Fiduciary Fund Types:

Post-Employment Benefit and OPEB Trust Funds report resources that are required to be held in trust for the members and beneficiaries of the Commonwealth's post-employment and OPEB benefit plans. These funds recognize employer contributions when legally due and employee contributions in the period when due. Further information on the significant accounting policies for post-employment and OPEB benefit trust funds may be found in [Notes 9 and 10](#) to the basic financial statements on pages [110-127](#).

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

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

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

Fund Balances:

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

Nonspendable fund balances are those that cannot be spent because they are either: (a) not in spendable form; or (b) legally or contractually required to be maintained intact, such as balances in the form of inventories, permanent funds, and notes receivable. As of June 30, 2021, there were nonspendable fund balances related to Lottery annuities.

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

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

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

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

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

Details of FY21 governmental fund balances are shown below (amounts in thousands);

	Nonexpendable Purposes	Restricted Purposes	Committed Purposes	Assigned Purposes	Unassigned Purposes	Totals
General Fund						
General Government	\$ —	\$ —	\$ —	\$ —	\$ 2,585,047	\$ 2,585,047
Stabilization Fund	—	—	4,626,419	—	—	4,626,419
FY21 Authorizations Reappropriated in FY22	—	—	—	1,070,523	—	1,070,523
Transitional Escrow Fund	—	—	—	—	1,460,324	1,460,324
Subtotals, General Fund	—	—	4,626,419	1,070,523	4,045,371	9,742,313
Lottery Funds						
Investments, Restricted Investments, Annuity Contracts and Lottery Operations	755,378	—	—	1,322	—	756,700
Massachusetts School Building Authority (MSBA)						
Debt Service	—	891,084	—	—	—	891,084
OPEB	—	2,953	—	—	—	2,953
Grants to Cities, Towns and Local School Districts	—	77,264	—	812,408	—	889,672
Subtotals, MSB A	—	971,301	—	812,408	—	1,783,709
Other Governmental Funds						
Restricted by Federal Grantors	—	121,198	—	—	—	121,198
Environmental	—	—	15,221	3,696	—	18,917
Regional Greenhouse Gas Auction and Mitigation	—	—	87,528	—	—	87,528
Dam and Seawall Repair	—	—	20,609	—	—	20,609
Public Safety - Enhanced 911 Services	—	—	221,777	—	—	221,777
Public Safety - Other	—	—	27,931	—	—	27,931
Health Care	—	—	632,567	—	—	632,567
Marijuana Regulation	—	—	8,655	—	—	8,655
Social Innovation Financing	—	—	9,262	—	—	9,262
Workforce Training	—	—	65,289	—	—	65,289
Department of Industrial Accidents	—	—	28,309	—	—	28,309
Convention Centers	—	8,393	198,406	—	—	206,799
General Government Capital Projects Fund	—	—	—	—	(483,314)	(483,314)
Highway Capital Projects Fund	—	—	—	—	(622,537)	(622,537)
General Government Debt Service	—	12,270	42,153	—	—	54,423
Transportation (GANS*/Commonwealth Transportation Fund)	—	15,553	55,791	—	—	71,344
Gaming Administration	—	—	1,970	—	—	1,970
Gaming -- Community Mitigation	—	—	31,086	—	—	31,086
Race Horse Development	—	—	20,264	—	—	20,264
Housing Preservation	—	—	18,753	—	—	18,753
Expendable Trusts	—	192,076	352,008	149,481	—	693,565
Education	—	—	6,555	—	—	6,555
Other	—	2	335,017	9,567	(50,913)	293,673
Subtotals, Other Governmental Funds	—	349,492	2,179,151	162,744	(1,156,764)	1,534,623
Totals	\$ 755,378	\$ 1,320,793	\$ 6,805,570	\$ 2,046,997	\$ 2,888,607	\$ 13,817,345

*Federal Grant Anticipation Notes

The Commonwealth does not have a formally adopted minimum fund balance policy. However, most governmental funds cannot end a fiscal year in deficit. Those funds that are authorized to end a fiscal year in deficit are discussed in [Note 8](#) to the basic financial statements, "Individual Fund Deficits" on page [116](#).

Stabilization Fund Arrangements:

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

Revenue and the Attorney General, to transfer to the Stabilization Fund all revenue from individual settlements and judgments greater than \$10 million each that exceeds the five year rolling annual average of such settlements and judgments. During FY21, the settlements and judgments revenue did not reach the five year average threshold and all such revenue was retained in the General Fund.

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

The Stabilization Fund ended FY21 with a balance of \$4.626 billion. For the fiscal year ending June 30, 2021, the Stabilization Fund's balance increased by \$9 million from investment income, approximately \$324 thousand in statutorily mandated deposits of withholding taxes on certain Lottery proceeds, and \$17 million from gaming tax revenue. In accordance with GASB 54 requirements, balances in the Stabilization Fund are classified as committed.

Per Legislature enacted at the end of FY21, the surplus of \$1.460 billion was deposited into a newly created budgeted Transitional Escrow Fund, whose balance was carried forward for use in FY22.

Fiscal Year-End

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

Program Revenue

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

Operating and non-operating revenues and expenses

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

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

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

The Office of the Treasurer and Receiver-General (Treasury) manages the Commonwealth's short-term external mixed investment pool, the Massachusetts Municipal Depository Trust (MMDT), which is comprised of two portfolios: a Cash Portfolio and a Short Term Bond Portfolio. The Cash Portfolio is a money-market-like investment pool; its investments are carried at amortized cost. As of June 30, 2021, the MMDT's entire cash fund is included as cash equivalents in the accompanying financial statements. The Short Term Bond Portfolio investments are carried at fair value. As of June 30, 2021, the MMDT's entire bond fund is included as short-term investments in the accompanying financial statements.

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

The post-employment and OPEB benefit trust funds invest in the Pension Reserves Investment Trust (PRIT) Fund, a diversified external investment pool managed by the Pension Reserves Investment Management (PRIM) Board and are reported at fair value in the accompanying financial statements. The State Employees', Teachers' Public Employee Retirement Systems (PERS) and the State Retirees' Benefit Trust (SRBT) are required to invest in the PRIT Fund and comprise approximately 37.4%, 38.6% and 1.9% respectively, of the net position of the PRIT Fund. For a complete copy of PRIT's separately issued financial statements, contact the PRIM Board at 84 State Street, Boston, MA 02109.

Other Commonwealth investments are comprised of equities (marketable securities) and fixed income securities, as well as interests in alternative investment funds such as private equity, debt and real estate. Marketable securities are reported at fair value based upon quoted market prices. Investments in fixed income securities, including U.S. government agency obligations, are reported at fair value using independent pricing services. In determining the price, the services may reflect such factors as market prices, yields, maturities, and ratings, supplemented by deal quotations. Alternative investments are generally reported at net asset values (NAV) reported by the investment manager for the respective securities, which are used as a practical expedient to estimate the fair value of the Commonwealth's interests therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2021, the Commonwealth had no plans or intentions to sell investments at amounts different from NAV.

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

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

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

E. RECEIVABLES AND UNEARNED REVENUE

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

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

"Other Receivables" represent amounts due to the Commonwealth including Lottery revenues and Higher Education receivables from students, amounts due to the University of Massachusetts from related organizations and other items. Also included in other receivables for FY21 are amounts due to the Commonwealth under provisions of the Master Settlement Agreement among five tobacco companies and 46 states, including the Commonwealth. Pursuant to provisions of GASB Technical Bulletin No. 2004-1 "Tobacco Settlement Recognition and Financial Reporting Entity Issues", a receivable has been recorded in the general fund for approximately \$106 million, representing 50% of the amounts expected to be received during FY22. Also, included as a long-term receivable is approximately \$28 million representing the Commonwealth's share of the Nonparticipating Manufacturer (NPM) adjustment for 2004 tobacco sales which were not contested by the manufacturers.

"Loans Receivables" - The MSBA has entered into various loan agreements with municipalities at a 2.0% interest rate with principal to be paid in equal installments for varying terms. Currently, the longest repayment schedule has a final payment in FY43. This program is designed to assist a limited number of school districts with unanticipated inflationary construction costs over the district's original project budget. The loans outstanding as of June 30, 2021

were \$68 million, of which \$6 million is due in FY22. During FY21, the MSBA collected \$6 million of scheduled principal payments.

F. DUE FROM CITIES AND TOWNS

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

G. CAPITAL ASSETS

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

Methods used to value capital assets

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

Capitalization policies

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

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

Depreciation and useful lives

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

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

Construction in process

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

H. INTERFUND / INTRAFUND TRANSACTIONS

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

I. STATEWIDE COST ALLOCATION PLAN – FRINGE BENEFIT COST RECOVERY

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

J. SCHOOL CONSTRUCTION GRANTS, CONTRACT ASSISTANCE AND OTHER PAYABLES

Under the former school building assistance program (prior to the creation of the MSBA) the Commonwealth reimbursed 50% to 90% of approved eligible construction and borrowing costs for school construction and renovation to municipalities and regional school districts for 728 previously approved projects noted by MSBA as Prior Grant projects. The MSBA has assumed responsibility for these projects under its enabling statute.

The MSBA records a liability for its share of total eligible project costs differently depending on the type of project. However, for all projects, the MSBA recognizes a liability for its estimated share of total eligible project costs when the applicable eligibility requirements have been met.

Prior Grants - All of the 728 Prior Grant projects had been receiving an annual payment under the former program. The liability for these projects will be reduced over time through annual payments, and savings from debt refundings by the local communities in which the MSBA shares in the savings based on the reimbursement rate of the project. As of June 30, 2021, the liability for prior grant projects is approximately \$29 million.

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

Waiting List projects that are under the lump sum method were recognized as a liability once construction started. The liability for these projects will be reduced over time through annual payments and savings from debt refundings by the local communities in which the MSBA shares in the savings based on the reimbursement rate of the project. These projects operate similar to Prior Grant projects. As of June 30, 2021, the liability outstanding for Waiting List projects under the lump sum method is \$28 million.

Under the progress payment method, the MSBA's shares of costs incurred are generally recognized as a liability once a grantee requests reimbursement from the MSBA. As of June 30, 2021, there is no remaining liability related to the progress payment method.

New Program - The MSBA funds New Program projects on a progress payment basis. Under this process, communities may submit reimbursement requests no more frequently than once per month. Upon review, audit, and approval, the MSBA processes payment for its share of eligible costs incurred. The MSBA's share of costs incurred for New Program projects are recognized as a liability once a grantee's request for reimbursement is reviewed, audited, and approved by the MSBA. The MSBA has recorded a liability of \$47 million in the governmental funds for reimbursements received, reviewed, and approved for payment by June 30, 2021. Additionally, a liability of \$75 million was recorded for the reimbursements not reviewed or approved for payment prior to June 30, 2021, as well as final project hold back payments subject to final audit and Board approval after year end. The long-term portion of this liability is estimated at \$15 million. New Program projects that are not currently recognized as a liability are considered commitments of the MSBA. As of June 30, 2021, the amount of commitments outstanding for the New Program projects is \$1.6 billion, and will be funded under the progress payment method.

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

As of June 30, 2021, MSBA had an outstanding liability of \$122 million, and \$1.6 billion of commitments outstanding, for the New Program projects. The Commonwealth dedicates a 1% statewide sales tax (drawn from the existing statewide 6.25% sales tax), excluding sales tax revenues on meals and from certain additional statutorily exempted revenues from sales, to the School Modernization and Reconstruction Trust Fund (the "SMART Fund"), in support of these grant programs and for all other operations of the MSBA, including debt service.

The Massachusetts Clean Water Trust (the Trust) loans to its borrowers are subsidized by interest earnings on its pledged assets which include debt service reserve funds, direct loans. Additionally, contract assistance is provided to the Trust by the Commonwealth on behalf of certain loan financing agreements. Although borrowers are obligated to the Trust to make scheduled payments, these subsidies are expected to be available for the duration of the loan financing agreements. The Commonwealth and the Trust have entered into a contract pursuant to which the Commonwealth has committed to provide contract assistance payments to the Trust to reduce the borrowers' debt service obligations to the Trust in the amount of \$173 million over 30 years. This obligation of the Commonwealth to the Trust is a general obligation of the Commonwealth, for which its full faith and credit are pledged. Annual appropriations are made each year by the Commonwealth to fund the current year's obligation.

Accounts payable includes amounts due to vendors of the Commonwealth for goods and services delivered before June 30th but paid for after year-end, the largest of which is Medicaid for \$523 million.

K. COMPENSATED ABSENCES

Compensated absences are recorded as a long-term liability in the Statement of Net Position. For the governmental fund statements, accumulated vacation and sick leave are reported as expenditures and fund liabilities when incurred upon retirement, termination or death. Sick and vacation payments to terminated employees as of June 30, 2021 but paid after the fiscal year ends are also reported in the funds.

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

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

In the business-type activity and the discretely presented component units, employees' accumulated vacation and sick leave are recorded as an expense and liability as the benefits accrue.

L. DEDICATED REVENUES AND PLEDGES

The Commonwealth has a number of pledges of revenue streams for its own bonds and various other bond issues of other authorities. Commonwealth debt supported by dedicated revenue streams include special obligation bonds for road and bridge construction secured by motor fuels taxes and federal grant anticipation notes (GANS) secured by federal grants for highway construction. Detailed information on pledges for the Commonwealth's own debt is included in sections [B](#) and [C](#) of [Note 7](#), on pages 101-102.

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

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

In FY21, approximately \$1.227 billion and \$1.072 billion of the dedicated sales tax revenue stream was directed to the MBTA and the MSBA, respectively.

The Commonwealth has also pledged sales tax revenue and rooms tax surcharges from areas contiguous to convention centers and the Worcester DCU Arena and Convention Center to support such centers' operations. As of June 30, 2021, taxes within the Convention Center districts support approximately \$480 million of outstanding principal and approximately \$205 million of interest on debts related to these Convention Centers. Taxes collected in FY21 were approximately \$49 million, while debt service on the bonds was approximately \$52 million.

Under additional transportation finance reform effective July 1, 2013, motor vehicle sales tax collections were shifted from the General Fund to the Commonwealth Transportation Fund (CTF), while also eliminating a 0.385% pledge of regular and meals sales tax to the CTF. During FY21, approximately \$577 million in motor vehicle sales tax revenue was transferred to MassDOT. From the Commonwealth Transportation Fund, \$127 million was dedicated to funding the operations of the MBTA while an additional \$94 million was dedicated to funding the operations of the regional transit authorities. These amounts are transferred through the CTF.

M. LOTTERY REVENUE AND PRIZES

Ticket revenues and prizes awarded by the Massachusetts Lottery Commission are recognized as drawings are held. For certain prizes payable in installments, the Commonwealth purchases annuities and principal-only and interest-only Treasury strips in the Commonwealth's name, which are recorded as restricted annuity contracts investments and are included as nonspendable balance in the governmental funds. Prize payable is reported as liability accrual in the Statement of Net Position. Though the annuities are in the Commonwealth's name in the case of a default, they are solely for the benefit of the prize winner. The Commonwealth retains the risk related to such annuities.

N. RISK FINANCING

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

O. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

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

P. NET POSITION

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

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

"Restricted for family and employment security" – identifies amounts solely for the payment of family and medical leave program benefits to covered individuals eligible to receive benefits and to pay the administrative costs of the department under Section 7 of Chapter 175M of the Massachusetts General Laws.

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

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

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

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

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

Q. SERVICE CONCESSION AGREEMENTS

The higher education institutions of the Commonwealth (State Universities and Colleges) enter in to services concession agreements for campus dining facilities and bookstores. In exchange for these agreements the vendors provide contributions to the institutions to improve the facilities as well as revenue sharing arrangements. All improvements and equipment purchased with the payments remain the property of institutions. The contracts range from five to eighteen years in duration. These agreements generate deferred inflows of resources, and liability for the unamortized portion of assets transferred. Per terms of the agreements, either party can terminate the agreement at any time, without cause, by providing a written notice. In the event of termination, the unamortized portion is to be returned. Following is a summary of amounts of the arrangements as of June 30, 2021 (amounts in thousands):

State Universities	\$	13,418
Community Colleges		<u>167</u>
Total	\$	<u><u>13,585</u></u>

Approximately \$10.5 million in the carrying value of capital assets and \$4 thousand in remaining receivables associated with these service concession agreements are reported in the business-type activities in these financial statements.

R. ESTIMATES

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

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

S. PENSIONS AND OPEB

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

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

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

T. SIGNIFICANT NEW ACCOUNTING PRONOUNCEMENTS/PRIOR PERIOD ADJUSTMENTS

The Commonwealth early implemented GASB Statement No. 84, Fiduciary Activities, in FY 20. During FY 21 it was determined a previously classified custodial fund should be classified to a governmental fund. As a result, the fund balance of the lotteries major governmental fund has been restated for the correction of an error. Further, the Massachusetts Department of Transportation, a major discretely presented component unit, adopted GASB Statement No. 84 during FY 21.

The following details the cumulative effect of the change in accounting principle and the correction of an error (amounts in thousands):

	Governmental Funds Financial Statements	Discretely presented Component Units	Government- Wide Financial Statements
	Lotteries	Massachusetts Department of Transportation	Discretely presented Component Units
Fund balance/ net position as of June 30, 2020 as previously reported	\$ 1,544	\$ 27,587,793	\$ 33,081,158
Reclassification of Custodial Fund Activity presented in error:			
Correction of an error on GASB 84 reclassification of fiduciary funds to governmental funds	855,323	—	—
Implementation of GASB 84::			
Reclassification of fiduciary funds to governmental funds	—	14,521	14,521
Fund balance/ net position as of July 1, 2020, as adjusted	<u>\$ 856,867</u>	<u>\$ 27,602,314</u>	<u>\$ 33,095,679</u>

2. DEPOSITS, SHORT-TERM INVESTMENTS AND INVESTMENTS**Primary Government**

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

	Governmental Activities	Business-Type Activities	Government Wide Total	Fiduciary Funds
Cash	\$ 310,784	\$ 3,677,005 (1)	\$ 3,987,789	\$ 109,701
MMDT - cash fund	16,502,464	1,419,747 (1)	17,922,211	6,412,016
Restricted cash with fiscal agent	248,690	—	248,690	—
Total	<u>\$ 17,061,938</u>	<u>\$ 5,096,752</u>	<u>\$ 22,158,690</u>	<u>\$ 6,521,717</u>

(1) of which \$247,256 (in thousands) is presented as restricted cash in the accompanying financial statements.

Lottery Annuity Contracts and U.S. Treasury Strips

The Massachusetts State Lottery Commission, a division of the Office of the State Treasurer and Receiver-General, purchases annuity contracts from insurance companies and United States treasury strips to fund the Commonwealth's liability for future installment prize obligations. These annuities and treasury strips represent

obligations of the insurance companies and the custodial banks, respectively, to provide a fixed series of payments over a specified period. Only the annuity investments are subject to credit risk. For the annuity contracts, risk is controlled by purchasing these investments only from insurance companies with the top two ratings issued by a national recognized ratings organization. However, due to the nature of these annuity contracts, the credit quality of the insurance company issuer is subject to change. As of June 30, 2021, the amortized cost of annuities was approximately \$98 million. At June 30, 2021, the U.S Treasury Strips have a fair value of approximately \$658 million. Approximately 87.0% of these amounts are held in United States Treasury strips at a custodial bank. No insurance company has an amount of annuities over 5.9% of the overall portfolio.

MSBA Deposits and Investments

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

As of June 30, 2021, the MSBA held the following deposits and investments which are a component of Governmental Activities above (amounts in thousands):

Cash and cash equivalents	\$ 636,735
Restricted cash with fiscal agent	—
Restricted investments	1,076,700
Total	<u>\$ 1,713,435</u>

Custodial Credit Risk – Pooled Cash

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

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

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

Custodial Credit Risk – Higher Education

The Institutions of Higher Education have investment policies that may vary by institution for custodial credit risk. Each institution carries deposits that are fully insured by the FDIC, as well as uninsured deposits. As of June 30, 2021, the bank balances of uninsured deposits totaled \$198 million.

Custodial Credit Risk – MSBA

The MSBA does not have a formal investment policy for custodial credit risk. The MSBA carries deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC) insurance, as well as deposits that are fully collateralized. As of June 30, 2021, all MSBA bank balances were fully protected against loss.

Interest Rate Risk – MMDT

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

At June 30, 2021, the Cash Portfolio's securities had a weighted average maturity of 49 days and a weighted average life of 65 days.

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

For the MMDT Short Term Bond Portfolio, the June 30, 2021 duration was 2.41 years. At June 30, 2021, investments in the MMDT Short Term Bond Portfolio had a total net position of \$821 million with investment maturities ranging from less than one year to ten years. At June 30, 2021, the Short Term Bond Portfolio's effective maturity schedule was as follows:

Securities with an Effective Maturity of	Percentage of Total Net Position
Less than one year	14.8 %
One to five years	78.9 %
Six to ten years	3.9 %
Total*	<u>97.6 %</u>

*The remaining 2.4% consists of cash equivalents and other assets.

Interest Rate Risk – Higher Education

As of June 30, 2021, the Institutions of Higher Education had debt investments stated at fair value of approximately \$482 million and had investment maturities ranging from less than one year to more than ten years, with 9.5% of the investment's fair values maturing in less than 1 year, 73.2% from one to five years, 10.9% from six to ten years, and 6.4% more than ten years.

Interest Rate Risk - MSBA

The MSBA's investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses arising from interest rates. As of June 30, 2021, the MSBA had approximately \$200 million invested in a collateralized guaranteed investment contract and approximately \$460 million invested in U.S. Treasury Bonds. These investments are included in restricted investments on the balance sheet. The guaranteed investment contract matures on July 25, 2022 while the U. S. Treasury Bonds mature from May 2027 to November 2045. These investments represent approximately 70% of the MSBA's total investments in debt service funds and debt service reserve funds.

Interest Rate Risk – Custodial Funds

The custodial funds hold certain debt investments in trust as collateral for regulatory purposes. As of June 30, 2021, these investments had a fair value of approximately \$527 million, with investment maturities ranging from less than one year to more than ten years. Of the total fair value, approximately 28.3% has maturities of less than one year,

44.5% from one to five years, 17.2% from six to ten years and 10.0% greater than ten years.

Credit Risk – MMDT

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

The Treasury cash portfolio is invested only in First Tier Securities as defined by the Securities and Exchange Commission's Rule 2A-7 of the [Investment Company Act of 1940](#). The Treasury does have additional policies regarding credit ratings of investments as detailed in the Investment Circulars which can be found in the documents tab at <https://www.mymmdt.com/mmdt/pools.do>. At June 30, 2021, the Cash Portfolio's securities were all rated as First Tier.

At June 30, 2021, the Short Term Bond Portfolio's follows:

Portfolio Composition	Percentage of Total Net Position
AAA	58.9 %
AA	4.7 %
A	14.2 %
BBB	19.4 %
BB	0.4 %
Total*	97.6 %

* The remaining 2.4% consists of cash equivalents and other assets.

Credit Risk – Higher Education

For the Institutions of Higher Education presented in the Business-Type Activities, fair values of debt investments were \$122 million at AAA, \$86 million from AA+ to A- and \$274 million either unrated, BBB+ or less.

Credit Risk – MSBA

The MSBA's investment policy generally limits investments in fixed income products with institutions that have an investment grade rating as determined by one of the nationally recognized rating agencies. The MSBA's policy requires issuers of investment contracts to be rated AA or above by at least two of the nationally recognized rating agencies or A with pledged collateral equal to 102% of the principal balance. As of June 30, 2021, the guaranteed investment contracts were not rated; however, the issuer was rated AA+ by Standard & Poor's and Aa3 by Moody's and the guaranteed investment contracts were collateralized.

Credit Risk – Custodial Funds

The custodial funds had debt investments with a fair value of \$527 million, of which \$358 million were in U.S Government securities, \$79 million were in money market securities, \$65 million were in state and local government securities, and \$25 million were in corporate debt securities.

Interest Rate Risk – PRIT Funds

As pension and OPEB trust funds have a longer investment horizon than many of the Commonwealth's other

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

The PRIM Board compares the effective duration of a manager's portfolio to their relevant benchmark including Bloomberg Barclays Capital Aggregate index, US Treasury STRIPS 20+ Year index, Bloomberg Barclays Capital Treasury 1-3 Year index, Bloomberg Barclays Capital US TIPS index, Bloomberg Barclays Capital Inflation Linked Bonds index, S&P LSTA Leveraged Loan index, JP Morgan Global Emerging Markets Bond index, and the Intercontinental Exchange Bank of America Merrill Lynch (ICE BofAML) High Yield index. The PRIT Fund had fixed income and short-term investments totaling approximately \$27.8 billion at fair value with an effective weighted average duration range from 1.33 to 15.12 years at June 30, 2021.

Credit Risk – PRIT Funds

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

Credit risk for derivative instruments held by the PRIT results from counterparty risk. The PRIT is exposed to credit risk resulting from counterparties being unable to meet their obligations under the terms of the derivative agreements. The weighted average quality rating of the debt securities portfolio, excluding pooled investments, investments explicitly backed by the United States Government and other nonrated investments was BBB- and BBB+ at June 30, 2021 and June 30, 2020 respectively.

Credit ratings associated with the Commonwealth's investment in the PRIT Fund ranged from AAA to A- investments with a fair value of approximately \$2.966 billion, BBB+ to B- investments with a fair value of approximately \$3.852 billion, \$921 million rated CCC+ to D, \$10.274 billion are unrated, and the remaining \$9.988 billion are investments that are explicitly backed by the U. S. Government.

Foreign Currency Risk – PRIT Funds

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investments. The Treasury does not have a policy regarding foreign currency risk for the Pension Trust. The PRIM Board manages PRIT's exposure to foreign currencies by hedging a percentage of PRIT's non-U.S. dollar denominated investments through forward foreign currency contracts. The PRIT Fund's investments in foreign currency denominated investments as of June 30, 2021 were approximately \$190 million in cash and short-term investments, \$15.246 billion in equities, \$850 million in fixed income investments, \$599 million in portfolio completion strategies, \$1.713 billion in private equity investments and \$389 million in timberland investments. An additional \$4.349 billion is invested in international investments denominated in U. S. dollars.

Concentration of Credit Risk – PRIT

The PRIM Board manages PRIT's exposure to concentration of credit risk by establishing guidelines with each investment manager that limit the percent of investment in any single issue or issuer. PRIT has no investments, at fair value, that exceed 5% of PRIT's net position held in trust for pool participants as of June 30, 2021.

A. DERIVATIVE INSTRUMENTS

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

Forward Currency Contracts

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

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

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

As of June 30, 2021, PRIT had open foreign exchange contracts with combined net unrealized gain of approximately \$888 thousand with various delivery dates.

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

Futures Contracts

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

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

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

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

PRIT held contracts outstanding at June 30, 2021 with various expirations from FY22 to FY28. These contracts are for cash and cash equivalents, fixed income, equities and commodities. A portion of the contracts were short contracts. The aggregated notional exposure amount as of June 30, 2021 was approximately \$895 million with a fair value of \$887 million, yielding an unrealized net loss of approximately \$8 million.

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

Swaps – PRIT

PRIT has entered into swap agreements to gain exposure to certain markets and actively hedge other exposures to market and credit risk. The swap contracts are reported at fair value, which represents their estimated liquidation values on costs. PRIT either receives cash from the swap counterparties or pays the swap counterparties monthly

depending on whether the fixed-rate interest is lower or higher than the variable-rate interest. Changes in fair value are included as part of investment income.

As of June 30, 2021, PRIT had contracts in effect with an aggregated notional amount of approximately \$23.052 billion to various investment banks that had maturity dates from FY22 to FY73. The contracts have an aggregate fair value loss of approximately \$84 million. PRIT values these contracts using standard methods and techniques including the discounted cash flow analysis and option pricing models.

PRIT's counterparty exposure was with various major investment companies with ratings ranging from AA- to BBB+ and various other banks with other ratings. Open swap contracts as of June 30, 2021 were as follows (amounts in thousands):

Counterparty	Credit Ratings	Interest Rate Swaps		Credit Default Swaps		Total Return and Other Swaps	
		Gross Notional	Fair Value	Gross Notional	Fair Value	Gross Notional	Fair Value
BNP Paribas Securities Corp.....	A+	\$ —	\$ —	\$ 184,739	\$ 1,966	\$ —	\$ —
Citibank NA	A+	—	—	3,600	18	597,477	8,489
CME Group	AA-	344,867	(1,429)	—	—	—	—
Goldman Sachs	A+	43,358	37	1,867,722	(46,786)	—	—
Intercontinental Exchange	BBB+	—	—	100,582	1,950	—	—
LCH Ltd	AA-	130,262	(1,050)	—	—	249,751	1,935
Merrill Lynch International	A+	—	—	4,800	48	229,799	2,838
Morgan Stanley	A+	431,123	(31)	493,122	(5,294)	188,635	(221)
SMBC Capital Markets Inc.	A+	250,000	(18,429)	—	—	—	—
U.S. Bank National Association ..	A+	500,000	(3,255)	—	—	—	—
All others	Various	13,212,418	5,683	1,035,481	(32,336)	3,183,828	2,115
Totals		<u>\$ 14,912,028</u>	<u>\$ (18,474)</u>	<u>\$ 3,690,046</u>	<u>\$ (80,434)</u>	<u>\$ 4,449,490</u>	<u>\$ 15,156</u>

B. DISCRETELY PRESENTED COMPONENT UNIT INVESTMENTS

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

C. FAIR VALUE MEASUREMENTS OF INVESTMENTS

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

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

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

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

The following tables present a summary of the fair value hierarchy of investments at June 30, 2021 (amounts in thousands):

<i>Primary government</i>	Total	Level		
		1	2	3
Debt securities:				
US Treasury and agency securities	\$ 1,270,498	\$ 1,259,697	\$ 10,801	\$ —
Municipal securities	33,842	30,740	3,102	—
Institutional money market funds	960,806	954,180	6,626	—
Corporate debt/bonds	124,020	6,980	116,998	42
Corporate stock	35,550	35,550	—	—
Asset backed securities	21,833	—	21,833	—
Registered investment companies	52,761	52,761	—	—
Mortgage backed securities	33,225	—	33,225	—
Other fixed income	135,926	134,949	977	—
Total debt securities	2,668,461	2,474,857	193,562	42
Equity securities	265,782	264,147	—	1,635
Investments measured at the Net Asset Value (NAV):				
Commonfund (pooled investment funds)	446,210			
Private equity	63,244			
Private debt	16,017			
Private real estate	10,727			
Other	18,015			
Total investments measured at the NAV	554,213			
Other investments at fair value:				
MMDT - bond fund	388,836			
Total other investments at fair value	388,836			
Subtotal investments at fair value	3,877,292	\$ 2,739,004	\$ 193,562	\$ 1,677
Other investments:				
Annuity contracts	97,858			
Guaranteed investment contracts	200,099			
Certificates of deposit	5,920			
Other	184,575			
Total other investments	488,452			
Total investments - primary government	\$ 4,365,744			
Derivative instruments:				
Interest rate swaps (liabilities)	\$ 89,997	\$ —	\$ 89,997	\$ —

Included in the preceding schedule is approximately \$7 million of various money market mutual fund investments related to the business type activities which are classified as cash equivalents in the accompanying financial

statements.

Lottery annuity contracts and U.S. Treasury Strips of approximately \$755 million as of June 30, 2021 are presented in governmental fund and governmental activities on the Statement of Net Position.

<i>Fiduciary funds:</i>	Total	Level		
		1	2	3
Debt securities:				
US Treasury securities	\$ 357,568	\$ 357,568	\$ —	\$ —
Bonds	90,333	25,633	64,700	—
Total debt securities	447,901	383,201	64,700	—
Investments measured at the Net Asset Value (NAV):				
Mutual funds	79,259			
Other investments at fair value:				
MMDT - bond fund	33,680			
Net investment in PRIT	95,692,868			
Total other investments at fair value	95,726,548			
Total investments - fiduciary funds	\$ 96,253,708	\$ 383,201	\$ 64,700	\$ —

3. RECEIVABLES AND TAX ABATEMENTS

A. RECEIVABLES

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

<i>Primary Government</i>	Taxes Receivable	Federal Grants and Reimbursements	Loans	Other Receivables	Total
<u>Governmental Activities:</u>					
Gross receivables	\$ 6,008,448	\$ 2,429,891	\$ 80,225	\$ 1,934,215	\$ 10,452,779
Less: allowance for uncollectibles	(1,485,506)	(121,733)	—	(529,630)	(2,136,869)
Receivables, net allowance for uncollectibles	4,522,942	2,308,158	80,225	1,404,585	8,315,910
Less: current portion	(4,087,398)	(2,307,778)	(6,859)	(1,242,332)	(7,644,367)
Noncurrent receivables	\$ 435,544	\$ 380	\$ 73,366	\$ 162,253	\$ 671,543
<u>Business-Type activities:</u>					
Gross receivables	\$ —	\$ 60,616	\$ 40,543	\$ 2,963,158	\$ 3,064,317
Less: allowance for uncollectibles	—	—	(2,656)	(1,923,934)	(1,926,590)
Receivables, net allowance for uncollectibles	—	60,616	37,887	1,039,223	1,137,726
Less: current portion	—	(60,616)	(6,876)	(1,022,349)	(1,089,841)
Noncurrent receivables	\$ —	\$ —	\$ 31,011	\$ 16,874	\$ 47,885

B. TAX ABATEMENTS

As of June 30, 2021, the Commonwealth provided tax abatements through the following three programs: the Massachusetts Economic Development Incentive Program Credit (EDIP), Life Sciences Tax Incentive Program and the Film Tax Credit.

Economic Development Incentive Program

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

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

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

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

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

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

Life Sciences Tax Incentive Program

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

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

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

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

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

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

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

Film Tax Incentive

M.G.L. c. 62, § 6(1) and M.G.L. c. 63, § 38X, provide tax credits to encourage the production in Massachusetts of films, television shows, commercials, and other motion pictures. Entities that fund such productions (known under the statute as “motion picture production companies”) may claim (1) a credit equal to 25% of the total qualifying aggregate payroll for employing persons within the Commonwealth in connection with filming and production of a

motion picture and (2) a credit equal to 25% of their Massachusetts production expenses (not including the qualifying aggregate payroll expenses). Each credit has its own qualification requirements and a taxpayer is allowed to qualify for and claim both credits. The production companies must incur a minimum of \$50,000 in total Massachusetts production expenses during a consecutive twelve-month period to be eligible for the credits. The credits are either transferable or 90% refundable to the motion picture production companies to the extent that the credits exceed the companies' Massachusetts tax liability. Transferees do not qualify for the 90%-refundability option.

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

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

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

The following is the total revenue estimated to be reduced under these programs for fiscal year 2021 (amounts in thousands):

Tax abatement program	Total estimated revenue reduced by
Economic Development Incentive Program (EDIP)	\$ 1,657 ⁽¹⁾
Life Sciences Tax Incentive Program	19,500 ⁽²⁾
Film Tax Incentive Program:	
Film Tax Credit	67,809 ⁽³⁾
Sales Tax Exemption	321 ⁽⁴⁾
Total	<u>\$ 89,287</u>

Sources:

(1) Massachusetts Office of Business Development, credits approved in FY2021.

(2) <https://www.masslifesciences.com/baker-polito-administration-announces-19-5-million-job-creation-incentives-for-28-massachusetts-life-sciences-companies/>, incentives awarded in FY2021.

(3) Massachusetts Department of Revenue, film tax credits approved during FY2021.

(4) Massachusetts Department of Revenue, FY2022 Tax Expenditure Budget, sales tax exemption approved to motion picture production companies or to accredited film school students during FY2021 (<https://budget.digital.mass.gov/govbudget/fy22/tax-expenditure-budget/>).

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS BETWEEN FUNDS

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

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

Governmental funds:	General	Lotteries	Coronavirus Relief	Other Governmental Funds	Total
<u>Transfers in:</u>					
Debt service	\$ —	\$ —	\$ —	\$ 2,458,994	\$ 2,458,994
Transfers in	2,065,944	—	—	2,043,604	4,109,548
Subtotal	2,065,944	—	—	4,502,598	6,568,542
<u>Transfers out:</u>					
Appropriations	(1,543,381)	—	—	(4,718)	(1,548,099)
Transfer of bond proceeds	—	—	—	(167,923)	(167,923)
Debt service	(1,198,237)	—	—	(1,260,757)	(2,458,994)
Transfers out	(839,545)	(1,207,661)	(724)	(1,863,195)	(3,911,125)
Subtotal	(3,581,163)	(1,207,661)	(724)	(3,296,593)	(8,086,141)
Total governmental funds	\$ (1,515,219)	(1,207,661)	\$ (724)	\$ 1,206,005	\$ (1,517,599)
Proprietary funds:	Family and Employment Security Trust	University of Massachusetts	State Universities	Community Colleges	Total
<u>Transfers in:</u>					
Transfers in from governmental funds	\$ —	\$ 809,990	\$ 428,910	\$ 477,122	\$ 1,716,022
<u>Transfers out:</u>					
Transfers out to the General Fund	(3,252)	(124,105)	(38,520)	(32,546)	(198,423)
Total proprietary funds	\$ (3,252)	\$ 685,885	\$ 390,390	\$ 444,576	\$ 1,517,599
Net transfers in/(out) between funds					\$ —

Due to/from component units on the Statement of Net Position reflects a timing difference for payments of approximately \$39 million at year end.

Remaining receivables and payables between funds as of June 30, 2021 largely occur due to the timing of accruals and the funding of escrows. The University of Massachusetts also reported unremitted benefits costs as of June 30, 2021. The amount due to the General Fund largely represents deficits funded by the General Fund. The following is a summary of receivables and payables between funds remaining as of June 30, 2021 (amounts in thousands):

Receivable Fund	Payable Fund	Amount
Governmental Funds:		
General	Non-major Governmental Funds	\$ 328,813
Non-major Governmental Funds	Non-major Governmental Funds	89,751
Total Governmental Funds		\$ 418,564

5. CAPITAL ASSETS

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

<i>Governmental Activities</i>	Beginning Balance July 1, 2020	Increases	Decreases and Reclassifications	Ending Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 941,961	\$ 15,445	\$ —	\$ 957,406
Construction in process	713,719	225,675	(47,060)	892,334
Total capital assets not being depreciated	1,655,680	241,120	(47,060)	1,849,740
Capital assets being depreciated:				
Buildings	6,198,518	50,513	(4,652)	6,244,379
Machinery and equipment	1,719,929	107,708	(8,041)	1,819,596
Infrastructure non - central artery/tunnel project	456,544	—	—	456,544
Total capital assets being depreciated	8,374,991	158,221	(12,693)	8,520,519
Less, accumulated depreciation:				
Buildings	(3,563,684)	(111,365)	4,652	(3,670,397)
Machinery and equipment	(1,257,077)	(97,273)	3,519	(1,350,831)
Infrastructure non - central artery/tunnel project	(287,071)	(8,146)	—	(295,217)
Total accumulated depreciation	(5,107,832)	(216,784)	8,171	(5,316,445)
Total capital assets being depreciated, net	3,267,159	(58,563)	(4,522)	3,204,074
Governmental activities capital assets, net	4,922,839	182,557	(51,582)	5,053,814
<i>Business - Type Activities</i>				
Capital assets not being depreciated:				
Land	228,778	4,015	(2,224)	230,569
Construction in process	536,054	412,637	(513,035)	435,656
Historical treasures	19,429	580	(17,873)	2,136
Total capital assets not being depreciated	784,261	417,232	(533,132)	668,361
Capital assets being depreciated:				
Buildings	11,650,494	549,001	(54,256)	12,145,239
Machinery and equipment	1,207,234	68,265	(14,302)	1,261,197
Library collections, not including historical treasures	56,542	73	(7,208)	49,407
Total capital assets being depreciated	12,914,270	617,339	(75,766)	13,455,843
Less, accumulated depreciation:				
Buildings	(4,755,413)	(382,249)	47,550	(5,090,112)
Machinery and equipment	(966,987)	(64,539)	11,032	(1,020,494)
Library collections, not including historical treasures	(15,755)	(8,210)	4,477	(19,488)
Total accumulated depreciation	(5,738,155)	(454,998)	63,059	(6,130,094)
Total capital assets being depreciated, net	7,176,115	162,341	(12,707)	7,325,749
Business - type activities capital assets, net	7,960,376	579,573	(545,839)	7,994,110
Total Primary Government capital assets, net	\$ 12,883,215	\$ 762,130	\$ (597,421)	\$ 13,047,924

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

<u>Function</u>	<u>Amount</u>
General government.....	\$ 102,319
Judiciary.....	25,669
Health and human services.....	21,863
Early elementary and secondary education.....	2,449
Public safety and homeland security.....	59,347
Housing and economic development.....	2,710
Labor and workforce development.....	2,427
	<hr/>
Total depreciation, governmental activities.....	<u>\$ 216,784</u>
University of Massachusetts.....	\$ 300,201
State universities.....	107,429
Community colleges.....	47,368
	<hr/>
Total depreciation, business-type activities.....	<u>\$ 454,998</u>

6. SHORT-TERM FINANCING AND CREDIT AGREEMENTS

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

A. GENERAL FUND

The balance of revenue anticipation notes (RANs) and commercial paper outstanding may fluctuate during a fiscal year, but all short-term borrowing for cash flow purposes must be reduced to zero by June 30. For short-term borrowing for cash flow purposes, the Commonwealth borrowed \$1.5 billion by selling RANs in December 16, 2020 in three separate series of \$500 million, \$400 million and \$600 million which were retired in April, May and June 2021.

In order to manage cash flows through the COVID-19 pandemic, the Commonwealth obtained a line of credit in the aggregate principal amount of \$1.75 billion from a syndicate of banks. As of February 17, 2021, the line of credit was reduced to the principal amount of \$500 million. The line of credit was scheduled to expire May 10, 2021, and was renegotiated with the same syndicate of banks in the amount of \$500 million for a term of three years, expiring on March 30, 2024. As of June 30, 2021, the Commonwealth had not drawn on the line of credit.

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

	Beginning Balance July 1, 2020	Issued/ Drawn	Redeemed/ Repaid	Ending Balance June 30, 2021
General Fund:				
Revenue anticipation notes	\$ —	\$ 1,500,000	\$ (1,500,000)	\$ —
Line of credit	500,000	—	(500,000)	—
Total	<u>\$ 500,000</u>	<u>\$ 1,500,000</u>	<u>\$ (2,000,000)</u>	<u>\$ —</u>

B. CREDIT FACILITIES

During FY21, the Commonwealth maintained a credit facility to provide liquidity support for commercial paper notes totaling \$200 million with TD Bank which expires on April 18, 2023. Additionally, in lieu of issuing commercial paper, the Commonwealth has the capacity under a note purchase agreement to issue general obligation tax exempt bonds or revenue anticipation notes up to \$200 million with RBC Capital Markets, LLC, which will expire on February 8, 2024. In addition to credit facilities for commercial paper, the Commonwealth maintained standby bond purchase agreements for outstanding Variable Rate Demand Bonds (VRDBs) sold from (FY01 through FY06). These VRDBs require external liquidity support because bond-holders have the right to tender the bonds back to the Commonwealth at par at any time. As of June 30, 2021, these agreements totaled \$276 million, were unused and will expire on various dates in FY22 through FY23.

7. LONG-TERM OBLIGATIONS

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

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

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

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

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

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

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

As of June 30, 2021, the Commonwealth had issued two types of long-term debt obligations: general obligation bonds and special obligation bonds. General obligation bonds, which account for the large majority of outstanding Commonwealth bonds, are backed by the full faith and credit of the Commonwealth. Special obligation bonds, however, are bonds secured by all or a portion of a specific revenue source that are pledged to bondholders and are not general obligations of the Commonwealth. For this type of securities, bondholders rely on pledged revenue only for repayment of principal and interest.

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

Type of Bond	Amount Outstanding
General obligation bonds - public offering, net proceeds	\$ 27,029,465
General obligation bonds - direct placement, net proceeds	300,000
Special obligation bonds (including GANs) - public offering, net proceeds	4,899,848
Outstanding Commonwealth bonds, net proceeds	32,229,313
MSBA bonds, - public offering, net proceeds	6,508,385
Total governmental activities, net proceeds	38,737,698
Less:	
Unamortized premiums on general obligation bonds - public offering*	(2,564,028)
Unamortized premiums on special obligation bonds	(616,828)
Unamortized premiums on MSBA bonds	(404,145)
Total governmental activities, principal	\$ 35,152,697

* - As of June 30, 2021 there were no unamortized premiums on direct placement GO bonds.

The general obligation (GO) bonds listed in the table above include outstanding tax-exempt bonds, taxable bonds including Build America Bonds, College Opportunity Bonds, and debt assumed from former counties. The special obligation (SO) bonds listed above include outstanding tax-exempt and taxable bonds (including Build America Bonds and Recovery Zone Economic Development Bonds) secured by indentures that legally define the specific revenues pledged to bondholders, as defined in the trust agreement. This includes outstanding bonds or notes secured by Federal Highway funds to be received by the Commonwealth, certain portions of the Commonwealth's motor fuel excise taxes and Registry of Motor Vehicle fees, and dedicated taxes and fees levied in certain geographic areas of the state to support the Commonwealth's convention center facilities. As of June 30, 2021, there were four different special obligation bond programs with bonds outstanding. It should be noted that one of the four bond programs has a closed lien, meaning that no additional new-money bonds will be issued under that specific special obligation bond indenture.

The following is a table of GO bonds principal outstanding as of June 30, 2021, (amounts in thousands):

General Obligation Bonds	Principal Outstanding	Percent of Total GO
Fixed rate bonds	\$ 23,176,844	93.6 %
Variable rate bonds	1,588,593	6.4 %
Total	\$ 24,765,437	100.0 %

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

Variable Rate GO Bonds	Principal Outstanding	Percent of Total GO
LIBOR index bonds	\$ 480,775	1.9 %
Direct purchase bonds	300,000	1.2 %
Variable rate demand bonds	275,590	1.1 %
Multi-Modal	377,180	1.5 %
College opportunity bonds	155,048	0.6 %
Total	\$ 1,588,593	6.3 %

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

	Principal Outstanding	Percent of Total GO
Hedged variable rate GO bonds	\$ 588,270	2.4 %
Unhedged variable rate GO bonds	1,000,323	4.0 %
Total variable rate GO bonds	\$ 1,588,593	6.4 %

The following is a table of SO bond principal, by rate structure, outstanding as of June 30, 2021, (amounts in thousands):

Special Obligation Bonds	Principal Outstanding	Percent of Total SO
Fixed rate bonds	\$ 4,254,635	99.3 %
Variable rate bonds	28,385	0.7 %
Total	\$ 4,283,020	100.0 %

All of the variable rate special obligation bonds are hedged as of June 30, 2021.

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

Special Obligation Bonds	Amount Outstanding
Special obligation dedicated tax revenue bonds, net proceeds:	
Fixed rate convention center bonds	\$ 479,645
Special obligation revenue bonds, net proceeds:	
CPI variable rate gas tax bonds	28,385
Special obligation revenue bonds, net proceeds:	
CTF Accelerated bridge program	1,763,794
CTF Rail enhancement program	1,909,086
Total revenue bonds, net proceeds	3,672,880
Special obligation GANS, net proceeds:	
Federal highway grant anticipation notes and accelerated bridge program	724,819
Total special obligation bonds, net proceeds	4,905,729
Less: unamortized premiums	(622,709)
Outstanding special obligation principal	<u>\$ 4,283,020</u>

A. GENERAL OBLIGATION BONDS

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

In addition to GO bonds issued to fund the state's capital needs, certain bonds are approved by the Legislature to be issued for a specific program. These bonds, known as College Opportunity Bonds, are issued pursuant to statute directly to the Massachusetts Educational Financing Authority for its pre-paid tuition program called the "U.Plan". As of June 30, 2021, the Commonwealth had approximately \$155 million in "U. Plan" bonds (at accreted value) outstanding. Pursuant to statute, all of the outstanding bonds are variable rate bonds. Interest on the bonds is based on the percentage change in the consumer price index plus 2.0% together with current interest at the rate of 0.5%.

In terms of bond structure, the large majority of GO bonds have been sold as fixed rate obligations. As of June 30, 2021, approximately 93.6% of the Commonwealth's outstanding GO debt is in the form of fixed-rate bonds. The remaining 6.4% of outstanding GO debt is in the form of variable rate bonds – bonds whose rate of interest fluctuate based on market or market index changes. The outstanding GO variable rate debt consists of several different variable rate structures. These structures include floating rate notes in various interest rate modes, direct purchase agreements in various interest rated modes, multi-modal bonds currently in the Term Mode, and variable rate demand bonds. Variable rate demand bonds, or "VRDBs", are long-term bonds whose interest rates re-set daily or weekly through an active remarketing process. Because these bonds provide bondholders with a "put" or tender feature enabling the bonds to be sold back to the Commonwealth at par at any time by an investor, they are supported by standby liquidity facilities provided by third-party commercial banks which require the applicable bank to purchase any bonds that are tendered by investors and not successfully remarketed. As of June 30, 2021, the Commonwealth had approximately \$276 million in outstanding VRDBs. This accounts for approximately 1.1% of total GO debt and approximately 17.3% of total GO variable-rate debt. All of these bonds are uninsured. As of

June 30, 2021, none of the Commonwealth's outstanding VRDBs have been subject to failed remarketing and "put" back to the Commonwealth; consequently, there have not been any draws on any of the outstanding bank liquidity facilities.

A portion of the Commonwealth's outstanding bonds have been directly purchased by banks (or "direct purchase bonds"). These variable rate, direct purchase bonds bear interest at an index rate and are payable on the first business day of each month until maturity. As of June 30, 2021, the Commonwealth had \$300 million direct purchase bonds outstanding.

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

Series	Par Outstanding	Final Maturity	Reset Mode/ Payment Frequency	Direct Purchase Bank	Direct Purchase Agreement Date	Direct Purchase Expiration Date
2016 Series C	\$ 200,000	4/1/2046 ⁽¹⁾	1 Month LIBOR/ Monthly Pay	TD Bank	4/1/2021	4/1/2024 ⁽²⁾
2016 Series B	100,000	4/1/2036 ⁽¹⁾	1 Month SIFMA/ Monthly Pay	RBC	4/1/2021	4/1/2026 ⁽²⁾
Total	<u>\$ 300,000</u>					

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

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

The remaining outstanding GO variable-rate debt pays interest to bondholders based on certain indices. For example, as of June 30, 2021, the Commonwealth had \$481 million of bonds that pay interest based on the three-month London Interbank Offered Rate (LIBOR), and \$377 million in Multi-Modal bonds. These bonds make up approximately 1.9%, and 1.5% of total outstanding general obligation indebtedness, respectively.

To fund the FY21 capital budget and prior capital spending, the Commonwealth borrowed by issuing \$2.382 billion in new money long-term bonds; \$1.982 billion of which was general obligation debt and \$400 million of which was special obligation debt secured by federal highway reimbursements and/or motor fuels taxes and motor vehicle license and registration fees. In addition, \$1.766 billion in refunding bonds were issued in five separate transactions. Three of these transactions were executed as current refundings with the remaining two executed as an advance refundings; all of which were executed for savings. The cash and present value savings of the refunding transactions are immaterial to these financial statements.

MSBA Debt

As of June 30, 2021, the MSBA had outstanding approximately \$6.508 billion of Dedicated Sales Tax bonds, which includes approximately \$404 million of unamortized premiums for the purpose of funding school construction and renovation projects. Coupons on the bonds range from approximately 0.349% to 5.715% and each series is payable semiannually with the latest maturity occurring in FY49. A portion of the interest on the Dedicated Sales Tax Bonds is reimbursed by the federal government. Of the \$6.104 billion of debt outstanding as of June 30, 2021, \$450 million is taxable Build America Bonds for which the MSBA is eligible to receive a 35% interest subsidy directly from the United States Treasury. In addition, \$293 million of the Subordinated Dedicated Sales Tax Bonds was issued as "Qualified School Construction Bonds" for which the MSBA is eligible to receive a 100% interest subsidy payment directly from the United States Treasury. During FY13, the federal government continued automatic budget cuts imposed through sequestration required pursuant to the Budget Control Act of 2011. On September 30, 2013, the IRS published a notice indicating that subsidy payments processed on or after October 1, 2013 and on or before September 30, 2014 will be reduced by the FY14 sequestration rate of 7.2%. The notice was updated in September 2014 to announce that subsidy payments processed on or after October 1, 2014 and on or before September 30, 2015 will be reduced by the FY15 sequestration rate of 7.3%. The subsidy payments made between October 1, 2015 and September 30, 2016 were reduced by the FY16 sequestration rate of 6.8%. The subsidy payments made between October 1, 2016 and September 30, 2017 were reduced by the FY17 sequestration rate of 6.9%. The subsidy payments made between October 1, 2017 and September 30, 2018 were reduced by the FY18 sequestration rate of 6.6%. The subsidy payments made between October 1, 2018 and September 30, 2019 were

reduced by the FY19 sequestration rate of 6.2%. The subsidy payments made between October 1, 2019 and September 30, 2020 were reduced by the FY20 sequestration rate of 5.9%. The notice states that the sequestration reduction rate will be applied unless and until a law is enacted that cancels or otherwise modifies the sequester. The reductions were approximately \$1.3 million on the 2009 Series B Bonds, 2010 Series A Bonds and 2011 Series A Bonds in FY 21. The IRS announced that the sequestration rate for the federal fiscal year ending September 2021 would be 5.7%. As of September 27, 2021, the IRS has extended the 5.7% rate through September 2030.

B. SPECIAL OBLIGATION BONDS

Commonwealth Transportation Fund (CTF)

The largest amount of special obligation bonds outstanding (by par) are bonds secured by certain revenues of the Commonwealth Transportation Fund. During FY21, the Commonwealth issued approximately \$400 million under the Rail Enhancement Program (REP) and \$289 million in refunding bonds. These bonds mature from FY22 to FY51 and are secured by a senior lien on 17 cents of the total 24 cents per gallon gasoline tax, the full 24 cents per gallon of special fuels taxes (comprised primarily of taxes on diesel fuel), and the full 19.1% of the average price per gallon tax on liquefied natural gas and all Registry of Motor Vehicle fees deposited into the CTF. These bonds also have a subordinate lien on 6.86 cents of the 24 cent per gallon gasoline tax not included in the senior lien. As of June 30, 2021, approximately \$1.555 billion and \$1.637 billion in principal was outstanding on the Accelerated Bridge Program (ABP) and REP bonds, respectively, and approximately \$965 million and \$1.497 billion of interest (net of the federal subsidy) was expected to be paid through maturity related to the ABP and REP bonds, respectively.

Motor Fuels Tax Bonds

Other special obligation bonds for highway construction purposes are secured by a senior lien on 6.86 cents of the 24 cent per gallon gasoline tax. As of June 30, 2021 bonds secured by these pledged funds totaled approximately \$28 million of principal. These bonds mature in FY22 and were issued in multiple series. Principal and interest paid during FY21 amounted to approximately \$27 million and \$3 million, respectively.

Convention Center Fund

Chapter 152 of the Acts of 1997, as amended, authorized \$694 million of special obligation bonds to be issued for the purpose of building a new convention center in Boston (\$609 million), the Springfield Civic Center (\$66 million) and the Worcester Convention Center (\$19 million). The bonds are payable from monies credited to the Convention Center Fund created by that legislation, which include certain hotel tax receipts from hotels in Boston, Cambridge, Springfield and Worcester, a surcharge on car rentals in Boston, a parking surcharge at all three facilities, a surcharge on sightseeing tours and cruises in Boston, and sales tax receipts from certain hotels and other retail establishments in Boston, Cambridge, and Springfield. The trust agreement requires a capital reserve fund to be maintained at a level equal to maximum annual debt service and provides that if the fund falls below its required balance, the 2.75% convention center financing fee in Boston is to be increased (though the overall hotel tax in Boston, including the fee, cannot exceed 14%). As of June 30, 2021, the balance of the capital reserve fund was \$53 million which is equal to the maximum annual debt service. As of June 30, 2021, taxes within the Convention Center districts support approximately \$480 million of outstanding principal and approximately \$205 million of interest on debts related to these Convention Centers. Taxes collected in FY21 were approximately \$49 million, while debt service on the bonds was approximately \$52 million. The balance of the trustee-held Convention Center revenue fund available for debt service was \$80.8 million as of June 30, 2021.

C. FEDERAL GRANT ANTICIPATION NOTES

All federal highway reimbursements are dedicated to funding the principal portion only of federal grant anticipation notes (GANs) issued in fiscal 2011, 2014, 2015, 2017, 2018 and 2020 with no new bonds issued in FY21. As of June 30, 2021, total principal remaining to be paid is approximately \$583 million. Maturities are from FY22 through FY27. Debt service paid during FY21 was approximately \$113 million.

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

D. THE BUILD AMERICA BOND PROGRAM

As part of the federal America Recovery and Reinvestment Act (ARRA) in 2009, municipal issuers were authorized to issue taxable bonds to fund new capital expenditures and receive an interest rate subsidy from the U.S. Treasury. As part of the temporary Build America Bond (BABs) program issuers, including the Commonwealth, issued taxable bonds in calendar years 2009 and 2010 in return for a subsidy from the federal government equal to 35% to 45% of the interest costs on the bonds, depending on whether the proceeds were used for projects in economically distressed areas. Between the GO bond program and the special obligation bond programs, the Commonwealth issued a total of \$2.791 billion in Build America Bonds and Recovery Zone Economic Development Bonds in six separate financings over the two-year period of the program. All of the bonds were issued as “direct pay to issuer”, meaning that the interest rate subsidies would be paid to the Commonwealth from the U.S. Treasury and not pledged to bondholders. As of June 30, 2021, the expected interest rate subsidy to be received through final maturity of all of the bonds issued as part of this program totaled \$514 million. The Commonwealth’s repayment obligation to bondholders is based on the gross interest rate. From a budgetary perspective, the bonds’ debt service is net of the interest-rate subsidy.

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

E. INTEREST RATE SWAP AGREEMENTS – OBJECTIVES AND RISKS

Prior to 2008, the Commonwealth had periodically entered into interest rate swap agreements for the sole purpose of hedging interest-rate risk on a portion of its outstanding variable rate bonds. By synthetically fixing the interest rates via the swap agreement this generally resulted in lower interest costs than traditional fixed rate bonds. Of the Commonwealth’s variable-rate debt (including special obligation bonds) outstanding of approximately \$1.617 billion, approximately \$617 million was hedged via floating-to-fixed interest rate swap agreements. Of this amount, \$588 million are for G.O. bonds and the remainder on outstanding special obligation bonds.

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

No. 53.

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

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

Objective of the Interest Rate Swap Agreements

The intended effect of these agreements is essentially to fix the Commonwealth's interest rate obligations with respect to its variable-rate bonds in order to hedge or mitigate the Commonwealth's exposure to changes in interest rates on these bonds. For example, during a period when interest rates rise, the Commonwealth would receive higher payments from swap counterparties that would be used to offset higher payments to bondholders of the outstanding variable rate bonds. During a period when interest rates decline, the reduction in interest payments to bondholders would offset the higher payments made to swap counterparties. But in both scenarios, the net obligation of the Commonwealth is essentially fixed through the life of the swap and bonds. As of June 30, 2021, all of the Commonwealth's interest rate swaps were floating-to-fixed rate agreements and were deemed effective hedges pursuant to GASB Statement No. 53.

Terms of the Interest Rate Swap Agreements

The variable rate bonds and their related swap agreements have final maturities ranging from 2021 to 2033. The swaps' total notional value of approximately \$617 million effectively matches the par amount of the related variable-rate bonds.

Under the swap agreements, the Commonwealth pays the relevant counterparties fixed rates ranging from 4.515% to 5.059% and receives variable-rate payments equal to or approximately equal to the amount of variable rate payments the Commonwealth pays on the related variable-rate refunding bonds which are generally based on a market index. For almost all of the outstanding swap agreements, the Commonwealth receives an interest rate based on changes to LIBOR, the SIFMA index, or the CPI index. In some of these agreements, the variable rate payment to bondholders is exactly equal to the variable rate payment received from the swap counterparty. In other agreements, there is a slight differential in the payments resulting from refinancing of variable rate bonds.

Credit Risk of the Interest Rate Swap Agreements

As of June 30, 2021, the Commonwealth is not exposed to credit risk because the swaps had a negative fair value. Should interest rates change and the fair value of the swaps become positive, the Commonwealth would be exposed to credit risk in the amount of the swaps fair value. All of the Commonwealth's counterparties are required to post collateral in certain circumstances, including credit rating downgrades. The Commonwealth is not required to post collateral in any of its existing swap agreements.

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

Associated Bond Issue	Notional Amounts Outstanding	Effective Date	Replacement Agreement Effective Date	Terms		Fair value at June 30			Final Termination Date	Counterparty	Counterparty Credit Rating Moody's/S&P/Fitch
				Fixed Rate Paid (Range)	Variable Rate Received	2021	2020	Change in Fair Value			
<i>General Obligation Bonds:</i>											
Series 2016C, portion of Series 2016B	\$ 239,890	4/2/2009	4/2/2009	4.515%	67% 3-Month LIBOR	\$ (59,137)	\$ (78,452)	\$ 19,315	6/15/2033	Barclays Bank PLC	A/A1/A+
Series 2006C refunding	—	1/1/2007	1/1/2007	3.85%	CPI-based formula	—	(410)	410	11/1/2020**	Wells Fargo Bank	A+/Aa2/AA-
Series 2007A refunding	—	10/8/2008	10/8/2008	3.936%	67% 3-Month LIBOR + 0.46%	—	(414)	414	11/1/2020**	Wells Fargo Bank	A+/Aa2/AA-
Series 2007A refunding	348,380	10/8/2008	10/8/2008	4.083%	67% 3-Month LIBOR + 0.55%	(29,455)	(42,464)	13,009	11/1/2025	Bank of NY Mellon	AA-/Aa2/AA
Series 2018A refunding*	—	3/15/2005	3/15/2005	3.843% - 3.903%	SIFMA	—	(9,866)	9,866	2/1/2023	Wells Fargo Bank	A+/Aa2/AA-
Subtotal	588,270					(88,592)	(131,606)	43,014			
<i>Special Obligation Dedicated Tax Revenue Bonds:</i>											
Series 2005A (Gas Tax)	28,385	1/12/2005	1/12/2005	5.059%	CPI-based formula	(201)	(1,395)	1,194	6/1/2022	Merrill Lynch Capital Services	A-/A2/A+
Subtotal	28,385					(201)	(1,395)	1,194			
Total	\$ 616,655					\$ (88,793)	\$ (133,001)	\$ 44,208			

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

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

Fair value of the Interest Rate Swap Agreements

The aggregate fair value balance of interest rate swaps at June 30, 2021 was negative \$89 million and is reflected on the statement of net position as a liability for derivative instruments which is offset by deferred outflows from derivative instruments. The fair values of the interest rate swaps are estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. Because all of the interest rate swaps were deemed effective hedges, changes in fair value of the interest rate swaps during the fiscal year ended June 30, 2021 were recognized as deferred outflows resulting in no impact on the Statement of Activities.

If all the Commonwealth's swap agreements had been terminated as of the end of FY21, the Commonwealth would have been required to make a payment of this magnitude. Although the Commonwealth has the option of terminating its swap agreements at any time (and either make or receive any termination payment due), the Commonwealth's counterparties do not have such an option. Therefore, the Commonwealth would only have to make a payment of the amount estimated above if certain termination events occurred, as described below. Based on the terms and provisions of the swap agreements and the Commonwealth's current bond ratings, an involuntary termination of the swap agreements due to an event of the Commonwealth is remote. In the case of a voluntary termination due to an event of a counterparty, the Commonwealth would likely seek to maintain the existing hedge by replacing that counterparty with another.

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

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

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

All but one of the swap contracts outstanding have the same or shorter maturity dates and amortizations as the related bonds. For one of the swap agreements, the underlying bonds have mandatory tender dates that come due before the termination date of the associated swaps. This applies to the 2016B and 2016C bonds being hedged by the \$240 million notional swap with Barclays Bank. The Commonwealth's stated debt plan is to either identify other variable rate bonds the swap may hedge upon the mandatory tender date or to re-market or issue bonds in the same variable rate index mode as the swap agreement to ensure hedge effectiveness pursuant to GASB Statement No. 53. If the Commonwealth is unable to identify other variable rate bonds the swaps may hedge, the Commonwealth would be required to make net settlement payments on the swaps without the offsetting effects of changes in variable rate bond settlement payments.

Termination Risk of the Interest Rate Swap Agreements

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

F. OUTSTANDING SWAPPED DEBT

Security for Interest Rate Swap Agreements

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

Future bond interest payments are calculated using rates applicable to the scheduled payment nearest to June 30, 2021 for variable rate bonds. The net swap payments are calculated by subtracting the projected future variable rate interest payment per the swap agreement from the projected future fixed rate payment per the swap agreement. Projected future variable rate payments on the swap agreements are based on variable rates applicable to the scheduled payment nearest to June 30, 2021. The actual amount of variable rate interest paid to bondholders and net swap payments made to counterparties are affected by changes in variable interest rates, changes in inflation (CPI), as well as changes in the London Interbank Offered Rate (LIBOR) and the Securities Industry and Financial Markets Association (SIFMA) floating rate indices. Changes in the amounts paid to bondholders versus amounts paid to

counterparties are largely offsetting.

Debt service requirements to maturity for variable-rate bonds hedged by interest rate swap agreements and projected future net settlement payments on interest rate swap agreements at June 30, 2021 are provided below (amounts in thousands):

Fiscal Year Ending June 30	Variable-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2022	\$ 74,955,000	\$ 4,097,732	\$ 21,409,976	\$ 100,462,708
2023	75,405,000	2,257,714	19,256,400	96,919,114
2024	126,385,000	1,655,365	15,668,498	143,708,863
2025	131,780,000	863,641	11,115,685	143,759,326
2026	52,185,000	331,518	7,814,499	60,331,017
2027 - 2031	106,070,000	684,096	22,995,725	129,749,821
2032 - 2033	49,875,000	65,815	2,212,342	52,153,157
Total	<u>\$ 616,655,000</u>	<u>\$ 9,955,881</u>	<u>\$ 100,473,125</u>	<u>\$ 727,084,006</u>

Business - Type Activities – Swapped Debt

The business-type activities have various swaps. At June 30, 2021, the fair value liability of the outstanding interest rate swaps was \$1 million.

Component Unit – Swapped Debt

At June 30, 2021, the majority of interest rate swaps outstanding are held by MassDOT, which in aggregate have a negative fair value of approximately \$142 million. For complete details, see separate MassDOT financial statements.

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

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

Long-term debt principal outstanding and debt authorized and unissued at June 30, 2021 is as follows (amounts in thousands):

Purpose	Principal Outstanding	Fiscal Year Maturities	Authorized and Unissued
GANs	\$ 582,550	2022 - 2027	\$ —
Capital projects:			
General	14,033,577	2022 - 2051	18,006,238
Highway	13,354,396	2022 - 2051	20,947,221
Local aid	598,289	2022 - 2042	11,105
Other	479,645	2022 - 2034	—
Subtotal	<u>28,465,907</u>		<u>38,964,564</u>
Subtotal - governmental activities debt (exclusive of MSBA)	29,048,457		<u>\$ 38,964,564</u>
MSBA debt	<u>6,104,240</u>		
Governmental activities debt	<u>\$ 35,152,697</u>		

Interest rates on the Commonwealth's outstanding debt at the end of FY21 ranged from 0.5% to 6.6%.

Changes in long-term debt outstanding (excluding discount and premium) and bonds authorized - unissued for the year ended June 30, 2021 are as follows (amounts in thousands):

	Governmental Funds (excluding MSBA)	MSBA	Total Governmental Funds Bonded Debt	Authorized and Unissued
Balance July 1, 2020	\$ 28,098,890	\$ 6,053,947	\$ 34,152,837	\$ 26,397,710
Plus: Increases in bonds authorized	—	—	—	15,369,771
Less: Authorizations deauthorized	—	—	—	—
General and special obligation bonds:				
Proceeds, defined as principal, plus premium,				
less discount	4,845,620	1,854,129	6,699,749	(2,802,917)
Less: Premium/discount	(692,595)	(93,521)	(786,116)	—
Less: Principal on refunded bonds	(1,919,275)	(1,584,245)	(3,503,520)	—
Less: Bonds retired	(1,284,183)	(126,070)	(1,410,253)	—
Outstanding principal June 30, 2021	<u>\$ 29,048,457</u>	<u>\$ 6,104,240</u>	<u>\$ 35,152,697</u>	<u>\$ 38,964,564</u>

Business - Type Activities – Colleges and University Debt

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

At June 30, 2021, debt service requirements to maturity for principal and interest are as follows (amounts in thousands):

Fiscal Year Ended June 30	Governmental Activities									Business - Type Activities	
	Excluding MSBA Debt						MSBA Debt			Revenue Obligation	
	Public Offering Debt		Direct Placement Debt		Total Non MSBA Debt		Principal	Interest	Interest subsidies (1)	Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest					
2022	\$ 1,346,587	\$ 1,235,406	\$ —	\$ 9,000	\$ 1,346,587	\$ 1,244,406	\$ 154,125	\$ 234,320	\$ (22,833)	\$ 2,444,606	\$ 180,030
2023	1,365,981	1,177,059	—	9,000	1,365,981	1,186,059	165,890	228,508	(22,833)	225,012	174,780
2024	1,291,446	1,105,880	—	9,000	1,291,446	1,114,880	281,950	222,080	(22,833)	206,862	167,635
2025	1,312,000	1,045,308	—	9,000	1,312,000	1,054,308	263,175	214,640	(22,833)	203,561	160,631
2026	1,281,476	985,740	—	9,000	1,281,476	994,740	180,705	208,426	(22,833)	198,705	153,050
2027 - 2031	5,660,220	4,107,549	100,000	38,500	5,760,220	4,146,049	1,267,985	920,218	(66,623)	1,049,637	631,098
2032 - 2036	4,564,507	2,911,085	100,000	23,500	4,664,507	2,934,585	1,223,515	707,938	(31,855)	964,825	413,056
2037 - 2041	4,701,145	1,944,476	50,000	11,750	4,751,145	1,956,226	1,381,110	404,895	(8,440)	911,795	216,511
2042 - 2046	4,652,810	1,008,271	50,000	3,950	4,702,810	1,012,221	849,485	178,760	—	484,688	73,909
2047 - 2051	2,572,285	230,912	—	—	2,572,285	230,912	336,300	31,954	—	152,739	13,781
Total long - term debt	28,748,457	15,751,686	300,000	122,700	29,048,457	15,874,386	6,104,240	3,351,739	(221,083)	6,842,430	2,184,481
Less: current portion	(1,346,587)	(1,235,406)	—	(9,000)	(1,346,587)	(1,244,406)	(154,125)	(234,320)	22,833	(2,444,606)	(180,030)
Long - term debt	<u>\$ 27,401,870</u>	<u>\$ 14,516,280</u>	<u>\$ 300,000</u>	<u>\$113,700</u>	<u>\$ 27,701,870</u>	<u>\$14,629,980</u>	<u>\$5,950,115</u>	<u>\$3,117,419</u>	<u>\$ (198,250)</u>	<u>\$ 4,397,824</u>	<u>\$ 2,004,451</u>

(1) FY21 interest subsidies reflect announced sequestration reductions. There may be sequestration reductions in future years as well.

H. PRIOR DEFEASANCE

The Commonwealth defeased certain general and special obligation bonds by purchasing securities from the proceeds of advance refunding bonds or from surplus operating funds and placing them in irrevocable trusts to provide for all future debt service payments on the defeased bonds. The trust account assets and the liabilities for the defeased bonds are not included in the financial statements. As of June 30, 2021, approximately \$2.079 billion of bonds outstanding from advance refunding activities is considered defeased.

Business - Type Activities

The University of Massachusetts (UMass) and the Massachusetts State College Building Authority (MSCBA) defeased various bonds by issuing refunding bonds and placing the proceeds in irrevocable trusts to provide for all future debt service payments on the defeased bonds. The trust assets and the liabilities of the defeased bonds are not included in the business type activity financial statements. As of June 30, 2021, approximately \$619 million and \$634 million of bonds outstanding from advanced refunding transactions are considered defeased for UMass and MSCBA, respectively.

I. STATUTORY DEBT LIMIT

The Massachusetts General Laws, as recently amended, establishes limits on the amount of direct debt outstanding. By statutorily limiting the Commonwealth's ability to issue direct debt, a control is established on annual capital spending. The direct debt limit for FY21 was approximately \$26.481 billion. Outstanding debt subject to the limit at June 30, 2021 was approximately \$23.487 billion.

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

	Principal Outstanding
Statutory debt June 30, 2021	\$ 29,048,457
Less amounts excluded:	
Central artery project bonds	(847,790)
Accelerated bridge program	(2,137,769)
MBTA forward funding	(207)
SMART bonds	(430,926)
Convention center bonds	(479,645)
Special obligation gas tax bonds	(28,385)
Rail enhancement program bonds	(1,637,222)
Outstanding direct debt June 30, 2021	<u>\$ 23,486,513</u>

J. ADMINISTRATION DEBT LIMIT

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

In addition to keeping debt service at a maximum of 8% of budgeted revenues, the debt management policy limits future growth in annual bond issuance (the "bond cap") to not more than \$125 million through fiscal 2021. This additional constraint is designed to ensure that projected growth in the bond cap will be held to stable and sustainable levels.

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

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

	Fiscal 2021
Bond cap as approved by the Governor	\$ 2,465,649
Total annual debt service obligations	3,572,589
Statutory basis budgeted fund revenues	59,982,530
Debt service as % of budgeted revenues	6.0%

K. CHANGES IN LONG-TERM LIABILITIES

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

Changes in Long Term Liabilities - Governmental Activities:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Other long-term obligations:					
Compensated absences	\$ 688,326	\$ 754,147	\$ (688,326)	\$ 754,147	\$ 530,368
Claims and judgments	34,117	12,567	(13,413)	33,271	13,271
Prizes payable	855,323	38,337	(138,282)	755,378	124,362
School construction grants payable	235,244	710,848	(766,793)	179,299	141,370
Environmental remediation liability	560,380	39,114	(4,219)	595,275	8,290
Lottery instant grand prizes	3,777	—	(3,777)	—	—
Workers' compensation	264,870	53,742	(58,108)	260,504	34,914
Arbitrage rebate - MSBA	1,859	3,196	(1,373)	3,682	—
Group insurance claims	140,627	1,716,620	(1,720,722)	136,525	133,757
Cost of living adjustment	117,000	—	(12,000)	105,000	—
Net pension liability	40,836,685	8,175,231	(2,852,153)	46,159,763	—
Net OPEB liability	15,972,171	2,952,281	(489,719)	18,434,733	—
Total other long-term obligations	59,710,379	14,456,083	(6,748,885)	67,417,577	986,332
Liability for derivative instruments	133,001	88,793	(133,001)	88,793	—
Bonded debt:					
Bonds and notes payable - non MSBA ⁽¹⁾	28,098,890	4,153,025	(3,203,458)	29,048,457	1,346,587
Unamortized bond and note premiums - non MSBA	2,602,532	692,596	(114,272)	3,180,856	93,695
MSBA bonds and notes payable excluding premiums	6,053,947	1,834,375	(1,784,082)	6,104,240	154,125
Unamortized bond and note premiums - MSBA	516,394	93,521	(205,770)	404,145	32,526
MSBA other liabilities	829	561	(328)	1,062	715
Other financing arrangements:					
Capital leases	17,114	2,126	(4,980)	14,260	3,231
Total bonded debt and other financing arrangements	37,289,706	6,776,204	(5,312,890)	38,753,020	1,630,879
Long-term liabilities, governmental activities	\$ 97,133,086	\$ 21,321,080	\$ (12,194,776)	\$ 106,259,390	\$ 2,617,211

(1) \$5,087 of accreted interest on college opportunity bonds that are included in the total principal outstanding as of June 30, 2021.

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

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

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Other long-term obligations:					
Compensated absences	\$ 218,135	\$ 26,476	\$ (13,823)	\$ 230,788	\$ 168,861
Net pension liability	806,467	242,654	(67,106)	982,015	—
Net OPEB liability	1,514,489	64,996	(319,741)	1,259,744	—
Total other long-term obligations	2,539,091	334,126	(400,670)	2,472,547	168,861
Liability for derivative instruments	74,574	—	(73,370)	1,204	—
Bonded Debt:					
Bonds and notes payable, including MSCBA	4,508,010	1,216,383	(1,149,978)	4,574,415	176,591
Federal unemployment insurance borrowing	159,907	2,108,108	—	2,268,015	—
Other financing arrangements:					
Capital leases	8,842	3,721	(3,839)	8,724	2,952
Total bonded debt and other financing arrangements	4,676,759	3,328,212	(1,153,817)	6,851,154	179,543
Long-term liabilities, business - type activities	\$ 7,290,424	\$ 3,662,338	\$ (1,627,857)	\$ 9,324,905	\$ 348,404

Discretely Presented Component Units – The change in bonds and notes outstanding at June 30, 2021, net of unamortized discounts and premiums, compensated absences, net pension and net OPEB liabilities are as follows (amounts in thousands):

	Interest Rates	Maturities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Major component units:							
MassDOT	0.00 - 5.87%	2022 - 2051	\$ 7,451,345	\$ 908,207	\$ (658,667)	\$ 7,700,885	\$ 872,835
MCWT	2.00 - 5.75%	2022 - 2047	2,724,344	452,788	(245,387)	2,931,745	210,885
Nonmajor component units	1.00 - 6.20%	2022 - 2051	638,309	42,957	(52,861)	628,405	60,739
Total bonds and notes payable			10,813,998	1,403,952	(956,915)	11,261,035	1,144,459
Compensated absences, net			52,708	7,899	(727)	59,880	36,769
Net pension liability			2,222,374	542,404	(465,771)	2,299,007	—
Net OPEB liability			3,193,816	351,617	(344,634)	3,200,799	—
Total long term liabilities			<u>\$ 16,282,896</u>	<u>\$ 2,305,872</u>	<u>\$ (1,768,047)</u>	<u>\$ 16,820,721</u>	<u>\$ 1,181,228</u>

The net pension liability of the discretely presented component units of \$2.299 billion includes \$1.450 billion related to the MBTA and RTAs and \$849 million related to entities that participate in SERS. See the MassDOT financial statements for further information regarding the MBTA and RTA pension plans and see pages [113-125](#) of this report for the SERS pension disclosures.

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

8. INDIVIDUAL FUND DEFICITS

Certain funds within the Governmental Fund Type had fund deficits at June 30, 2021. None of these funds were in deficit due to finance-related contractual provisions and all were allowed to be in deficit by General Law. The amounts are as follows (amounts in thousands):

Other Governmental Funds	Amount
Other Special Revenue Funds:	
Community Preservation Trust Fund.....	\$ (11,527)
Government Land Bank Fund	(35,033)
General Capital Projects Fund	(483,314)
Highway Capital Projects Fund	(622,537)
Government Land Bank Capital Projects Fund	(500)
Federal Highway Construction Program Capital Projects Fund	(3,853)
	<u>(1,156,764)</u>

9. PENSIONS

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

A. PLAN DESCRIPTIONS

Plan administration

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

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

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

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

designee), who serves as ex-officio and is the Chairman of the MTRB.

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

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

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

Plan membership. As of January 1, 2021, for SERS and MTRS, the dates of the most recent valuations, plan membership consisted of the following:

	SERS	MTRS
Retirees and beneficiaries currently receiving benefits	66,901	68,780
Vested terminated employees entitled to benefits but not yet receiving them	4,570	—
Non-Vested terminated entitled only to a refund of their accumulated total deductions	23,357	—
Subtotal	94,828	68,780
Current members	87,136	96,527
Total	<u>181,964</u>	<u>165,307</u>

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

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

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

Contributions. The retirement systems' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the SERS and MTRS retirement

allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Chapter 32, section 22C of the General Laws directs the Secretary of Administration and Finance to prepare a funding schedule to meet actuarially determined requirements, and to update this funding schedule every three years on the basis of new actuarial valuation reports prepared under the Secretary's direction. Any such schedule is subject to legislative approval. If a schedule is not so approved, payments are to be made in accordance with the most recently approved schedule. Under the current schedule adopted in January 2020 and was based on the results of the January 1, 2019 Commonwealth Actuarial Valuation, the amortization payments increases 9.63% per year until FY35 with a final amortization payment in FY36 (four years before the statutory deadline of FY40). The funding schedule as published follows an acceptable actuarial funding methodology to compute normal cost and the unfunded accrued actuarial liability.

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

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

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

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

B. INVESTMENTS

Investment Policy. SERS and MTRS are required to invest in the Pension Reserves Investment Trust (PRIT) Fund, which is managed by the Pension Reserves Investment Management (PRIM) Board. The PRIM Board seeks to maximize the total return on investments, within acceptable levels of risk and cost for an approximately 60% funded public pension fund. The PRIM Board recognizes that over the long term, asset allocation is the single greatest contributor of return and risk to the PRIT Fund. The investment policy statement adopted by the PRIM Board requires a comprehensive review of the PRIM Board's asset allocation plan and its underlying assumptions at reasonable intervals of not more than three to five years. In addition, the investment policy statement requires that the PRIM Board conduct an annual evaluation of the PRIT Fund's asset allocation. The PRIM Board's last comprehensive review of the PRIT Fund asset allocation was conducted during FY2017.

The following was the PRIT Fund asset allocation as of June 30, 2021:

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

The annual money-weighted return on pension plan investments calculated as the internal rate of return on pension plan investments net of pension plan expenses for FY2021 were 29.35% and 29.35% for SERS and MTRS, respectively. A money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

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

The components of the net pension liability for SERS and MTRS at June 30, 2021 are as follows (amounts in thousands):

	SERS	MTRS
Total pension liability	\$ 46,476,000	\$ 59,795,000
Plan fiduciary net position	(36,039,471)	(37,088,124)
Net pension liability	<u>\$ 10,436,529</u>	<u>\$ 22,706,876</u>
Fiduciary net position as a percentage of the total pension liability	77.5%	62.0%

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

Actuarial assumptions. The total pension liability, for both SERS and MTRS, was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021, using the following actuarial assumptions:

- The actuarial assumptions included: (a) 7.00% investment rate of return; (b) 3.5% interest rate credited to the annuity savings fund; and (c) 3.0% cost of living increase on the first \$13,000 of allowance per year.
- Salary increases are based on analyses of past experience but range from 4.0% to 9.0% (SERS) and 4.0% to 7.50% (MTRS) depending on group and length of service.
- Experience studies were performed as follows:
 - SERS:
 - Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2020 for post-retirement mortality.
 - MTRS:
 - Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2020 for post-retirement mortality.

4. Mortality rates were as follows:

a. SERS:

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

b. MTRS:

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate arithmetic expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These assumptions are converted into nominal assumptions by adding inflation, then combined by weighting them by the target asset allocation percentages. Finally, the arithmetic portfolio expected return is converted into a geometric expected return using assumed asset class standard deviations and correlations. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2021 (see the discussion of the pension plan's investment policy in [Note 9\(B\)](#)) are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Private Equity.....	7.8%
Global Equity.....	4.8%
Value Added Fixed Income.....	3.9%
Timberland/Natural Resources.....	4.3%
Real Estate.....	3.7%
Portfolio Completion Strategies.....	2.9%
Core Fixed Income.....	0.3%

Discount rate. The discount rate used to measure the pension liability for SERS and MTRS is 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the SERS and MTRS net positions were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for SERS and MTRS.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of SERS and MTRS, calculated using the discount rate of 7.00%, as well as what the SERS and MTRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate (amounts in thousands):

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
SERS net pension liability.....	\$ 15,974,650	\$ 10,436,529	\$ 5,884,626
MTRS net pension liability.....	29,687,706	22,706,876	16,882,184

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

Proportionate Share of Net Pension Liability

As of the respective measurement dates below, the net pension liability for SERS, MTRS and BRS were \$17.158 billion, \$28.545 billion, and \$3.974 billion, respectively. The net pension liabilities for SERS and MTRS were determined by an actuarial valuation as of January 1, 2019 and rolled forward to June 30, 2020. The BRS net pension liability was determined by an actuarial valuation as of January 1, 2020 and rolled forward to December 31, 2020. The SERS, MTRS and BRS actuarial valuations were rolled forward to their respective measurement dates using generally accepted actuarial procedures.

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

System	Measurement Date	Proportionate Share	Net Pension Liability
State Employees' Retirement System	June 30, 2020	94.3%	\$ 16,180,809
Massachusetts Teachers' Retirement System.....	June 30, 2020	100.0%	28,544,844
Boston Retirement System - Teachers.....	December 31, 2020	60.8%	2,416,125
Total net pension liability.....			<u>\$ 47,141,778</u>

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

System	Measurement Date	Proportionate Share	Net Pension Liability
State Employees' Retirement System	June 30, 2020	5.0%	<u>\$ 849,341</u>

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

As of the measurement dates, the Commonwealth (primary government) recognized pension expense of approximately \$5.994 billion and the discretely presented component units recognized approximately \$296 million of pension expense. The following details the components of deferred outflows of resources and deferred inflows of resources related to pensions (amounts in thousands):

	Primary Government						Discretely Presented Component Units	
	SERS		MTRS		BRS-Teachers		Deferred Outflows of Resources	Deferred Inflows of Resources
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources		
Change of assumptions.....	\$ 917,427	\$ —	\$ 2,052,071	\$ —	\$ 129,176	\$ —	\$ 131,419	\$ 3,297
Changes in proportion	137,577	159,106	—	—	—	—	43,253	21,225
Net difference between projected and actual earnings on pension plan investments...	889,466	—	965,930	—	—	96,679	46,689	134,240
Differences between expected and actual experience	514,852	104,701	517,116	14,327	—	177,692	53,423	26,710
Payments made after the measurement date	1,114,485	—	1,748,483	—	—	—	109,440	—
Totals	<u>\$ 3,573,807</u>	<u>\$ 263,807</u>	<u>\$ 5,283,600</u>	<u>\$ 14,327</u>	<u>\$ 129,176</u>	<u>\$ 274,371</u>	<u>\$ 384,224</u>	<u>\$ 185,472</u>

The \$2.863 billion and \$109 million reported as deferred outflows of resources in the primary government and the discretely presented component units, respectively, are the contributions made subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the next fiscal year. Other amounts reported above as deferred outflows of resources and deferred inflows of resource related to pensions will be recognized in pension expense as follows (amounts in thousands):

Fiscal Year Ending June 30	Primary Government			Discretely Presented Component Units
	SERS	MTRS	BRS-Teachers	
2022	\$ 433,037	\$ 780,458	\$ (51,089)	\$ 61,021
2023	637,495	942,009	441	38,951
2024	664,862	906,220	(58,165)	(19,643)
2025	436,199	637,537	(15,986)	6,156
2026	23,923	232,359	(20,396)	2,827
Thereafter	—	22,207	—	—
Totals	<u>\$ 2,195,516</u>	<u>\$ 3,520,790</u>	<u>\$ (145,195)</u>	<u>\$ 89,312</u>

The SERS and MTRS total pension liabilities were based on an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020, using the following actuarial assumptions:

- The actuarial assumptions included (a) 7.15% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 of allowance per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 9.00% (SERS) and 4.0% to 7.50% (MTRS) depending on group and length of service.
- Experience studies were performed as follows:

SERS:

 - Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2016 for post-retirement mortality.

MTRS:

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

4. Mortality rates were as follows:

SERS:

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

MTRS:

- Pre-retirement - reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
- Post-retirement - reflects Pub-2010 Teachers Retirees mortality table RP-2014 (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
- Disability - assumed to be in accordance with the Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).

The BRS-Teachers total pension liability was based on an actuarial valuation as of January 1, 2020 rolled forward to December 31, 2020 using the following actuarial assumptions:

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

Investments

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

The following was the PRIT Fund target asset allocation and best estimates of geometric rates of return for each major asset class as of June 30, 2020:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Global Equity	39.00%	4.80%
Core Fixed Income	15.00%	0.70%
Private Equity	13.00%	8.20%
Portfolio Completion Strategies	11.00%	3.20%
Real Estate	10.00%	3.50%
Value Added Fixed Income	8.00%	4.20%
Timberland/Natural Resources	4.00%	4.10%
Total	100.00%	

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

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

The discount rate used to measure the pension liabilities was 7.15% for SERS and MTRS as of the June 30, 2020 measurement date and 7.15% for BRS-Teachers as of the December 31, 2020 measurement date.

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

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
SERS net pension liability	\$ 21,317,770	\$ 16,180,809	\$ 11,956,628
MTRS net pension liability	35,411,955	28,544,844	22,908,510
	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
BRS-Teachers net pension liability	\$ 2,933,136	\$ 2,416,125	\$ 1,988,372

E. STATEMENTS OF NET POSITION AND CHANGES IN NET POSITION

The following table displays the Statement of Net Position and the Statement of Changes in Net Position for the SERS, and the MTRS as of June 30, 2021 (amounts in thousands):

	Pension Trust Funds		
	State Employees' PERS	Teachers' PERS	Total
ASSETS			
Cash and cash equivalents	\$ 112,148	\$ 91,446	\$ 203,594
Net investment in PRIT at fair value	35,837,539	36,923,236	72,760,775
Other receivables	107,924	79,139	187,063
Other assets	17	344	361
Total assets	36,057,628	37,094,165	73,151,793
LIABILITIES			
Accounts payable	18,157	6,041	24,198
Net position available for pension	\$ 36,039,471	\$ 37,088,124	\$ 73,127,595
ADDITIONS			
Contributions:			
Employer contributions - Commonwealth and MassDOT	\$ 1,105,838	\$ —	\$ 1,105,838
Non-employer contributions - Commonwealth	41,963	1,748,483	1,790,446
Employer and non-employer contributions - other	13,352	—	13,352
Employee contributions	652,911	833,236	1,486,147
ERIP funding contribution - Commonwealth	28,449	—	28,449
Boston teachers' contributions from Commonwealth	—	162,976	162,976
Other additions	90,879	91,927	182,806
Total contributions	1,933,392	2,836,622	4,770,014
Net investment gain/(loss):			
Investment gain/(loss)	8,390,011	8,617,429	17,007,440
Less: investment expense	(157,593)	(161,922)	(319,515)
Net investment gain/(loss)	8,232,418	8,455,507	16,687,925
Total additions	10,165,810	11,292,129	21,457,939
DEDUCTIONS			
Administration	21,685	21,782	43,467
Retirement benefits and refunds	2,657,397	3,279,491	5,936,888
Payments to State Boston Retirement System	—	162,976	162,976
Other deductions	14,557	57,753	72,310
Total deductions	2,693,639	3,522,002	6,215,641
Change in net position	7,472,171	7,770,127	15,242,298
Net position available for pension at beginning of year	28,567,300	29,317,997	57,885,297
Net position available for pension at end of year	\$ 36,039,471	\$ 37,088,124	\$ 73,127,595

F. RESERVES

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

The balances of legally required reserves at June 30, 2021 were as follows (amounts in thousands):

	SERS	MTRS	Purpose
Annuity Savings Fund.....	\$ 6,998,520	\$ 9,262,024	Active members' contribution balance
Annuity Reserve Fund.....	1,958,294	1,481,186	Retired members' contribution account
Special Military Service Fund ...	34	332	Members' contribution account while on military leave
Pension Reserve Fund.....	27,082,623	26,344,582	Amounts appropriated to fund future retirement benefits
Total.....	<u>\$ 36,039,471</u>	<u>\$ 37,088,124</u>	

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

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

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

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

Plan membership. As of January 1, 2021 the date of the most recent actuarial valuation, plan membership consisted of the following:

	SRBT
Inactive plan members or beneficiaries currently receiving benefit payments.....	85,246
Inactive plan members entitled to but not yet receiving benefit payments.....	3,923
Active plan members.....	70,140
Total.....	<u>159,309</u>

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

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

Employer and employee contribution rates are set in MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2021 and as of the valuation date (January 1, 2021), Commonwealth participants contributed 10% to 20% of premium costs, depending on the date of hire and whether the participant is active, retiree, or survivor status. As part of the FY10 General Appropriation Act, all active employees pay an additional 5% of premium costs. Normal costs paid for OPEB to retirees during FY21 totaled approximately \$485 million.

Effective beginning FY14, the Commonwealth by statute is required to allocate, to the SRBT, a portion of revenue received under the Master Settlement Agreement with tobacco companies, increasing from 10% in FY14 to 100% by FY23. In FY21, 10% of tobacco settlement proceeds or approximately \$25 million was allocated to the SRBT. The percentage of proceeds to be transferred to the SRBT in FY21 was set at 10%, overriding existing statute.

B. INVESTMENTS

Investment Policy. The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2021, are the same as discussed in [Notes 9 \(B\)](#) and [\(C\)](#).

The annual money-weighted return on OPEB plan investments calculated as the internal rate of return on OPEB plan investments net of OPEB plan expenses for fiscal 2021 was 29.40%. A money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

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

The components of the net OPEB liability at June 30, 2021 are as follows (amounts in thousands):

	SRBT
Total OPEB liability	\$ 17,910,405
Plan fiduciary net position	(1,910,940)
Net OPEB liability	<u>\$ 15,999,465</u>
Fiduciary net position as a percentage of the total OPEB liability	10.7%

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

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021, using the following actuarial assumptions:

1. The annual healthcare cost trend rates were developed based on the most recently published SOA-Getzen trend rate model, version 2021_b. The short-term trend assumptions were based on a review of the plan's historical trend rates during fiscal years 2020 and 2021, along with industry surveys, separately for non-Medicare and Medicare benefits. The industry surveys were used to predict short-term future per capita cost increases. The most recently published SOA-Getzen model was then used to determine the trend rates beginning in 2022 and thereafter, based on the plan's long-term inflation assumption and reasonable macro-economic assumptions for the growth of health care expenditures during this period relative to the general economy.

Year	Medicare Benefits	Non-Medicare Benefits
2021	4.40%	7.30%
2022	4.49%	7.06%
2023	4.57%	6.83%
2024	4.66%	6.59%
2025	4.75%	6.36%
2030		5.18%
2040		5.18%
2050		5.18%
2060		4.83%
2070		4.38%
2075+		4.04%

SOA-Getzen long run growth factors assumptions:

- Inflation: 2.5%
 - Real GDP Growth: 1.5%
 - Excess Medical Growth: 1.1%
2. Mortality rate was in accordance with RP 2014 Blue Collar Mortality Table projected with scale MP-2020, with females set forward one year.
 3. Participation rates:
 - a. 100% of employees currently electing healthcare coverage are assumed to elect coverage at retirement.
 - b. 35% of employees currently opting out of active employee health coverage are assumed to elect to enroll in retiree coverage.
 - c. 85% of current and future vested terminated participants will elect health care benefits at age 55, or if later, the participant's current age.
 - d. Retirees who currently elect to waive their coverage are assumed to remain uncovered in the future.
 - e. 100% of spouses are assumed to elect to continue coverage after the retiree's death.
 - f. Current non-Medicare eligible retirees and spouses (if covered) under age 65 who are in a POS/PPO plan are assumed to move to an Indemnity plan if they are Medicare eligible at 65. All others are assumed to remain in their currently elected product type (Indemnity/POS/PPO/HMO).

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

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

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

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

Discount rate. The discount rate used to measure the OPEB liability was 2.77%. This rate was based on a blend of the Bond Buyer Index rate (2.16%) as of the measurement date and the long-term expected rate of return. The plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2041. Therefore, the long-term expected rate of return on plan investments of 7.00% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2021.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the OPEB plan's net OPEB liability calculated using the discount rate of 2.77%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.77%) or 1-percentage-point higher (3.77%) than the current rate (amounts in thousands):

	1% Decrease (1.77%)	Current Discount Rate (2.77%)	1% Increase (3.77%)
Net OPEB liability	\$ 19,007,239	\$ 15,999,465	\$ 13,576,763

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability	\$ 13,100,272	\$ 15,999,465	\$ 19,778,087

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

The Commonwealth's net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020.

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

	Net OPEB Liability	
Primary government	\$ 19,694,477	(A)
Discretely presented component unit	3,200,799	(B)
Total net OPEB liability	<u>\$ 22,895,276</u>	

(A) - Of this amount \$1,659 (thousand) relates to business-type activities not participating in the Commonwealth's OPEB plan.

(B) - Of this amount \$2,202,418 (thousand) relates to discretely presented component units not participating in the Commonwealth's OPEB plan.

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

As of June 30, 2020, the measurement date, the Commonwealth (primary government) and the discretely presented component units recognized OPEB expense of approximately \$1.034 billion and \$113 million, respectively. The

following details the components of deferred outflows of resources and deferred inflows of resources related to OPEB (amounts in thousands):

	Primary Government		Discretely Presented Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 606,014	\$ 641,311	\$ 68,122	\$ 32,825
Differences between expected and actual experience	543,831	486,504	36,918	443,095
Change of assumptions	1,622,028	1,909,390	249,305	216,032
Net difference between projected and actual earnings on OPEB plan investments	56,939	663	2,887	2,026
Payments made after the measurement date	547,614	—	77,214	—
Totals	<u>\$ 3,376,426</u>	<u>\$ 3,037,868</u>	<u>\$ 434,446</u>	<u>\$ 693,978</u>

The \$548 million and \$77 million reported as deferred outflows of resources in the primary government and the discretely presented component units, respectively, are the contributions made subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the next fiscal year. Other amounts reported above as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts in thousands):

	Primary Government	Discretely Presented Component Unit
2022	\$ (324,503)	\$ (95,218)
2023	(232,534)	(92,860)
2024	79,461	(72,515)
2025	98,742	(42,865)
2026	172,274	(32,436)
Thereafter	(2,498)	(852)
Total	<u>\$ (209,058)</u>	<u>\$ (336,746)</u>

Actuarial Assumptions

The total OPEB liability based on the actuarial valuation as of January 1, 2020 rolled forward to June 30, 2020 used the following actuarial assumptions:

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

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

Getzen long run growth factors assumptions:

- Inflation: 2.5%
 - Real GDP Growth: 1.5%
 - Excess Medical Growth: 1.1%
2. The mortality rate was in accordance with RP2014 Blue Collar Mortality Table projected with scale MP-2016 from the central year, with females set forward one year.
 3. Participation rates:
 - a. 100% of employees currently electing healthcare coverage are assumed to elect coverage at retirement.
 - b. 35% of employees currently opting out of active employee health coverage are assumed to elect to enroll in retiree coverage.
 - c. 85% of current and future vested terminated participants will elect health care benefits at age 55, or if later, the participant's current age.
 - d. Retirees who currently elect to waive their coverage are assumed to remain uncovered in the future.
 - e. 100% of spouses are assumed to elect to continue coverage after the retiree's death.
 - f. Current non-Medicare eligible retirees and spouses (if covered) under age 65 who are in a POS/PPO plan are assumed to move to an Indemnity plan if they are Medicare eligible at 65. All others are assumed to remain in their currently elected product type (Indemnity/POS/PPO/HMO).

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

Discount Rate

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

Investments

The long-term expected rate of return as of June 30, 2020 was 7.15%. Investment assets of the Plan are held by the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39.0 %	4.8 %
Core Fixed Income	15.0 %	0.7 %
Private Equity	13.0 %	8.2 %
Portfolio Completion Strategies	11.0 %	3.2 %
Real Estate	10.0 %	3.5 %
Value Added Fixed Income	8.0 %	4.2 %
Timber/Natural Resources	4.0 %	4.1 %
Total	100.0 %	

Changes in Net OPEB liability

The following presents the changes in the net OPEB liability of entities participating in the Commonwealth's OPEB plan (including MassDOT, a discretely presented component unit) as of June 30, 2020 (amounts in thousands):

	Increase/(Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019.....	\$ 19,662,106	\$ 1,368,548	\$ 18,293,558
Changes for the year:			
Service cost.....	785,689	—	785,689
Interest.....	732,808	—	732,808
Differences between expected and actual experience.....	(600,057)	—	(600,057)
Changes of assumptions.....	2,050,139	—	2,050,139
Contributions-employer.....	—	547,611	(547,611)
Net investment income.....	—	23,380	(23,380)
Benefit payments.....	(525,174)	(525,174)	—
Administrative expense.....	—	(175)	175
Other additions.....	—	122	(122)
Net changes.....	2,443,405	45,764	2,397,641
Balances at June 30, 2020.....	<u>\$ 22,105,511</u>	<u>\$ 1,414,312</u>	<u>\$ 20,691,199</u>

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

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

	1% Decrease (1.28%)	Current Discount Rate (2.28%)	1% Increase (3.28%)
Net OPEB liability.....	<u>\$ 23,665,265</u>	<u>\$ 19,692,818</u>	<u>\$ 16,554,101</u>

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

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

	1% Decrease	Current Rate	1% Increase
Net OPEB liability.....	<u>\$ 15,995,128</u>	<u>\$ 19,692,818</u>	<u>\$ 24,605,523</u>

MSBA

The MSBA, a blended component unit, sponsors its own single-employer defined benefit OPEB plan. The disclosures related to the net OPEB asset of the MSBA are not included in these notes to the financial statements due to immateriality (approximately \$3 million).

E. STATEMENT OF NET POSITION AND CHANGES IN NET POSITION

The following table displays the Statement of Net Position and Statement of Changes in Net Position for the State Retirees' Benefit Trust as of June 30, 2021 (amounts in thousands):

	OPEB Trust Fund
	State Retiree Benefits
ASSETS	
Cash and cash equivalents	\$ 85,991
Net investment in PRIT at fair value	1,824,962
Total assets	1,910,953
LIABILITIES	
Accounts payable	13
Net position available for other post-employment benefits	\$ 1,910,940
ADDITIONS	
Contributions:	
Employer contributions - Commonwealth	\$ 569,989
Other additions	200
Total contributions	570,189
Net investment gain/(loss):	
Investment gain/(loss)	419,685
Less: investment expense	(8,247)
Net investment gain/(loss)	411,438
Total additions	981,627
DEDUCTIONS	
Administration	247
Retirement benefits and refunds	484,752
Total deductions	484,999
Change in net position	496,628
Net position available for other post-employment benefits at beginning of year	1,414,312
Net position available for other post-employment benefits at end of year	\$ 1,910,940

11. LEASES**Primary Government**

In order to finance the acquisition of equipment, the Commonwealth has entered into various lease/purchase agreements, including tax-exempt lease purchase (TELP) agreements, which are accounted for as capital leases. Included in the capital assets of the Commonwealth are additions financed by capital leases. For FY21, these additions are approximately \$2 million. Lease agreements are for various terms and contain clauses indicating that their continuation is subject to appropriation by the Legislature.

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

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

The Institutions of Higher Education lease real property and equipment under numerous operating lease agreements for varying terms. The following schedule summarizes future minimum payments under non-cancelable leases for governmental activities and for the Institutions of Higher Education – reported as a business-type activity, for the fiscal year ended June 30, 2021 (amounts in thousands):

Fiscal Year Ended June 30	Governmental Activities					Business - Type Activities			
	Capital Leases		Operating Leases	MSBA Operating Leases	Governmental Activities Total	Capital Leases		Operating Leases	Business - Type Activities Total
Principal	Interest	Principal				Interest			
2022	\$ 3,231	\$ 411	\$ 226,910	\$ 1,166	\$ 231,718	\$ 2,952	\$ 245	\$ 32,855	\$ 36,052
2023	3,147	401	184,392	1,191	189,131	2,096	182	27,877	30,155
2024	3,186	405	157,930	1,215	162,736	1,570	126	22,636	24,332
2025	2,611	332	129,167	1,240	133,350	1,064	82	22,076	23,222
2026	1,427	182	97,090	—	98,699	640	40	18,918	19,598
2027 - 2031	658	84	293,353	—	294,095	402	10	74,855	75,267
2032 - 2036	—	—	46,175	—	46,175	—	—	66,510	66,510
2037 - 2041	—	—	44,829	—	44,829	—	—	35,654	35,654
2042 - 2046	—	—	42,217	—	42,217	—	—	15,492	15,492
2047 - 2051	—	—	30,650	—	30,650	—	—	8,759	8,759
2052 - 2056	—	—	—	—	—	—	—	8,868	8,868
2057 - 2061	—	—	—	—	—	—	—	4,197	4,197
2062 - 2066	—	—	—	—	—	—	—	1,848	1,848
Total lease obligations	14,260	1,815	1,252,713	4,812	1,273,600	8,724	685	340,545	349,954
Less: current portion	(3,231)	(411)	(226,910)	(1,166)	(231,718)	(2,952)	(245)	(32,855)	(36,052)
Long-term lease obligations	<u>\$ 11,029</u>	<u>\$ 1,404</u>	<u>\$ 1,025,803</u>	<u>\$ 3,646</u>	<u>\$ 1,041,882</u>	<u>\$ 5,772</u>	<u>\$ 440</u>	<u>\$ 307,690</u>	<u>\$ 313,902</u>

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

Asset type:	Primary Government	
	Governmental Activities	Business - Type Activities
Buildings	\$ —	\$ 10,587
Machinery and equipment	24,733	15,982
Total assets	24,733	26,569
Less: accumulated depreciation	(10,442)	(13,076)
Total	<u>\$ 14,291</u>	<u>\$ 13,493</u>

12. OTHER LONG-TERM LIABILITIES

A. WORKERS' COMPENSATION AND GROUP INSURANCE LIABILITIES

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

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

Workers' compensation costs are recognized when claims are presented and paid. The Commonwealth's outstanding liability for such claims at June 30, 2021 is estimated to be \$261 million of which approximately \$35 million is expected to be paid during FY22.

Changes in the Commonwealth's liability relating to workers' compensation claims in FY21 and FY20 were (amounts in thousands):

	FY21	FY20
Claims liability, beginning of year	\$ 264,870	\$ 261,387
Increase in liability estimate	53,742	64,511
Payments and decreases in liability estimate	(58,108)	(61,028)
Claims liability, end of year	<u>\$ 260,504</u>	<u>\$ 264,870</u>

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

Changes in the Commonwealth's liability relating to group insurance claims in FY21 and FY20 were (amounts in thousands):

	FY21	FY20
Claims liability, beginning of year	\$ 140,627	\$ 151,273
Increase in liability estimate	1,716,620	1,651,080
Payments and decreases in liability estimate	(1,720,722)	(1,661,726)
Claims liability, end of year	<u>\$ 136,525</u>	<u>\$ 140,627</u>

B. OTHER CLAIMS & JUDGMENTS

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

The following amounts were recognized for claims and judgments in FY21 and FY20 (amounts in thousands):

	FY21	FY20
Unpaid claims, beginning of year	\$ 34,117	\$ 33,241
Incurred claims	12,567	8,288
Claim payments and reductions	(13,413)	(7,412)
Unpaid claims end of year	<u>\$ 33,271</u>	<u>\$ 34,117</u>

C. ENVIRONMENTAL REMEDIATION

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

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

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

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

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

During FY21, the Commonwealth had the following activity related to environmental remediation (amounts in thousands):

	Governmental Activities
Environmental remediation liability, beginning of year.....	\$ 560,380
Expected additional future outlays, changes in liability estimates.....	39,114
FY21 outlays for environmental remediation.....	(4,219)
Environmental remediation liability, end of year.....	<u>\$ 595,275</u>

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

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

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

D. COST OF LIVING ADJUSTMENTS

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

During fiscal year 2021, there was a decrease of approximately \$12 million in the liability for COLAs granted to participants in retirement systems of cities, towns and counties.

As of June 30, 2021, the Commonwealth's liability for COLA was approximately \$105 million.

13. CONTINGENCIES/COMMITMENTS

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

Chapter 200A of the Massachusetts General Laws, the Commonwealth's Abandoned Property Law, requires deposit of certain unclaimed assets into a managed Fiduciary Fund. These unclaimed assets are to be remitted to the General Fund each June 30, where it is included as miscellaneous revenue. Amounts remitted during FY21 totaled approximately \$101 million. A portion of accumulated claims since the law's enactment represent a contingency, because claims for refunds can be made by the owners of the property.

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

A. PRIMARY GOVERNMENT

The Commonwealth continues to guarantee certain Massachusetts Bay Transportation Authority (MBTA) debt outstanding at June 30, 2021, totaling approximately \$121 million.

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

Additional commitments of the Commonwealth remain for the University of Massachusetts Building Authority. The full faith and credit of the Commonwealth are pledged for the performance of its guarantee. The enabling act, as amended, currently limits to \$200 million the total principal amounts of notes and bonds of the University of Massachusetts Building Authority. As of June 30, 2021, the University of Massachusetts Building Authority has approximately \$3.205 billion, outstanding debt, of which the University retired its remaining Commonwealth guaranteed debt in fiscal 2021.

B. TOBACCO SETTLEMENT

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

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

In FY21, the Commonwealth received approximately \$246 million, or 67.6% of the estimated amounts shown in the MSA. Amounts received in FY21 continued to be less than had previously been projected as payments under the MSA, primarily because the payment amounts are related to national tobacco sales volumes, which have continued to decline since the settlement. The Commonwealth's allocable share of the base amounts payable under the MSA is approximately 4.04% or approximately \$8.962 billion through 2025, which is subject to adjustments, reductions and offsets. However, in pending litigation, tobacco manufacturers are claiming that because of certain developments, they are entitled to reduce future payments under the MSA and, from FY06 to the present, certain manufacturers have withheld portions of the payments due to the states. The Commonwealth continues to pursue legal action to compel the payment of these additional funds and to obtain a legal determination that the Commonwealth is immune from any downward adjustment to its settlement payments.

In FY04, a Suffolk Superior Court jury rejected the claims of the Commonwealth's private tobacco attorneys that they should be paid a fee amounting to 25% of the Commonwealth's tobacco settlement money. The jury awarded the plaintiffs 10.5% of the amount the Commonwealth receives under the MSA through 2025, minus an offset for amounts received by the attorneys from the tobacco companies pursuant to an arbitration award. To date, however, the attorneys have received more than 10.5% of what the Commonwealth has received under the MSA. As of June 30, 2021, the Commonwealth owes nothing under the jury award. Whether the Commonwealth will in the future be required to pay any sum on private counsel's claim will depend on the actual payments received by the Commonwealth under the MSA through 2025, as well as on the amounts the attorneys receive through the arbitration payments.

C. OTHER CONSTRUCTION COMMITMENTS

At June 30, 2021, the Commonwealth had commitments of approximately \$580 million related to ongoing construction projects.

D. CONTRACTUAL ASSISTANCE TO AUTHORITIES

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

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

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

E. MSBA

The MSBA has estimated the amount of outstanding New Program commitments at June 30, 2021 to be \$1.6 billion.

F. SOCIAL IMPACT BONDS

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

amount required to be paid as of June 30, 2021 cannot be determined until performance targets have been achieved as determined by independent evaluators, no liability has been accrued in these financial statements for these contracts.

G. PENSIONS

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

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

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

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

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

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

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

The following entities are presented in the basic financial statements (all having a June 30, 2021 fiscal year end) (entities marked with an * are not legally separate from the Commonwealth but have separately audited financial

statements). Entities that are marked with a § also were not audited in accordance with *Governmental Auditing Standards* as promulgated by the Comptroller General of the United States.

Entities Audited by Other Auditors:

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

*State Universities:

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

*Community Colleges:

Berkshire Community College
 Bristol Community College
 Bunker Hill Community College
 Cape Cod Community College
 Greenfield Community College
 Holyoke Community College
 Massasoit Community College
 Massachusetts Bay Community College
 Middlesex Community College
 Mount Wachusett Community College
 Northern Essex Community College
 North Shore Community College
 Quinsigamond Community College
 Roxbury Community College
 Springfield Technical Community College

Nonmajor Discretely Presented Component Units:

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

Economic Development Entities (5 separate entities):

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

Commonwealth Zoological Corporation (Zoo)

Higher Education Foundations (25 separate entities):

Bridgewater State University Foundation:

The Bridgewater State University Foundation

The Bridgewater Alumni Association of Bridgewater State University

Fitchburg State University Foundation, Inc.

Framingham State University Foundation, Inc.

Massachusetts College of Art Foundation, Inc.

Massachusetts College of Liberal Arts Foundation, Inc.

The Massachusetts Maritime Academy Foundation, Inc.

Salem State University Foundation:

The Salem State University Foundation, Inc.

Salem State University Assistance Corporation

Westfield State University Foundation, Inc.

Worcester State Foundation

Berkshire Community College Foundation

Bristol Community College Foundation

Bunker Hill Community College Foundation

Cape Cod Community College Educational Foundation, Inc.

Greenfield Community College Foundation, Inc.

Holyoke Community College Foundation

Massachusetts Bay Community College Foundation, Inc.

Massasoit Community College Foundation

Middlesex Community College Foundation, Inc.

North Shore Community College Foundation

Springfield Technical Community College Foundation

Springfield Technical Community College Assistance Corporation

The Mount Wachusett Community College Foundation, Inc.

The Northern Essex Community College Foundation, Inc.

The Quinsigamond Community College Foundation, Inc.

The Roxbury Community College Foundation, Inc.

15. SUBSEQUENT EVENTS

SUBSEQUENT BOND ISSUANCES

On July 22, 2021, the Massachusetts State College Building Authority (MSCBA) closed on \$17 million of Project Revenue Bonds Series 2021A (Green Bonds) for the purpose of providing funding for a new capacity project at the Massachusetts Maritime Academy. The first principal payment is due on May 1, 2023, and the final term bond maturity is on May 1, 2051. Interest is due semi-annually each May 1st and November 1st. The bonds carry interest rates ranging from 2.00% to 5.00%.

On July 22, 2021, the MSCBA closed on \$2 million Project Revenue Bonds Series 2021B for the purpose of providing funding for projects at the Massachusetts Maritime Academy and Massachusetts College of Liberal Arts. The first principal payment is due on May 1, 2023, and the final term bond maturity is on May 1, 2041. Interest is due semi-annually each May 1st and November 1st. The bonds carry interest rates ranging from 2.00% to 5.00%.

On September 23, 2021, the MSBA advance refunded \$42 million of 2016 Series A Dedicated Sales Tax Bonds, \$114 million of 2018 Series A Dedicated Sales Tax Bonds, and \$142 million of 2019 Series A Dedicated Sales Tax Bonds by issuing \$342 million of Subordinated Dedicated Sales Tax Refunding Bonds 2021 Series A Bonds

(Federally taxable). The Bonds mature at various dates through February 15, 2049 and the interest is payable semiannually February 15th and August 15th. The coupons on the bonds range from 0.260% to 2.860%. The refunding resulted in reduced debt service of \$89 million and a net present value savings of \$60 million over the life of the debt.

On September 30, 2021, the Commonwealth issued approximately \$8 million in General Obligation (GO) Bonds, Consolidated Loan of 2021 Series A (College Opportunity Bonds). These bonds carry an interest rate of 0.50%. The first principal payment is due on August 1, 2026 with final maturity on August 1, 2041.

On October 5, 2021, the Commonwealth issued approximately \$223 million in GO Refunding Bonds 2021, Series A. The bonds were issued to refund, on a current basis, approximately \$276 million of various GO bonds and carries interest rates of 5.00% with final maturity on September 1, 2030. The refunding resulted in reduced debt service of approximately \$38 million and a present value savings of approximately \$34 million over the life of the bonds.

On October 5, 2021, the Commonwealth issued \$385 million in GO Bonds, Consolidated Loan of 2021, Series C. These bonds carry interest rate of 2.00% to 5.00%. The first principal payment is due on September 1, 2028 with final maturity on September 1, 2047.

On October 5, 2021, the Commonwealth issued \$350 million in GO Bonds, Consolidated Loan of 2021, Series D. These bonds carry a 5.00% interest rate. The first principal payment is due on September 1, 2048 with final maturity on September 1, 2051.

On November 17, 2021, the Commonwealth issued approximately \$303 million in GO Refunding Bonds 2021, Series B. The bonds were issued to refund, on a current basis, approximately \$317 million of various GO bonds and carries interest rates of 5.00% with final maturity on November 1, 2025. The refunding resulted in reduced debt service of approximately \$10 million and a present value savings of approximately \$9 million over the life of the bonds.

On February 15, 2022, the Commonwealth issued \$300 million in GO Bonds, Consolidated Loan of 2022, Series A. These bonds carry interest rate of 3.00% to 5.00%. The first principal payment is due on February 1, 2028 with final maturity on February 1, 2038.

On February 15, 2022, the Commonwealth issued \$350 million in GO Bonds, Consolidated Loan of 2022, Series B. These bonds carry interest rate of 3.00% to 4.00%. The first principal payment is due on February 1, 2039 with final maturity on February 1, 2048.

On February 15, 2022, the MSCBA closed on \$107,155,000 of Project and Refunding Revenue Bonds Series 2022A for the purpose of providing funding for a new capacity project, the Fantail Lounge project, and renovations to existing residence halls at the Massachusetts Maritime Academy, dish machine and kitchen equipment replacement at Westfield State University, and a current refunding of the 2012C Bonds. The first principal payment is due on May 1, 2023, and the final term bond maturity is on May 1, 2052. Interest is due semi-annually each May 1st and November 1st. The bonds carry interest rates ranging from 4.00% to 5.00%.

On February 28, 2022, MassDOT refunded to the cities of Cambridge and Somerville a total amount of \$45 million related to the Green Line Extension project.

On March 23, 2022, the University of Massachusetts issued \$119 million of UMBA Project Revenue Bonds, Senior Series 2022-1, and \$211 million UMBA Project Revenue Bonds, Senior Series 2022-2 bonds through the University of Massachusetts Building Authority. The first principal payment is due on November 1, 2023 with final maturity on November 1, 2045. The bonds carry interest rates ranging from 2.199% to 5.00%.

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

Required Supplementary Information Other Than Management's Discussion and Analysis

(Unaudited)

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

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

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

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

General Fund*

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 24,716,800	\$ 24,716,800	\$ 30,302,388	\$ 5,585,588
Assessments	430,650	430,650	399,848	(30,802)
Federal grants and reimbursements	13,868,076	13,868,076	13,440,226	(427,850)
Tobacco settlement revenue	261,482	261,482	245,636	(15,846)
Departmental	3,034,358	3,034,358	3,534,235	499,877
Miscellaneous	467,178	467,178	292,625	(174,553)
Total revenues	42,778,544	42,778,544	48,214,958	5,436,414
Other financing sources:				
Fringe benefit cost recovery	—	—	453,299	453,299
Lottery reimbursements	—	—	105,986	105,986
Lottery distributions	—	—	1,090,040	1,090,040
Operating transfers in	1,871,154	1,871,154	203,049	(1,668,105)
Stabilization transfer	—	17,106	1,115,597	1,098,491
Transfer for transitional escrow	—	—	1,460,324	1,460,324
Total other financing sources	1,871,154	1,888,260	4,428,295	2,540,035
Total revenues and other financing sources	44,649,698	44,666,804	52,643,253	7,976,449
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Legislature	120,148	120,011	72,682	47,329
Judiciary	1,077,142	1,074,157	1,016,437	57,720
Inspector General	6,059	6,059	5,747	312
Governor and Lieutenant Governor	10,863	10,864	9,385	1,479
Secretary of the Commonwealth	60,905	61,404	58,444	2,960
Treasurer and Receiver-General	2,324,395	281,209	220,935	60,274
Auditor of the Commonwealth	21,243	21,243	19,825	1,418
Attorney General	57,321	57,414	54,951	2,463
Ethics Commission	2,584	2,584	2,489	95
District Attorney	148,905	148,905	145,969	2,936
Office of Campaign & Political Finance	1,840	1,840	1,660	180
Sheriff's Departments	695,002	694,877	686,626	8,251
Disabled Persons Protection Commission	7,897	7,897	5,464	2,433
Commission on the Status of Women	206	206	206	1
Massachusetts Gaming Commission	721	—	—	—
Board of Library Commissioners	34,018	34,018	33,821	197
Comptroller	66,551	66,551	19,689	46,862
Administration and Finance	10,186,385	2,832,745	2,337,693	495,052
Energy and Environmental Affairs	315,535	316,906	289,802	27,104
Health and Human Services	25,755,295	7,406,305	6,875,935	530,370
Executive Office of Technology Services and Security	195,918	195,918	146,520	49,398
Office of the Child Advocate	2,999	2,999	1,723	1,276
Executive Office of Education	3,021,817	3,151,219	2,833,844	317,375
Center for Health Information and Analysis	33,588	23,588	23,330	258
Commission Against Discrimination	8,349	8,349	6,824	1,525
Public Safety and Homeland Security	1,530,399	1,552,568	1,463,381	89,187
Massachusetts Peace Officer Standards and Training	250	250	23	227
Housing and Economic Development	899,102	898,489	807,492	90,997
Labor and Workforce Development	95,346	79,662	59,672	19,990
Direct local aid	—	6,355,436	6,352,585	2,851
Medicaid	—	18,280,385	18,122,376	158,009
Post employment benefits	—	3,739,620	3,739,584	36
Debt service:				
Principal retirement	35,605	660,586	628,828	31,758
Interest and fiscal charges	—	597,633	569,410	28,223
Total expenditures	46,716,388	48,691,897	46,613,352	2,078,546
Other financing uses:				
Fringe benefit cost assessment	—	—	8,730	(8,730)
Operating transfers out	—	311,738	318,688	(6,950)
Medical assistance transfer	—	537,187	505,250	31,937
Stabilization transfer	—	1,098,140	1,098,139	1
Transfer for transitional escrow	—	—	1,151,006	(1,151,006)
Other fund deficit support	—	—	23,699	(23,699)
Total other financing uses	—	1,947,065	3,105,512	(1,158,447)
Total expenditures and other financing uses	46,716,388	50,638,962	49,718,864	920,099
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (2,066,690)	\$ (5,972,158)	2,924,389	\$ 8,896,547
Fund balances/(deficits) at beginning of year			4,232,877	
Fund balances/(deficits) at end of year			<u>\$ 7,157,266</u>	

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

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

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

REVENUES	
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$ 48,214,958
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:	
Tax receivable, net	473,798
Tax refunds and abatements payable, net	(132,079)
Federal reimbursements and other receivables	704,770
Reclassifications:	
Higher education revenue is reclassified for GAAP reporting	(94,910)
Inflows from component units and other miscellaneous financing sources	87,675
Certain revenue is reclassified to fiduciary funds for GAAP reporting	(15,585)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 49,238,627
OTHER FINANCING SOURCES	
Actual amounts (budgetary basis) "other financing sources" from the budgetary comparison schedule	\$ 4,428,295
Adjustments and Reclassifications:	
Higher education revenue is reclassified for GAAP reporting	(3)
Proceeds of capital lease on GAAP basis	2,126
Consolidation of transfers between funds	(2,262,726)
Inflows from component units and other miscellaneous financing sources	(99,621)
Total other financing sources as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 2,068,071
EXPENDITURES	
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedule	\$ 46,613,352
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:	
Medicaid payments	(19,967)
Compensated absences and other accrued liabilities	151,040
Reclassifications:	
Capital lease additions are additions to expenditures for GAAP purposes on a fund perspective	2,126
Budgetary debt service are reclassified to transfers out to a debt service fund for GAAP purposes as the Commonwealth does not have a statutory debt service fund	(1,198,237)
Reversal of prior year budget to GAAP adjustment	—
Higher education expenditures are reclassified for GAAP reporting	(1,638,294)
Expenditures to component units reported on a GAAP basis	18,877
Certain expenditures are reclassified to fiduciary funds for GAAP reporting	(15,586)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 43,913,311
OTHER FINANCING USES	
Actual amounts (budgetary basis) "other financing uses" from the budgetary comparison schedule	\$ 3,105,512
Adjustments and Reclassifications:	
Consolidation of transfers between funds	(2,262,726)
Budgetary higher education amounts are reclassified to transfers under the modified accrual basis	1,543,382
Budgetary debt service are reclassified to transfers out to a debt service fund for GAAP purposes as the Commonwealth does not have a statutory debt service fund	1,198,237
Transfers to component units reported on a GAAP basis	(3,242)
Total other financing uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 3,581,163

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

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

Note to Required Supplementary Information – Budgetary Reporting

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

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

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

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

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

The following table summarizes budgetary activity for FY21 (amounts in thousands):

	Revenues	Expenditures
General Appropriation Act, Chapter 41 of the Acts of 2020:		
Direct appropriations	\$ 43,641,100	\$ 45,730,612
Estimated revenues, transfers, retained revenue appropriations, and appropriations carried forward from FY2020	—	2,166,957
Total original budget	43,641,100	47,897,569
Supplemental Acts of 2020:		
Chapter 316	—	47
Supplemental Acts of 2021:		
Chapter 29	—	259,008
Chapter 76	—	333,575
Total budgeted revenues and expenditures per Legislative action	—	592,631
Plus: Pension contributions and revenue authorized in the General Appropriation Act, and other transfers of revenue and spending	3,115,177	4,393,419
Budgeted revenues and expenditures as reported	<u>\$ 46,756,277</u>	<u>\$ 52,883,619</u>

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

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

(Amounts in thousands, except for percentages)

	2021	2020	2019	2018
Total pension liability, July 1	\$ 45,725,000	\$ 43,398,000	\$ 41,225,000	\$ 39,107,000
Service cost	968,648	963,828	897,600	856,200
Interest	3,243,594	3,124,187	2,965,890	2,852,239
Change in benefit terms	—	—	—	—
Differences between expected and actual experience	(904,845)	336,183	303,066	102,008
Changes of assumptions	101,000	442,000	434,000	622,000
Benefit payments, including refunds of member contributions	(2,657,397)	(2,539,198)	(2,427,556)	(2,314,447)
Net change in total pension liability	751,000	2,327,000	2,173,000	2,118,000
Total pension liability, June 30 (a)	<u>\$ 46,476,000</u>	<u>\$ 45,725,000</u>	<u>\$ 43,398,000</u>	<u>\$ 41,225,000</u>
Plan fiduciary net position, July 1	\$ 28,567,300	\$ 28,763,796	\$ 27,995,021	\$ 26,282,232
Contributions:				
Employers - Commonwealth and MassDOT	1,105,838	1,003,828	919,545	842,864
Non-employer contributions - Commonwealth	41,963	38,381	37,359	33,310
Employer and non-employer contributions - other	13,352	9,718	10,191	9,564
ERIP funding contribution - Commonwealth	28,449	28,724	28,724	28,724
Plan members	652,911	659,015	632,730	600,705
Other additions	90,879	90,944	104,765	118,124
Total contributions	1,933,392	1,830,610	1,733,314	1,633,291
Net investment income	8,232,417	567,319	1,543,398	2,460,748
Benefit payments, including refunds of member contributions	(2,657,397)	(2,539,198)	(2,427,556)	(2,314,447)
Administrative expense	(21,685)	(18,089)	(15,853)	(16,369)
Other changes	(14,556)	(37,138)	(64,528)	(50,434)
Net change in plan fiduciary net position	7,472,171	(196,496)	768,775	1,712,789
Plan fiduciary net position, June 30 (b)	<u>\$ 36,039,471</u>	<u>\$ 28,567,300</u>	<u>\$ 28,763,796</u>	<u>\$ 27,995,021</u>
Plan net pension liability - June 30 (a) - (b)	<u>\$ 10,436,529</u>	<u>\$ 17,157,700</u>	<u>\$ 14,634,204</u>	<u>\$ 13,229,979</u>
Plan fiduciary net position as a percentage of the total pension liability	77.5%	62.5%	66.3%	67.9%
Covered payroll (as of the actuarial valuation date) *	\$ 6,544,575	\$ 6,354,473	\$ 6,354,473	\$ 6,155,194
Net pension liability as a percentage of covered employee payroll	159.5%	270.0%	230.3%	214.9%

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

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

See Independent Auditors' Report and notes to the schedule.

2017	2016	2015	2014
\$ 37,760,000	\$ 35,425,414	\$ 31,355,000	\$ 29,988,000
855,440	813,975	700,012	631,634
2,813,374	2,638,929	2,411,551	2,405,204
10,000	400,000	230,302	—
(428,232)	589,009	275,000	—
304,000	—	2,330,000	102,000
(2,207,582)	(2,107,327)	(1,876,451)	(1,771,838)
1,347,000	2,334,586	4,070,414	1,367,000
<u>\$ 39,107,000</u>	<u>\$ 37,760,000</u>	<u>\$ 35,425,414</u>	<u>\$ 31,355,000</u>
\$ 23,971,156	\$ 24,042,585	\$ 23,930,895	\$ 21,084,958
716,266	660,818	601,931	550,483
28,455	21,830	18,040	21,293
7,999	16,642	15,808	6,048
29,093	29,093	—	—
604,772	591,948	549,493	501,106
232,548	397,077	92,503	68,967
1,619,133	1,717,408	1,277,775	1,147,897
2,987,632	422,938	800,886	3,551,012
(2,207,582)	(2,107,327)	(1,876,451)	(1,771,838)
(30,030)	(20,624)	(15,966)	(12,705)
(58,077)	(83,824)	(74,554)	(68,429)
2,311,076	(71,429)	111,690	2,845,937
<u>\$ 26,282,232</u>	<u>\$ 23,971,156</u>	<u>\$ 24,042,585</u>	<u>\$ 23,930,895</u>
<u>\$ 12,824,768</u>	<u>\$ 13,788,844</u>	<u>\$ 11,382,829</u>	<u>\$ 7,424,105</u>
67.2%	63.5%	67.9%	76.3%
\$ 5,927,012	\$ 5,792,288	\$ 5,591,911	\$ 5,344,510
216.4%	238.1%	203.6%	138.9%

NOTES TO THE SERS SCHEDULE

FY2021 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

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

Change in mortality

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

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

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

FY2020 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

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

FY2019 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

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

FY2018 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

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

Change in mortality

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

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

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

NOTES TO THE SERS SCHEDULE

FY2017 Changes in Actuarial Assumptions

Changes of Benefit Terms:

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

Changes of Assumptions:

Change in mortality

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

- Pre-retirement - was changed to RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016 set forward 1 year for females from RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct).
- Post-retirement - was changed to RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016 set forward 1 year for females from RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct).
- Disabled members - is assumed to be in accordance with the RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2015 (gender distinct), and is unchanged from the prior valuation.

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

FY2016 Changes in Actuarial Assumptions

Changes in Benefit Terms:

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

FY2015 Changes in Actuarial Assumptions

Changes in Benefit Terms:

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

Changes of Assumptions:

Change in the investment rate of return

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

Change in mortality

The following mortality assumption changes were made in the January 1, 2015 Actuarial Valuation:

- Pre-retirement - was changed to RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct) from RP-2000 Employees table projected 22 years with Scale AA.
- Post-retirement - was changed to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct) from RP-2000 Healthy Annuitant table projected 17 years with Scale AA.

NOTES TO THE SERS SCHEDULE

- Disabled members - was changed to be assumed to be in accordance with RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct) from RP-2000 Healthy Annuitant table projected 7 years with Scale AA set forward 3 years for males.

These changes resulted in an increase to the total pension liability of approximately \$1.397 billion.

FY2014 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in Experience

An updated experience study was issued on February 27, 2014 and encompassed the period January 1, 2006 to December 31, 2011. The study reviewed salary increases and rates of retirement, disability, turnover, and mortality. This study adjusted the mortality assumption which resulted in an increase to the total pension liability of approximately \$102 million.

See Independent Auditors' Report



**Schedule of Changes in the Massachusetts Teachers' Retirement
System (MTRS) Net Pension Liability and Related Ratios**

(Amounts in thousands, except for percentages)

	2021	2020	2019	2018
Total pension liability, July 1	\$ 57,862,841	\$ 54,751,000	\$ 52,503,000	\$ 50,024,000
Service cost	1,085,414	1,019,331	949,262	901,234
Interest	4,097,558	3,927,724	3,763,191	3,633,027
Differences between expected and actual experience	(555,322)	495,599	50,910	92,317
Changes of assumptions	584,000	859,000	577,000	845,000
Benefit payments, including refunds of plan member contributions	(3,279,491)	(3,189,813)	(3,092,363)	(2,992,578)
Net change in total pension liability	1,932,159	3,111,841	2,248,000	2,479,000
Total pension liability, June 30 (a)	<u>\$ 59,795,000</u>	<u>\$ 57,862,841</u>	<u>\$ 54,751,000</u>	<u>\$ 52,503,000</u>
Plan fiduciary net position, July 1	\$ 29,317,997	\$ 29,536,980	\$ 28,791,711	\$ 27,138,609
Contributions:				
Non-employer	1,748,483	1,553,433	1,443,710	1,314,783
Plan members	833,236	821,105	782,431	755,688
Other additions	254,903	233,222	234,532	231,734
Total contributions	2,836,622	2,607,760	2,460,673	2,302,205
Net investment income	8,455,507	581,648	1,584,770	2,542,576
Benefit payments, including refunds of plan member contributions	(3,279,491)	(3,189,813)	(3,092,363)	(2,992,578)
Administrative expense	(21,783)	(22,391)	(18,324)	(19,528)
Other changes	(220,728)	(196,187)	(189,487)	(179,573)
Net change in plan fiduciary net position	7,770,127	(218,983)	745,269	1,653,102
Plan fiduciary net position, June 30 (b)	<u>\$ 37,088,124</u>	<u>\$ 29,317,997</u>	<u>\$ 29,536,980</u>	<u>\$ 28,791,711</u>
Plan net pension liability - June 30 (a) - (b)	<u>\$ 22,706,876</u>	<u>\$ 28,544,844</u>	<u>\$ 25,214,020</u>	<u>\$ 23,711,289</u>
Plan fiduciary net position as a percentage of the total pension liability	62.0%	50.7%	53.9%	54.8%
Covered payroll (as of actuarial valuation date)*	\$ 7,670,306	\$ 7,074,960	\$ 7,074,960	\$ 6,829,012
Net pension liability as a percentage of covered employee payroll	296.0%	403.5%	356.4%	347.2%

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

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

See Independent Auditors' Report and notes to the schedule.

2017	2016	2015	2014
\$ 47,300,000	\$ 45,918,711	\$ 41,435,000	\$ 39,931,000
891,760	843,800	768,032	720,712
3,505,761	3,402,525	3,166,728	3,227,025
47,046	(74,025)	153,000	—
1,176,000	—	3,080,000	108,000
(2,896,567)	(2,791,011)	(2,684,049)	(2,551,737)
2,724,000	1,381,289	4,483,711	1,504,000
<u>\$ 50,024,000</u>	<u>\$ 47,300,000</u>	<u>\$ 45,918,711</u>	<u>\$ 41,435,000</u>
\$ 24,942,072	\$ 25,429,068	\$ 25,538,646	\$ 22,697,302
1,235,515	1,124,583	1,021,930	937,379
730,212	699,422	669,941	653,328
223,746	202,796	190,925	150,522
2,189,473	2,026,801	1,882,796	1,741,229
3,100,352	441,363	845,503	3,771,883
(2,896,567)	(2,791,011)	(2,684,049)	(2,551,737)
(24,053)	(24,220)	(23,444)	(20,499)
(172,668)	(139,929)	(130,384)	(99,532)
2,196,537	(486,996)	(109,578)	2,841,344
<u>\$ 27,138,609</u>	<u>\$ 24,942,072</u>	<u>\$ 25,429,068</u>	<u>\$ 25,538,646</u>
<u>\$ 22,885,391</u>	<u>\$ 22,357,928</u>	<u>\$ 20,489,643</u>	<u>\$ 15,896,354</u>
54.3%	52.7%	55.4%	61.6%
\$ 6,583,871	\$ 6,388,732	\$ 6,204,274	\$ 5,962,650
347.6%	350.0%	330.3%	266.6%

NOTES TO THE MTRS SCHEDULE

FY2021 Changes in Actuarial Assumptions

Changes of assumptions:

Change in the investment rate of return

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

Change in mortality

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

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

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

FY2020 Changes in Actuarial Assumptions

Changes of assumptions:

Change in the investment rate of return

The Commonwealth revised its discount rate to 7.15% from 7.25%. This change resulted in an increase to the total pension liability of approximately \$559 million.

Change in mortality

The following mortality assumption changes were made in the January 1, 2020 Actuarial Valuation:

- Pre-retirement - was changed to Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct) from RP-2014 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct).
- Post-retirement - was changed to Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct) from RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).
- Disabled members - was changed to be in accordance with Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).

These changes resulted in an increase to the total pension liability of approximately \$300 million.

FY2019 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

The Commonwealth revised its discount rate to 7.25% from 7.35%. This change resulted in an increase to the total pension liability of approximately \$577 million.

NOTES TO THE MTRS SCHEDULE

FY2018 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

The Commonwealth revised its discount rate to 7.35% from 7.50%. This change resulted in an increase to the total pension liability of approximately \$845 million.

FY2017 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in mortality

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

- Pre-retirement - was changed to RP-2014 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct) from RP-2014 Employees table projected generationally with Scale BB).
- Post-retirement - was changed to RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct) from RP-2014 Healthy Annuitant table projected generationally with Scale BB).
- Disabled members - is assumed to be in accordance with RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 set forward 4 years and is unchanged from the prior valuation.

These changes resulted in an increase to the total pension liability of approximately \$1.176 billion.

FY2015 Changes in Actuarial Assumptions

Changes of assumptions:

Change in the investment rate of return

The Commonwealth revised its discount rate to 7.50% from 7.75%. This change resulted in an increase to the total pension liability of approximately \$1.190 billion.

Change in mortality

The following mortality assumption changes were made in the January 1, 2015 Actuarial Valuation:

- Pre-retirement - was changed to RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct) from RP-2000 Employees table adjusted for "white-collar" employment projected 22 years with Scale AA.
- Post-retirement - was changed to RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct) from RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA.
- Disabled members - was changed to be assumed to be in accordance with RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 set forward 4 years from RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 7 years with Scale AA set forward 3 years for males.

These changes resulted in an increase to the total pension liability of approximately \$1.890 billion.

NOTES TO THE MTRS SCHEDULE

FY2014 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in Experience

An updated experience study was issued on February 27, 2014 and encompassed the period January 1, 2006 to December 31, 2011. The study reviewed salary increases and rates of retirement, disability, turnover, and mortality. This study adjusted the mortality assumption which resulted in an increase to the total pension liability of approximately \$108 million.

See Independent Auditors' Report



**Schedule of Changes in the State Retirees' Benefit Trust (SRBT)
Net OPEB Liability and Related Ratios**

(Amounts in thousands, except for percentages)

	2021	2020	2019	2018
Total OPEB liability, July 1	\$ 22,105,511	\$ 19,662,106	\$ 19,761,333	\$ 18,480,936
Service cost	992,669	785,689	806,023	792,135
Interest	521,143	732,808	796,880	691,630
Differences between expected and actual experience	(2,926,517)	(600,057)	715,192	218,891
Changes of assumptions	(2,297,649)	2,050,139	(1,935,139)	21,504
Benefit payments, including refunds of member contributions	(484,752)	(525,174)	(482,183)	(443,763)
Net change in total pension liability	(4,195,106)	2,443,405	(99,227)	1,280,397
Total OPEB liability, June 30 (a)	<u>\$ 17,910,405</u>	<u>\$ 22,105,511</u>	<u>\$ 19,662,106</u>	<u>\$ 19,761,333</u>
Plan fiduciary net position, July 1	\$ 1,414,312	\$ 1,368,548	\$ 1,187,569	\$ 996,407
Contributions:				
Employer	569,989	547,611	594,916	542,896
Other additions	200	122	188	133
Total contributions	570,189	547,733	595,104	543,029
Net investment income	411,438	23,380	68,229	93,308
Benefit payments, including refunds of plan member contributions	(484,752)	(525,174)	(482,183)	(443,763)
Administrative expense	(247)	(175)	(171)	(150)
Other changes	—	—	—	(1,262)
Net change in plan fiduciary net position	496,628	45,764	180,979	191,162
Plan fiduciary net position, June 30 (b)	<u>\$ 1,910,940</u>	<u>\$ 1,414,312</u>	<u>\$ 1,368,548</u>	<u>\$ 1,187,569</u>
Plan net OPEB liability - June 30 (a) - (b)	<u>\$ 15,999,465</u>	<u>\$ 20,691,199</u>	<u>\$ 18,293,558</u>	<u>\$ 18,573,764</u>
Plan fiduciary net position as a percentage of the total OPEB liability	10.7%	6.4%	7.0%	6.0%
Covered payroll *	\$ 5,586,955	\$ 5,625,684	\$ 5,491,214	\$ 5,296,859
Net OPEB liability as a percentage of covered employee payroll	286.4%	367.8%	333.1%	350.7%

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

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

See Independent Auditors' Report and notes to the schedule.

<hr/> <hr/>	
	2017
\$	19,821,600
	950,800
	591,900
	(48,600)
	(2,393,700)
	(441,064)
	<hr/> (1,340,664)
\$	<hr/> <hr/> 18,480,936

\$	866,043
	465,449
	<hr/> 784
	466,233
	105,822
	(441,064)
	(127)
	(500)
	<hr/> 130,364
\$	<hr/> <hr/> 996,407

\$ 17,484,529

5.4%

\$ 5,259,298

332.4%

NOTES TO THE SRBT SCHEDULE

FY2021 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in discount rate

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

Change in mortality projection scale

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

Change in per capita claims costs

Per capita claims costs for the Medicare HMO plan (Tufts Medicare Preferred plan) was no longer age-graded. This change resulted in a decrease in the total OPEB liability of approximately \$17.5 million.

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

Change in healthcare trend rates

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

Change in demographic and benefit

The change in demographic and benefit payments experience resulted in a decrease in the total OPEB liability of approximately \$171.9 million.

FY2020 Changes in Actuarial Assumptions

Change in discount rate

The discount rate was decreased to 2.28% (based on a blend of the Bond Buyer Index rate 2.21%) as of the measurement date and the expected rate of return on assets of 7.15%) as required by GASB Statement No. 74. This decrease in the discount rate resulted in an increase in the total OPEB liability of approximately \$4.272 billion.

Change in excise tax

The excise tax was removed. This resulted in a decrease in the total OPEB liability of approximately \$502 million.

Change in per capita claims costs

Per capita claims costs were updated based on changes in the underlying claims and benefit provisions. This change resulted in a decrease in the total OPEB liability of approximately \$1.749 billion.

Change in medical trend rates

The medical trend rates were updated based on the SOA-Getzen trend rate model version 2020_b, the impact of the discontinuation of the ACA Health Insurer Fee and Excise Tax. The short-term assumptions were based on a review of the Commonwealth's historical trend rates during fiscal years 2019 and 2020, along with industry surveys, separately for non-Medicare and Medicare benefits. This change resulted in an increase in the total OPEB liability of approximately \$706 million.

NOTES TO THE SRBT SCHEDULE

Change in salary scale

The salary scale assumption was updated from a constant 4% assumption to rates that vary by years of service and group classification, consistent with SERS. This change resulted in a decrease in the total OPEB liability of approximately \$441 million.

Change in future retirees' plan participation rates

The proportion of future retirees cover a spouse was reduced from 80% to 60%. This resulted in a decrease in the total OPEB liability of approximately \$1.117 billion.

35% of employees currently opting out of active employee health coverage are assumed to enroll in retiree coverage. An 8% load was applied to the active liability to estimate the impact of its population. This resulted in an increase in the total OPEB liability of approximately \$531 million.

Change in medical plan election rates

Retirees and spouses (if covered) are assumed to be non-Medicare eligible prior to age 65 and Medicare eligible at age 65, unless their spouse is over age 65 and non-Medicare eligible. This resulted in an increase in the total OPEB liability of approximately \$350 million.

FY2019 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in base OPEB rates for medical and prescriptions

Annually, a recalibration of the underlying healthcare costs is performed using healthcare cost experience from the GIC and developing new per person annual costs under the different health plan options. The expectation is that the new rates will be equal to the prior year rates plus one year of healthcare trend (medical inflation).

This resulted in a decrease to the total OPEB liability of approximately \$1.638 billion.

Change in trend on future costs

The healthcare trend rate decreased from 8.0% in FY2018 to 7.5% in FY2019, which impacts the high cost excise tax. This resulted in a decrease to the total OPEB liability of approximately \$1.067 billion.

Change in medical plan election rates

The pre age 65 medical plan election percentages were updated to better reflect plan experience and resulted in a decrease to the total OPEB liability of approximately \$90 million.

Change in future retirees' plan participation rates

Plan participation rate for future retirees was changed from 80% to 85% to better reflect recent plan experience and increased the OPEB liability approximately \$62 million.

Change in discount rate

The discount rate was decreased to 3.69% (based on a blend of the Bond Buyer Index rate (3.51%) as of the measurement date and the expected rate of return on assets) as required by GASB Statement No. 74. This decrease in the discount rate resulted in an increase in the total OPEB liability of approximately \$798 million.

NOTES TO THE SRBT SCHEDULE

FY2018 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in base OPEB rates for medical and prescriptions

Annually, a recalibration of the underlying healthcare costs is performed using healthcare cost experience from the GIC and developing new per person annual costs under the different health plan options. The expectation is that the new rates will be equal to the prior year rates plus one year of healthcare trend (medical inflation).

This resulted in an increase to the total OPEB liability of approximately \$937 million.

Change in trend on future costs

The healthcare trend rate decreased from 8.5% in FY2017 to 8.0% in FY2018, which impacts the high cost excise tax. This resulted in an increase to the total OPEB liability of approximately \$88 million.

Change in mortality

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

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

This change resulted in a decrease to the total OPEB liability of approximately \$2 million.

Change in discount rate

The discount rate was increased to 3.95% (based on a blend of the Bond Buyer Index rate (3.87%) as of the measurement date and the expected rate of return on assets) as required by GASB Statement No. 74. This increase in the discount rate resulted in a decrease to the total OPEB liability of approximately \$1.001 billion.

FY2017 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in discount rate

The discount rate was increased to 3.63% (based on a blend of the Bond Buyer Index rate (3.58%) as of the measurement date and the expected rate of return on assets) as required by GASB Statement No. 74. The June 30, 2016 discount rate was calculated to be 2.80%. This increase in the discount rate resulted in a decrease to the total OPEB liability of approximately \$2.394 billion.

See Independent Auditors' Report

Schedule of Investment Returns

	Fiscal Year Ending June 30							
	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense - SERS	29.35 %	2.01 %	5.63 %	9.58 %	12.74 %	1.79 %	3.40 %	17.13 %
Annual money-weighted rate of return, net of investment expense - MTRS	29.35 %	2.00 %	5.62 %	9.58 %	12.75 %	1.78 %	3.40 %	17.12 %
Annual money-weighted rate of return, net of investment expense - SRBT	29.40 %	1.75 %	5.87 %	9.46 %	12.90 %	(1)	(1)	(1)

(1) - GASB 74 implemented in FY2017.

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

See Independent Auditors' Report

Schedule of Proportionate Share of the Net Pension Liability and Contributions
State Employees' Retirement System

Last 10 Years

(amounts in thousands)

Proportionate Share of the Net Pension Liability	2021 (measurement date June 30, 2020)	2020 (measurement date June 30, 2019)	2019 (measurement date June 30, 2018)	2018 (measurement date June 30, 2017)
Proportion of the net pension liability.....	94.3%	94.7%	94.6%	94.5%
Proportionate share of the net pension liability.....	\$ 16,180,809	\$ 13,856,209	\$ 12,520,028	\$ 12,122,363
Plan net position as a percentage of the total pension liability.....	62.5%	66.3%	67.9%	67.2%
Covered payroll.....	\$ 5,778,859	\$ 5,641,512	\$ 5,440,103	\$ 5,397,203
Net pension liability as a percentage of covered payroll.....	280.0%	245.6%	230.1%	224.6%

Fiscal Year Ending June 30

Contributions	2021	2020	2019	2018	2017
Statutorily required contribution.....	\$ 1,147,801	\$ 1,042,209	\$ 956,904	\$ 876,174	\$ 744,721
Contributions in relation to the statutorily required contribution.....	1,147,801	1,042,209	956,904	876,174	744,721
Annual contribution deficiency/(excess).....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll.....	\$ 5,734,862	\$ 5,778,859	\$ 5,641,512	\$ 5,440,103	\$ 5,397,203
Contributions as a percentage of covered payroll.	20.0%	18.0%	17.0%	16.1%	13.8%

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

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

See Independent Auditors' Report and notes to the schedule

2017 (measurement date June 30, 2016)	2016 (measurement date June 30, 2015)	2015 (measurement date June 30, 2014)
94.3%	93.8%	93.9%
\$ 12,996,818	\$ 10,682,765	\$ 6,972,443
63.5%	67.9%	76.3%
\$ 5,249,985	\$ 5,136,405	\$ 4,975,346
247.6%	208.0%	140.1%

2016	2015	2014
\$ 682,648	\$ 619,971	\$ 571,776
682,648	619,971	571,776
\$ —	\$ —	\$ —

\$ 5,249,985	\$ 5,136,405	\$ 4,975,346
13.0%	12.1%	11.5%

Schedule of Proportionate Share of the Net Pension Liability and Contributions
Massachusetts Teachers' Retirement System
 Last 10 Years
 (amounts in thousands)

Proportionate Share of the Net Pension Liability	2021 (measurement date June 30, 2020)	2020 (measurement date June 30, 2019)	2019 (measurement date June 30, 2018)	2018 (measurement date June 30, 2017)
Proportion of the net pension liability.....	100.0%	100.0%	100.0%	100.0%
Proportionate share of the net pension liability.....	\$ 28,544,844	\$ 25,214,020	\$ 23,711,289	\$ 22,885,391
Plan net position as a percentage of the total pension liability	50.7%	53.9%	54.8%	54.3%

Contributions	Fiscal Year Ending June 30				
	2021	2020	2019	2018	2017
Statutorily required contribution.....	\$ 1,748,483	\$ 1,553,433	\$ 1,443,710	\$ 1,314,783	\$ 1,235,515
Contributions in relation to the statutorily required contribution.....	1,748,483	1,553,433	1,443,710	1,314,783	1,235,515
Annual contribution deficiency/(excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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

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

See Independent Auditors' Report and notes to the schedule

2017 (measurement date June 30, 2016)	2016 (measurement date June 30, 2015)	2015 (measurement date June 30, 2014)
100.0%	100.0%	100.0%
\$ 22,357,928	\$ 20,489,643	\$ 15,896,354
52.7%	55.4%	61.6%
<hr/>		
2016	2015	2014
\$ 1,124,583	\$ 1,021,930	\$ 937,379
1,124,583	1,021,930	937,379
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Schedule of Proportionate Share of the Net Pension Liability and Contributions
Boston Retirement System - Teachers
 Last 10 Years
 (amounts in thousands)

Proportionate Share of the Net Pension Liability	2021 (measurement date December 31, 2020)	2020 (measurement date December 31, 2019)	2019 (measurement date December 31, 2018)	2018 (measurement date December 31, 2017)	2017 (measurement date December 31, 2016)
Proportion of the net pension liability.....	60.8%	56.5%	55.6%	60.5%	55.9%
Proportionate share of the net pension liability	\$ 2,416,125	\$ 2,572,923	\$ 2,551,190	\$ 2,433,199	\$ 2,325,286
Plan net position as a percentage of the total pension liability	67.6%	61.9%	58.3%	62.7%	58.4%
Contributions					
	Fiscal Year Ending December 31				
	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 162,976	\$ 157,041	\$ 143,146	\$ 131,298	\$ 132,477
Contributions in relation to the statutorily required contribution	162,976	157,041	143,146	131,298	132,477
Annual contribution deficiency/(excess).....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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

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

See Independent Auditors' Report and notes to the schedule

2016 (measurement date December 31, 2015)	2015 (measurement date December 31, 2014)
--	--

54.5%	53.7%
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\$ 2,402,267	\$ 2,066,546
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55.8%	59.6%
-------	-------

2015	2014	2013
------	------	------

\$ 120,434	\$ 109,485	\$ 99,532
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120,434	109,485	99,532
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\$ —	\$ —	\$ —
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**NOTES TO THE SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND CONTRIBUTIONS**

SERS and MTRS:

In accordance with Chapter 32 of the Massachusetts General Laws (MGL), the Commonwealth's statutorily determined contributions to SERS and MTRS are based on a three-year funding schedule adopted by the legislature based upon the previous year's actuarial valuation. The most recent funding schedule was adopted in January 2020 (for fiscal years 2021 through 2023) based upon the January 1, 2019 actuarial valuation as prepared by the Public Employee Retirement Administration Commission (PERAC) using the following assumptions:

1. The annual required contribution for FY2021 was determined as part of the January 1, 2019 actuarial valuation using the entry age normal cost method.
2. The actuarial assumptions included (a) 7.25% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase per year (on the first \$13,000 of an allowance).
3. Salary increases are based on analyses of past experience but range from 4.00% to 9.0% depending on group and length of service.
4. The assumptions do not include post-retirement benefit increases, which are taken into account when granted under amendments to General Laws.
5. The actuarial value of assets was determined using various techniques that smooth the effects of short-term volatility in the market value of investments, with a phased-in approach. Under this approach, 20% of the gains or losses occurring in the prior year are recognized, 40% of those occurring two years prior, etc., so that 100% of gains and losses occurring five years prior are recognized. The actuarial value of assets is within 10% of the market value of asset. The actuarial value of assets as of January 1, 2019 is 102.8% of the market value.
6. Normal costs are amortized using level percentage of payroll, closed.
7. The remaining amortization period for the unfunded pension liability at January 1, 2019 was 17 years to FY36.

BRS-Teachers:

The actuarially determined contributions were calculated as of December 31, 2019. The funding requirements are established for the employers' fiscal year ended June 30, 2020 and later years and are analyzed based on the preceding two years' experience. The following actuarial methods and assumptions were used to determine the required contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Prior year's contribution increased by 8.85% for Boston Teachers
Remaining amortization period	18 years remaining as of January 1, 2018 for Boston Teachers
Asset valuation method	Sum of actuarial value at beginning of year, contributions and investment earnings based on the actuarial interest assumption less benefit payments and operating expenses plus 20% of market value at end of year in excess of that sum, plus additional adjustment toward market value as necessary so that final actuarial value is within 20% of market value.
Inflation	3.25%
Salary increases	Based on years of service, ranging from 7.50% at zero years of service decreasing to 4.00% after 20 years of services for Boston Teachers
Investment rate of return	7.15% for Boston Teachers

See Independent Auditors' Report

Schedule of Employer Contributions - OPEB
Commonwealth of Massachusetts
 Last 10 Years
 (amounts in thousands)

Contributions	Fiscal Year Ending June 30				
	2021	2020	2019	2018	2017
Statutorily required contribution.....	\$ 547,614	\$ 526,494	\$ 572,434	\$ 520,703	\$ 419,932
Contributions in relation to the statutorily required contribution.....	547,614	526,494	572,434	520,703	419,932
Annual contribution deficiency/(excess).....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll*.....	\$ 5,586,955	\$ 5,625,684	\$ 5,491,214	\$ 5,296,859	\$ 5,259,298
Contributions as a percentage of covered payroll.....	9.8%	9.4%	10.4%	9.8%	8.0%

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

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

See Independent Auditors' Report



Other Supplementary Information

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budgetary Basis – Budget and Actual – Combined General Fund

Combining Balance Sheet – Other Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Other Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budgetary Basis – Budget and Actual – Other Budgeted Nonmajor Governmental Funds

Combining Budget to GAAP Reconciliation – Other Budgeted Nonmajor Governmental Funds

Combining Statement of Net Position Available for Post-Employment Benefits – Pension and OPEB Trust Funds

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

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

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

Combining Statement of Fiduciary Net Position - Custodial Funds

Combining Statement of Changes in Fiduciary Net Position - Custodial Funds

Combining Statement of Net Position – Nonmajor Discretely Presented Component Units

Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Discretely Presented Component Units

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

Combined General Fund

June 30, 2021

(Amounts in thousands)

	General Fund				Stabilization Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES								
Revenues:								
Taxes	\$ 24,716,800	\$ 24,716,800	\$ 30,302,064	\$ 5,585,264	\$ —	\$ —	\$ 324	\$ 324
Assessments	430,650	430,650	399,848	(30,802)	—	—	—	—
Federal grants and reimbursements	13,868,076	13,868,076	13,440,226	(427,850)	—	—	—	—
Tobacco settlement revenue	261,482	261,482	245,636	(15,846)	—	—	—	—
Departmental	3,034,358	3,034,358	3,073,616	39,258	—	—	—	—
Miscellaneous	428,178	428,178	283,308	(144,870)	39,000	39,000	9,317	(29,683)
Total revenues	42,739,544	42,739,544	47,744,698	5,005,154	39,000	39,000	9,641	(29,359)
Other financing sources:								
Fringe benefit cost recovery	—	—	453,299	453,299	—	—	—	—
Lottery reimbursements	—	—	105,986	105,986	—	—	—	—
Lottery distributions	—	—	1,090,040	1,090,040	—	—	—	—
Operating transfers in	1,871,154	1,871,154	203,049	(1,668,105)	—	—	—	—
Stabilization transfer	—	—	—	—	—	17,106	1,115,597	1,098,491
Transfer for transitional escrow	—	—	—	—	—	—	—	—
Total other financing sources	1,871,154	1,871,154	1,852,374	(18,780)	—	17,106	1,115,597	1,098,491
Total revenues and other financing sources	44,610,698	44,610,698	49,597,072	4,986,374	39,000	56,106	1,125,238	1,069,132
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Legislature	120,148	120,011	72,682	47,329	—	—	—	—
Judiciary	1,077,142	1,074,157	1,016,437	57,720	—	—	—	—
Inspector General	6,059	6,059	5,747	312	—	—	—	—
Governor and Lieutenant Governor	10,805	10,806	9,328	1,478	—	—	—	—
Secretary of the Commonwealth	60,889	61,388	58,444	2,944	—	—	—	—
Treasurer and Receiver-General	2,324,394	281,208	220,935	60,273	—	—	—	—
Auditor of the Commonwealth	21,243	21,243	19,825	1,418	—	—	—	—
Attorney General	57,321	57,414	54,951	2,463	—	—	—	—
Ethics Commission	2,584	2,584	2,489	95	—	—	—	—
District Attorney	148,905	148,905	145,969	2,936	—	—	—	—
Office of Campaign & Political Finance	1,840	1,840	1,660	180	—	—	—	—
Sheriff's Departments	695,002	694,877	686,626	8,251	—	—	—	—
Disabled Persons Protection Commission	7,897	7,897	5,464	2,433	—	—	—	—
Commission on the Status of Women	206	206	206	—	—	—	—	—
Massachusetts Gaming Commission	721	—	—	—	—	—	—	—
Board of Library Commissioners	34,018	34,018	33,821	197	—	—	—	—
Comptroller	9,645	9,645	9,270	375	—	—	—	—
Administration and finance	9,990,417	2,636,777	2,211,033	425,744	—	—	—	—
Energy and environmental affairs	312,385	313,756	286,838	26,918	—	—	—	—
Health and human services	25,602,661	7,253,671	6,762,074	491,597	—	—	—	—
Executive Office of Technology Services and Security	48,667	48,667	46,826	1,841	—	—	—	—
Office of the Child Advocate	2,999	2,999	1,723	1,276	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—	—	—
Executive Office of Education	3,019,957	3,149,359	2,833,844	315,515	—	—	—	—
Center for Health Information and Analysis	33,588	23,588	23,330	258	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—	—
Commission Against Discrimination	8,349	8,349	6,824	1,525	—	—	—	—
Public safety and homeland security	1,453,079	1,475,248	1,407,723	67,525	—	—	—	—
Massachusetts Peace Officer Standards and Training	250	250	23	227	—	—	—	—
Housing and economic development	891,418	890,805	805,572	85,233	—	—	—	—
Labor and workforce development	95,346	79,662	59,672	19,990	—	—	—	—
Direct local aid	—	6,355,436	6,352,585	2,851	—	—	—	—
Medicaid	—	18,280,385	18,122,376	158,009	—	—	—	—
Post employment benefits	—	3,739,620	3,739,584	36	—	—	—	—
Debt service:								
Principal retirement	—	624,981	595,467	29,514	—	—	—	—
Interest and fiscal charges	—	597,633	569,410	28,223	—	—	—	—
Total expenditures	46,037,935	48,013,444	46,168,758	1,844,686	—	—	—	—
Other financing uses:								
Fringe benefit cost assessment	—	—	8,730	(8,730)	—	—	—	—
Operating transfers out	—	298,158	305,108	(6,950)	—	—	—	—
Medical assistance transfer	—	537,187	505,250	31,937	—	—	—	—
Stabilization transfer	—	1,098,140	1,098,139	1	—	—	—	—
Transfer for transitional escrow	—	—	1,151,006	(1,151,006)	—	—	—	—
Other fund deficit support	—	—	23,699	(23,699)	—	—	—	—
Total other financing uses	—	1,933,485	3,091,932	(1,158,447)	—	—	—	—
Total expenditures and other financing uses	46,037,935	49,946,929	49,260,690	686,239	—	—	—	—
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (1,427,237)	\$ (5,336,231)	336,382	\$ 5,672,613	\$ 39,000	\$ 56,106	1,125,238	\$3,194,384
Fund balances/(deficits) at beginning of year	—	—	720,792	—	—	—	3,501,181	—
Fund balances/(deficits) at end of year	—	—	<u>\$ 1,057,174</u>	—	—	—	<u>\$4,626,419</u>	—

See Independent Auditors' Report

Intragovernmental Services Fund				Transitional Escrow Fund				Total General Fund			
Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 24,716,800	\$ 24,716,800	\$ 30,302,388	\$ 5,585,588
—	—	—	—	—	—	—	—	430,650	430,650	399,848	(30,802)
—	—	—	—	—	—	—	—	13,868,076	13,868,076	13,440,226	(427,850)
—	—	—	—	—	—	—	—	261,482	261,482	245,636	(15,846)
—	—	460,619	460,619	—	—	—	—	3,034,358	3,034,358	3,534,235	499,877
—	—	—	—	—	—	—	—	467,178	467,178	292,625	(174,553)
—	—	460,619	460,619	—	—	—	—	42,778,544	42,778,544	48,214,958	5,436,414
—	—	—	—	—	—	—	—	—	—	453,299	453,299
—	—	—	—	—	—	—	—	—	—	105,986	105,986
—	—	—	—	—	—	—	—	—	—	1,090,040	1,090,040
—	—	—	—	—	—	—	—	1,871,154	1,871,154	203,049	(1,668,105)
—	—	—	—	—	—	—	—	—	17,106	1,115,597	1,098,491
—	—	—	—	—	—	1,460,324	1,460,324	—	—	1,460,324	1,460,324
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	1,460,324	1,460,324	1,871,154	1,888,260	4,428,295	2,540,035
—	—	460,619	460,619	—	—	1,460,324	1,460,324	44,649,698	44,666,804	52,643,253	7,976,449
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	120,148	120,011	72,682	47,329
—	—	—	—	—	—	—	—	1,077,142	1,074,157	1,016,437	57,720
—	—	—	—	—	—	—	—	6,059	6,059	5,747	312
58	58	57	1	—	—	—	—	10,863	10,864	9,385	1,479
16	16	—	16	—	—	—	—	60,905	61,404	58,444	2,960
—	—	—	—	—	—	—	—	2,324,394	281,208	220,935	60,273
—	—	—	—	—	—	—	—	21,243	21,243	19,825	1,418
—	—	—	—	—	—	—	—	57,321	57,414	54,951	2,463
—	—	—	—	—	—	—	—	2,584	2,584	2,489	95
—	—	—	—	—	—	—	—	148,905	148,905	145,969	2,936
—	—	—	—	—	—	—	—	1,840	1,840	1,660	180
—	—	—	—	—	—	—	—	695,002	694,877	686,626	8,251
—	—	—	—	—	—	—	—	7,897	7,897	5,464	2,433
—	—	—	—	—	—	—	—	206	206	206	—
—	—	—	—	—	—	—	—	721	—	—	—
—	—	—	—	—	—	—	—	34,018	34,018	33,821	197
56,906	56,906	10,419	46,487	—	—	—	—	66,551	66,551	19,689	46,862
195,968	195,968	126,660	69,308	—	—	—	—	10,186,385	2,832,745	2,337,693	495,052
3,150	3,150	2,964	186	—	—	—	—	315,535	316,906	289,802	27,104
152,634	152,634	113,861	38,773	—	—	—	—	25,755,295	7,406,305	6,875,935	530,370
147,251	147,251	99,694	47,557	—	—	—	—	195,918	195,918	146,520	49,398
—	—	—	—	—	—	—	—	2,999	2,999	1,723	1,276
1,860	1,860	—	1,860	—	—	—	—	3,021,817	3,151,219	2,833,844	317,375
—	—	—	—	—	—	—	—	33,588	23,588	23,330	258
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	8,349	8,349	6,824	1,525
77,320	77,320	55,658	21,662	—	—	—	—	1,530,399	1,552,568	1,463,381	89,187
—	—	—	—	—	—	—	—	250	250	23	227
7,684	7,684	1,920	5,764	—	—	—	—	899,102	898,489	807,492	90,997
—	—	—	—	—	—	—	—	95,346	79,662	59,672	19,990
—	—	—	—	—	—	—	—	—	6,355,436	6,352,585	2,851
—	—	—	—	—	—	—	—	—	18,280,385	18,122,376	158,009
—	—	—	—	—	—	—	—	—	3,739,620	3,739,584	36
35,605	35,605	33,361	2,244	—	—	—	—	35,605	660,586	628,828	31,758
—	—	—	—	—	—	—	—	—	597,633	569,410	28,223
678,452	678,452	444,594	233,858	—	—	—	—	46,716,387	48,691,896	46,613,352	2,078,544
—	—	—	—	—	—	—	—	—	—	8,730	(8,730)
—	13,580	13,580	—	—	—	—	—	—	311,738	318,688	(6,950)
—	—	—	—	—	—	—	—	—	537,187	505,250	31,937
—	—	—	—	—	—	—	—	—	1,098,140	1,098,139	1
—	—	—	—	—	—	—	—	—	—	1,151,006	(1,151,006)
—	—	—	—	—	—	—	—	—	—	23,699	(23,699)
—	13,580	13,580	—	—	—	—	—	—	1,947,065	3,105,512	(1,158,447)
678,452	692,032	458,174	233,858	—	—	—	—	46,716,387	50,638,961	49,718,864	920,097
\$ (678,452)	\$ (692,032)	2,445	\$ 694,477	\$ —	\$ —	1,460,324	\$ 1,460,324	\$ (2,066,689)	\$ (5,972,157)	2,924,389	\$ 8,896,546
—	—	10,904	—	—	—	—	—	—	—	4,232,877	—
—	—	\$ 13,349	—	—	—	\$ 1,460,324	—	—	—	\$ 7,157,266	—

Combining Balance Sheet

Other Governmental Funds

June 30, 2021

(Amounts in thousands)

	Special Revenue						
	Commonwealth Transportation	Federal Grants	Universal Health Care	Environmental	Community First Trust	Gaming Control	Gaming Revenue
ASSETS							
Cash and cash equivalents.....	\$ 635	\$ 491,383	\$ 723,905	\$ 18,377	\$ 2	\$ 3,348	\$ —
Restricted cash with fiscal agent.....	15,553	—	—	—	—	—	—
Receivables, net of allowance for uncollectibles:							
Taxes.....	62,996	—	5,952	81	—	—	—
Due from federal government.....	—	772,943	13,881	1,229	—	—	—
Loans receivable.....	—	—	—	—	—	—	—
Other receivables.....	6,834	—	26,855	163	—	25	—
Due from other funds.....	—	—	—	—	—	—	—
Total assets.....	\$ 86,018	\$ 1,264,326	\$ 770,593	\$ 19,850	\$ 2	\$ 3,373	\$ —
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable.....	\$ 635	\$ 451,603	\$ 75,267	\$ 554	\$ —	\$ 1,176	\$ —
Accrued payroll.....	—	9,256	156	379	—	227	—
Tax refunds and abatements payable.....	19	—	—	—	—	—	—
Due to other funds.....	—	—	—	—	—	—	—
Due to component units.....	14,020	—	42,619	—	—	—	—
Unearned revenue.....	—	682,269	—	—	—	—	—
Other accrued liabilities.....	—	—	19,134	—	—	—	—
Total liabilities.....	14,674	1,143,128	137,176	933	—	1,403	—
Deferred inflows of resources.....	—	—	25,173	—	—	—	—
Total liabilities and deferred inflows of resources.....	14,674	1,143,128	162,349	933	—	1,403	—
Fund balances:							
Restricted.....	15,553	121,198	—	—	2	—	—
Committed.....	55,791	—	608,244	15,221	—	1,970	—
Assigned.....	—	—	—	3,696	—	—	—
Unassigned (deficits).....	—	—	—	—	—	—	—
Fund balances (deficits).....	71,344	121,198	608,244	18,917	2	1,970	—
Total liabilities and fund balances.....	\$ 86,018	\$ 1,264,326	\$ 770,593	\$ 19,850	\$ 2	\$ 3,373	\$ —

See Independent Auditors' Report

Special Revenue

MBTA State & Local Contribution	Community Preservation Trust	Health Insurance Portability and Accountability Act	Division of Professional Licensure	Enhanced 911	Health Information Technology Trust	Regional Greenhouse Gas Initiative (RGGI) Auction Trust	Workforce Training Trust	Department of Industrial Accidents
\$ 121,029	\$ 65,783	\$ 3,813	\$ 5,366	\$ 236,767	\$ 6,733	\$ 90,511	\$ 69,903	\$ 9,803
—	—	—	—	—	—	—	—	—
53,993	2,453	—	—	—	—	—	4,220	—
—	—	1,418	—	—	7,855	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	91	—	—	18,627
—	—	—	—	—	—	—	—	—
\$ 175,022	\$ 68,236	\$ 5,231	\$ 5,366	\$ 236,767	\$ 14,679	\$ 90,511	\$ 74,123	\$ 28,430
\$ 539	\$ 79,763	\$ 761	\$ 89	\$ 14,592	\$ 9,116	\$ 2,768	\$ 8,775	\$ 121
—	—	17	266	398	145	215	—	—
288	—	—	—	—	—	—	59	—
—	—	—	—	—	—	—	—	—
174,195	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
175,022	79,763	778	355	14,990	9,261	2,983	8,834	121
—	—	—	—	—	—	—	—	—
175,022	79,763	778	355	14,990	9,261	2,983	8,834	121
—	—	—	—	—	—	—	—	—
—	—	4,453	5,011	221,777	5,418	87,528	65,289	28,309
—	—	—	—	—	—	—	—	—
—	(11,527)	—	—	—	—	—	—	—
—	(11,527)	4,453	5,011	221,777	5,418	87,528	65,289	28,309
\$ 175,022	\$ 68,236	\$ 5,231	\$ 5,366	\$ 236,767	\$ 14,679	\$ 90,511	\$ 74,123	\$ 28,430

continued

Combining Balance Sheet

Other Governmental Funds

June 30, 2021

(Amounts in thousands)

	Special Revenue					
	Convention and Exhibition Center	Grant Anticipation Note Trust	Massachusetts Tourism Trust	Expendable Trust	Other	Debt Service
ASSETS						
Cash and cash equivalents	\$ 46,067	\$ 2,171	\$ 4,530	\$ 729,706	\$ 483,738	\$ 8,806
Restricted cash with fiscal agent	147,434	85,459	—	—	—	244
Receivables, net of allowance for uncollectibles:						
Taxes	4,905	—	—	—	7,192	—
Due from federal government	—	89,751	—	—	—	3,220
Loans receivable	—	—	—	—	12,213	—
Other receivables	—	—	—	36,479	1,733	—
Due from other funds	—	—	—	—	—	—
Total assets	\$ 198,406	\$ 177,381	\$ 4,530	\$ 766,185	\$ 504,876	\$ 12,270
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ —	\$ —	\$ 1,079	\$ 62,225	\$ 15,052	\$ —
Accrued payroll	—	—	33	1,006	1,612	—
Tax refunds and abatements payable	—	—	—	—	—	—
Due to other funds	—	89,751	—	—	—	—
Due to component units	—	—	—	—	—	—
Unearned revenue	—	—	—	9,389	75,000	—
Other accrued liabilities	—	—	—	—	—	—
Total liabilities	—	89,751	1,112	72,620	91,664	—
Deferred inflows of resources	—	—	—	—	—	—
Total liabilities and deferred inflows of resources	—	89,751	1,112	72,620	91,664	—
Fund balances:						
Restricted	—	—	—	192,076	—	12,270
Committed	198,406	87,630	3,418	352,008	438,678	—
Assigned	—	—	—	149,481	9,567	—
Unassigned (deficits)	—	—	—	—	(35,033)	—
Fund balances (deficits)	198,406	87,630	3,418	693,565	413,212	12,270
Total liabilities and fund balances	\$ 198,406	\$ 177,381	\$ 4,530	\$ 766,185	\$ 504,876	\$ 12,270

See Independent Auditors' Report

Capital Projects

General Capital Projects	Convention and Exhibition Center	Highway Capital Projects	Federal Highway Construction Program	Other	Total
\$ —	\$ 8,393	—	\$ —	\$ —	\$ 3,130,769
—	—	—	—	—	248,690
—	—	—	—	—	141,792
9,153	—	—	—	—	899,450
—	—	—	—	—	12,213
—	—	—	—	—	90,807
—	—	—	89,751	—	89,751
\$ 9,153	\$ 8,393	\$ —	\$ 89,751	\$ —	\$ 4,613,472

\$ 470,518	\$ —	\$ —	\$ —	\$ 500	\$ 1,195,133
1,909	—	—	—	—	15,619
—	—	—	—	—	—
—	—	—	—	—	366
18,024	—	305,586	5,203	—	418,564
2,016	—	316,951	88,401	—	638,202
—	—	—	—	—	766,658
—	—	—	—	—	19,134
492,467	—	622,537	93,604	500	3,053,676

—	—	—	—	—	25,173
---	---	---	---	---	--------

492,467	—	622,537	93,604	500	3,078,849
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—	8,393	—	—	—	349,492
—	—	—	—	—	2,179,151
—	—	—	—	—	162,744
(483,314)	—	(622,537)	(3,853)	(500)	(1,156,764)
(483,314)	8,393	(622,537)	(3,853)	(500)	1,534,623

\$ 9,153	\$ 8,393	\$ —	\$ 89,751	\$ —	\$ 4,613,472
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Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Other Governmental Funds

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Special Revenue						
	Commonwealth Transportation	Federal Grants	Universal Health Care	Environmental	Community First Trust	Gaming Control	Gaming Revenue
REVENUES							
Taxes	\$ 1,360,151	\$ —	\$ 124,790	\$ 862	\$ —	\$ —	\$ 224,007
Assessments	23,340	—	664,126	—	—	—	—
Federal grants and reimbursements	—	6,515,330	426,994	7,105	—	—	—
Departmental	661,785	—	248,215	40,471	—	32,177	5
Miscellaneous	33	143	205	59	—	—	—
Total revenues	2,045,309	6,515,473	1,464,330	48,496	—	32,177	224,012
OTHER FINANCING SOURCES							
Bonds premium	—	—	—	—	—	—	—
Issuance of general and special obligation bonds	—	—	—	—	—	—	—
Issuance of current refunding bonds	—	—	—	—	—	—	—
Issuance of advance refunding bonds	—	—	—	—	—	—	—
Transfers in for debt service	—	—	—	—	—	—	—
Transfers in	52,618	12,645	729,647	236	—	—	—
Total other financing sources	52,618	12,645	729,647	236	—	—	—
Total revenues and other financing sources	2,097,927	6,528,118	2,193,977	48,732	—	32,177	224,012
EXPENDITURES							
Current:							
Judiciary	—	3,344	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	1,014	—	—	—	—	—
Treasurer and Receiver-General	977	5,499	—	—	—	52	—
Auditor of the Commonwealth	—	—	—	—	—	—	—
Attorney General	—	50,930	—	—	—	1,443	—
District Attorney	—	4,385	—	—	—	—	—
Sheriff's Departments	—	4,752	—	—	—	—	—
Disabled Person Protection Commission	—	1,203	—	—	—	—	—
Commission on Status of Women	—	—	—	—	—	—	—
Board of Library Commissioners	—	3,274	—	—	—	—	—
Massachusetts Gaming Commission	—	—	4,195	—	—	24,239	—
Comptroller	—	—	—	—	—	—	—
Administration and Finance	125,000	252,516	4,381	12,463	—	—	—
Energy and Environmental Affairs	—	43,489	—	15,591	—	—	—
Health and Human Services	—	3,546,361	18,914	—	—	—	—
Executive Office of Technology Services	—	2,048	—	—	—	—	—
Massachusetts Department of Transportation	622,631	170	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—	—
Executive Office of Education	—	1,229,719	—	—	—	—	—
Public Safety and Homeland Security	—	172,571	—	—	—	10	—
Housing and Economic Development	—	849,036	—	—	—	—	—
Labor and Workforce development	—	214,366	—	—	—	—	—
Medicaid	—	—	1,915,934	—	—	—	—
Post employment benefits	12,271	—	—	—	—	—	—
Direct local aid	—	—	—	—	—	—	—
Capital outlay:							
Capital acquisition and construction	—	—	—	—	—	—	—
Debt service	—	—	—	—	—	—	—
Principal on current refundings	—	—	—	—	—	—	—
Total expenditures	760,879	6,384,676	1,943,424	28,054	—	25,744	—
OTHER FINANCING USES							
Payments to refunding bond escrow agent	—	—	—	—	—	—	—
Transfers out	249,705	132,707	24,083	28,806	—	5,522	224,012
Transfers of appropriations	—	—	—	—	—	—	—
Transfers of bond proceeds	—	—	—	—	—	—	—
Transfers out for debt service	1,091,208	—	—	—	—	—	—
Total other financing uses	1,340,913	132,707	24,083	28,806	—	5,522	224,012
Total expenditures and other financing uses	2,101,792	6,517,383	1,967,507	56,860	—	31,266	224,012
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	(3,865)	10,735	226,470	(8,128)	—	911	—
Fund balances/(deficits) at beginning of year, as restated	75,209	110,463	381,774	27,045	2	1,059	—
Fund balances/(deficits) at end of year	\$ 71,344	\$ 121,198	\$ 608,244	\$ 18,917	\$ 2	\$ 1,970	\$ —

See Independent Auditors' Report

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Other Governmental Funds

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Special Revenue					
	Convention and Exhibition Center	Grant Anticipation Note Trust	Massachusetts Tourism Trust	Expendable Trust	Other	Debt Service
REVENUES						
Taxes	\$ 49,008	\$ —	\$ 10,000	\$ —	\$ 138,521	\$ —
Assessments	—	—	—	39,554	29,877	—
Federal grants and reimbursements	—	715,141	—	1,602	432	53,782
Departmental	—	—	—	37,091	110,092	—
Miscellaneous	80	424	—	486,149	5,754	—
Total revenues	49,088	715,565	10,000	564,396	284,676	53,782
OTHER FINANCING SOURCES						
Bonds premium	—	—	—	—	—	202,160
Issuance of general and special obligation bonds	—	—	—	—	—	—
Issuance of current refunding bonds	—	—	—	—	—	865,115
Issuance of advance refunding bonds	—	—	—	—	—	900,775
Transfers in for debt service	—	—	—	—	—	2,458,994
Transfers in	—	26,271	1,746	127,978	303,835	—
Total other financing sources	—	26,271	1,746	127,978	303,835	4,427,044
Total revenues and other financing sources	49,088	741,836	11,746	692,374	588,511	4,480,826
EXPENDITURES						
Current:						
Judiciary	—	—	—	266	1,912	—
Inspector General	—	—	—	7	—	—
Governor and Lieutenant Governor	—	—	78	—	—	—
Secretary of the Commonwealth	—	—	—	—	18,223	—
Treasurer and Receiver-General	—	—	—	171,165	3,714	5,047
Auditor of the Commonwealth	—	—	—	—	—	—
Attorney General	—	—	—	3,902	1,452	—
District Attorney	—	—	—	3,351	84	—
Sheriff's Departments	—	—	—	663	525	—
Disabled Person Protection Commission	—	—	—	—	—	—
Commission on Status of Women	—	—	—	3	—	—
Board of Library Commissioners	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	17,157	—
Comptroller	—	—	—	442	1,509	—
Administration and Finance	42,344	—	—	21,179	26,989	—
Energy and Environmental Affairs	—	—	—	55,851	26,822	—
Health and Human Services	—	—	—	129,499	64,556	—
Executive Office of Technology Services	—	—	—	563	1,527	—
Massachusetts Department of Transportation	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	11,334	—
Executive Office of Education	—	—	—	22,948	4,951	—
Public Safety and Homeland Security	—	—	—	3,240	10,840	—
Housing and Economic Development	—	—	11,428	18,078	16,876	—
Labor and Workforce development	—	—	—	55,596	8,965	—
Medicaid	—	—	—	—	—	—
Post employment benefits	—	—	—	—	—	—
Direct local aid	—	—	—	—	129,737	—
Capital outlay:						
Capital acquisition and construction	—	—	—	—	—	—
Debt service	—	—	—	—	—	2,507,945
Principal on current refundings	—	—	—	—	—	1,064,644
Total expenditures	42,344	—	11,506	486,753	347,173	3,577,636
OTHER FINANCING USES						
Payments to refunding bond escrow agent	—	—	—	—	—	898,359
Transfers out	71,000	632,766	591	167,436	121,594	—
Transfers of appropriations	—	—	—	—	4,718	—
Transfers of bond proceeds	—	—	—	—	—	—
Transfers out for debt service	52,283	112,368	—	—	4,898	—
Total other financing uses	123,283	745,134	591	167,436	131,210	898,359
Total expenditures and other financing uses	165,627	745,134	12,097	654,189	478,383	4,475,995
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	(116,539)	(3,298)	(351)	38,185	110,128	4,831
Fund balances/(deficits) at beginning of year, as restated	314,945	90,928	3,769	655,380	303,084	7,439
Fund balances/(deficits) at end of year	\$ 198,406	\$ 87,630	\$ 3,418	\$ 693,565	\$ 413,212	\$ 12,270

See Independent Auditors' Report

	Capital Projects					Total
	General Capital Projects	Convention and Exhibition Center	Highway Capital Projects	Federal Highway Construction Program	Other	
REVENUES						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,238,876
Assessments	—	—	—	—	—	952,917
Federal grants and reimbursements	77,259	—	—	—	—	7,866,356
Departmental	—	—	—	729	—	1,374,927
Miscellaneous	—	—	39	—	—	493,035
Total revenues	77,259	—	39	729	—	13,926,110
OTHER FINANCING SOURCES						
Bonds premium	163,066	—	327,369	—	—	692,595
Issuance of general and special obligation bonds	995,674	—	1,386,374	—	—	2,382,048
Issuance of current refunding bonds	—	—	—	—	—	865,115
Issuance of advance refunding bonds	—	—	—	—	—	900,775
Transfers in for debt service	—	—	—	—	—	2,458,994
Transfers in	—	—	—	774,450	—	2,043,604
Total other financing sources	1,158,740	—	1,713,743	774,450	—	9,343,131
Total revenues and other financing sources	1,235,999	—	1,713,782	775,179	—	23,269,241
EXPENDITURES						
Current:						
Judiciary	—	—	—	—	—	5,522
Inspector General	—	—	—	—	—	7
Governor and Lieutenant Governor	—	—	—	—	—	78
Secretary of the Commonwealth	—	—	—	—	—	19,237
Treasurer and Receiver-General	4,011	—	5,256	—	—	1,600,693
Auditor of the Commonwealth	—	—	—	—	—	—
Attorney General	—	—	—	—	—	57,727
District Attorney	—	—	—	—	—	7,820
Sheriff's Departments	—	—	—	—	—	11,957
Disabled Person Protection Commission	—	—	—	—	—	1,203
Commission on Status of Women	—	—	—	—	—	3
Board of Library Commissioners	—	—	—	—	—	3,274
Massachusetts Gaming Commission	—	—	—	—	—	45,591
Comptroller	—	—	—	—	—	1,951
Administration and Finance	—	—	—	—	—	564,656
Energy and Environmental Affairs	—	—	—	—	—	170,307
Health and Human Services	—	—	—	—	—	3,759,376
Executive Office of Technology Services	—	—	—	—	—	8,015
Massachusetts Department of Transportation	52,815	—	1,473,775	756,464	—	2,905,855
Cannabis Control Commission	—	—	—	—	—	11,334
Executive Office of Education	—	—	—	—	—	1,257,618
Public Safety and Homeland Security	—	—	—	—	—	305,612
Housing and Economic Development	—	—	—	—	—	903,588
Labor and Workforce development	—	—	—	—	—	291,068
Medicaid	—	—	—	—	—	1,993,441
Post employment benefits	—	—	—	—	—	12,271
Direct local aid	—	—	—	—	—	129,737
Capital outlay:						
Capital acquisition and construction	1,302,784	—	4,081	331	500	1,307,695
Debt service	—	—	—	—	—	2,507,945
Principal on current refundings	—	—	—	—	—	1,064,644
Total expenditures	1,359,610	—	1,483,112	756,794	500	18,948,224
OTHER FINANCING USES						
Payments to refunding bond escrow agent	—	—	—	—	—	898,359
Transfers out	17,539	—	141,684	13,058	—	1,863,195
Transfers of appropriations	—	—	—	—	—	4,718
Transfers of bond proceeds	167,923	—	—	—	—	167,923
Transfers out for debt service	—	—	—	—	—	1,260,757
Total other financing uses	185,462	—	141,684	13,058	—	4,194,952
Total expenditures and other financing uses	1,545,072	—	1,624,796	769,852	500	23,143,176
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(309,073)	—	88,986	5,327	(500)	126,065
Fund balances (deficits) at beginning of year	(174,241)	8,393	(711,523)	(9,180)	—	1,408,558
Fund balances (deficits) at end of year	\$ (483,314)	\$ 8,393	\$ (622,537)	\$ (3,853)	\$ (500)	\$ 1,534,623

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual
Other Budgeted Nonmajor Governmental Funds
 Fiscal Year Ended June 30, 2021
 (Amounts in thousands)

	Commonwealth Transportation Fund				Inland Fisheries and Game Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES								
Revenues:								
Taxes	\$ 1,136,100	\$1,136,100	\$1,356,340	\$ 220,240	\$ 800	\$ 800	\$ 849	\$ 49
Assessments	23,803	23,803	23,177	(626)	—	—	—	—
Federal grants and reimbursements	—	—	—	—	7,800	7,800	6,776	(1,024)
Departmental	656,476	656,476	655,187	(1,289)	7,082	7,082	8,702	1,620
Miscellaneous	—	—	33	33	70	70	58	(12)
Total revenues	<u>1,816,379</u>	<u>1,816,379</u>	<u>2,034,737</u>	<u>218,358</u>	<u>15,752</u>	<u>15,752</u>	<u>16,385</u>	<u>633</u>
Other financing sources:								
Operating transfers in	28,436	28,436	52,618	24,182	195	195	236	41
Other fund deficit support	—	—	—	—	—	—	—	—
Total other financing sources	<u>28,436</u>	<u>28,436</u>	<u>52,618</u>	<u>24,182</u>	<u>195</u>	<u>195</u>	<u>236</u>	<u>41</u>
Total revenues and other financing sources	<u>1,844,815</u>	<u>1,844,815</u>	<u>2,087,355</u>	<u>242,540</u>	<u>15,947</u>	<u>15,947</u>	<u>16,621</u>	<u>674</u>
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Judiciary	—	—	—	—	—	—	—	—
Treasurer and Receiver-General	359,225	—	977	(977)	—	—	—	—
Attorney General	—	—	—	—	21	21	—	21
Sheriffs' Department	—	—	—	—	—	—	—	—
Administration and Finance	125,000	—	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	18,130	18,130	14,195	3,935
Health and Human services	—	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	127,000	127,000	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—	—	—
Public Safety and Homeland Security	—	—	—	—	—	—	—	—
Housing and Economic Development	—	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—	—
Direct local aid	—	—	—	—	—	—	—	—
Post employment benefits	—	12,271	12,271	—	—	—	—	—
Debt service:								
Principal retirement	—	587,215	547,451	39,764	—	—	—	—
Interest and fiscal charges	—	566,310	543,757	22,553	—	—	—	—
Total expenditures	<u>484,225</u>	<u>1,292,796</u>	<u>1,231,456</u>	<u>61,340</u>	<u>18,151</u>	<u>18,151</u>	<u>14,195</u>	<u>3,956</u>
Other financing uses:								
Fringe benefit cost assessment	—	—	—	—	—	—	3,443	(3,443)
Operating transfers out	613,007	641,672	641,672	—	—	—	—	—
Transfer for transitional escrow	—	—	214,622	(214,622)	—	—	—	—
Other fund deficit support	—	—	4,419	(4,419)	—	—	—	—
Total other financing uses	<u>613,007</u>	<u>641,672</u>	<u>860,713</u>	<u>(219,041)</u>	<u>—</u>	<u>—</u>	<u>3,443</u>	<u>(3,443)</u>
Total expenditures and other financing uses	<u>1,097,232</u>	<u>1,934,468</u>	<u>2,092,169</u>	<u>(157,701)</u>	<u>18,151</u>	<u>18,151</u>	<u>17,638</u>	<u>513</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 747,583</u>	<u>\$ (89,653)</u>	<u>(4,814)</u>	<u>\$ 84,839</u>	<u>\$ (2,204)</u>	<u>\$ (2,204)</u>	<u>(1,017)</u>	<u>\$ 1,187</u>
Fund balances at beginning of year			20,366				11,027	
Fund balances at end of year			<u>\$ 15,552</u>				<u>\$ 10,010</u>	

See Independent Auditors' Report

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual
Other Budgeted Nonmajor Governmental Funds
 Fiscal Year Ended June 30, 2021
 (Amounts in thousands)

	Local Capital Projects Fund				Gaming Local Aid Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES								
Revenues:								
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—	—	—
Departmental	—	—	—	—	—	—	—	—
Miscellaneous	—	—	—	—	—	—	—	—
Total revenues	—	—	—	—	—	—	—	—
Other financing sources:								
Operating transfers in	7,698	7,698	7,856	158	79,427	79,427	84,351	4,924
Other fund deficit support	—	—	—	—	—	—	30,068	30,068
Total other financing sources	7,698	7,698	7,856	158	79,427	79,427	114,419	34,992
Total revenues and other financing sources	7,698	7,698	7,856	158	79,427	79,427	114,419	34,992
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Judiciary	—	—	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—	—
Sheriffs' Department	—	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—	—	—	—
Health and Human services	—	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—	—	—
Public Safety and Homeland Security	—	—	—	—	—	—	—	—
Housing and Economic Development	5,199	7,696	7,696	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—	—
Direct local aid	—	—	—	—	—	114,442	114,419	23
Post employment benefits	—	—	—	—	—	—	—	—
Debt service:								
Principal retirement	—	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—
Total expenditures	5,199	7,696	7,696	—	—	114,442	114,419	23
Other financing uses:								
Fringe benefit cost assessment	—	—	—	—	—	—	—	—
Operating transfers out	—	—	—	—	—	—	—	—
Transfer for transitional escrow	—	—	352	(352)	—	—	—	—
Other fund deficit support	—	—	7	(7)	—	—	—	—
Total other financing uses	—	—	359	(359)	—	—	—	—
Total expenditures and other financing uses	5,199	7,696	8,055	(359)	—	114,442	114,419	23
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ 2,499	\$ 2	(199)	\$ (201)	\$ 79,427	\$ (35,015)	—	\$ 35,015
Fund balances at beginning of year			2,699				—	
Fund balances at end of year			\$ 2,500				\$ —	

See Independent Auditors' Report

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual
Other Budgeted Nonmajor Governmental Funds
 Fiscal Year Ended June 30, 2021
 (Amounts in thousands)

	Marijuana Regulation Fund				Behavioral Health Outreach Access and Support Trust Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES								
Revenues:								
Taxes	\$ 54,500	\$ 54,500	\$ 112,370	\$ 57,870	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—	—	—
Departmental	13,717	13,717	25,066	11,349	—	—	—	—
Miscellaneous	355	355	7	(348)	—	—	—	—
Total revenues	<u>68,572</u>	<u>68,572</u>	<u>137,443</u>	<u>68,871</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other financing sources:								
Operating transfers in	—	—	—	—	—	—	10,000	10,000
Other fund deficit support	—	—	—	—	—	—	—	—
Total other financing sources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,000</u>	<u>10,000</u>
Total revenues and other financing sources	<u>68,572</u>	<u>68,572</u>	<u>137,443</u>	<u>68,871</u>	<u>—</u>	<u>—</u>	<u>10,000</u>	<u>10,000</u>
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Judiciary	—	2,984	1,912	1,072	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—	—
Sheriffs' Department	—	117	117	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—	—
Energy and Environmental Affairs	2,492	2,492	564	1,928	—	—	—	—
Health and Human services	—	41,309	36,823	4,486	5,795	5,795	609	5,186
Massachusetts Department of Transportation	—	—	—	—	—	—	—	—
Cannabis Control Commission	15,497	15,497	11,334	4,163	—	—	—	—
Executive Office of Education	—	—	—	—	—	—	—	—
Public Safety and Homeland Security	—	2,077	2,053	24	—	—	—	—
Housing and Economic Development	—	6,778	28	6,750	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—	—
Direct local aid	—	—	—	—	—	—	—	—
Post employment benefits	—	—	—	—	—	—	—	—
Debt service:								
Principal retirement	—	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—
Total expenditures	<u>17,989</u>	<u>71,254</u>	<u>52,831</u>	<u>18,423</u>	<u>5,795</u>	<u>5,795</u>	<u>609</u>	<u>5,186</u>
Other financing uses:								
Fringe benefit cost assessment	—	—	2,429	(2,429)	—	—	—	—
Operating transfers out	—	—	—	—	—	—	—	—
Transfer for transitional escrow	—	—	80,133	(80,133)	—	—	—	—
Other fund deficit support	—	—	1,650	(1,650)	—	—	—	—
Total other financing uses	<u>—</u>	<u>—</u>	<u>84,212</u>	<u>(84,212)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures and other financing uses	<u>17,989</u>	<u>71,254</u>	<u>137,043</u>	<u>(65,789)</u>	<u>5,795</u>	<u>5,795</u>	<u>609</u>	<u>5,186</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 50,583</u>	<u>\$ (2,682)</u>	<u>400</u>	<u>\$ 3,082</u>	<u>\$ (5,795)</u>	<u>\$ (5,795)</u>	<u>9,391</u>	<u>\$ 15,186</u>
Fund balances at beginning of year			1,700				2,500	
Fund balances at end of year			<u>\$ 2,100</u>				<u>\$ 11,891</u>	

See Independent Auditors' Report

Total			
Original Budget	Final Budget	Actual	Variance
\$1,191,400	\$1,191,400	\$1,469,559	\$ 278,159
23,803	23,803	23,177	(626)
7,800	7,800	6,776	(1,024)
710,090	710,090	721,526	11,436
425	425	98	(327)
<u>1,933,518</u>	<u>1,933,518</u>	<u>2,221,136</u>	<u>287,618</u>
155,955	155,955	196,087	40,132
—	—	30,068	30,068
<u>155,955</u>	<u>155,955</u>	<u>226,155</u>	<u>70,200</u>
<u>2,089,473</u>	<u>2,089,473</u>	<u>2,447,291</u>	<u>357,818</u>
—	2,984	1,912	1,072
359,225	—	977	(977)
21	22	—	22
—	125	124	1
148,067	23,067	12,463	10,604
22,469	22,469	16,154	6,315
5,795	47,104	37,432	9,672
—	127,000	127,000	—
15,497	15,497	11,334	4,163
—	4,484	4,484	—
—	2,712	2,662	50
7,099	16,374	9,622	6,752
—	10,907	4,975	5,932
—	129,765	129,738	27
—	12,271	12,271	—
—	587,215	547,451	39,764
—	566,310	543,757	22,553
<u>558,173</u>	<u>1,568,306</u>	<u>1,462,356</u>	<u>105,950</u>
—	—	8,299	(8,299)
623,007	676,351	673,351	3,000
—	—	309,319	(309,319)
—	—	6,369	(6,369)
<u>623,007</u>	<u>676,351</u>	<u>997,338</u>	<u>(320,987)</u>
<u>1,181,180</u>	<u>2,244,657</u>	<u>2,459,694</u>	<u>(215,037)</u>
<u>\$ 908,293</u>	<u>\$ (155,184)</u>	<u>(12,403)</u>	<u>\$ 142,781</u>
		62,327	
		<u>\$ 49,924</u>	

Combining Budget to GAAP Reconciliation
Other Budgeted Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2021
(Amounts in thousands)

	Commonwealth Transportation Fund	Inland Fisheries and Game Fund	Marine Recreational Fisheries Development Fund	Underground Storage Tank Petroleum Product Cleanup Fund
Total actual revenues - budgetary basis (pages 181-185).....	\$ 2,034,737	\$ 16,385	\$ 1,868	\$ 30,000
Adjustments:				
Taxes receivable, net	3,744	13	—	—
Tax refunds and abatements payable, net	55	—	—	—
Federal grants receivables, net	—	329	—	—
Departmental and other receivables, net	6,773	(100)	—	—
Miscellaneous adjustments	—	1	—	—
Nonbudgeted fund included on a GAAP basis	—	—	—	—
Total actual revenues - GAAP basis (pages 177-180).....	<u>\$ 2,045,309</u>	<u>\$ 16,628</u>	<u>\$ 1,868</u>	<u>\$ 30,000</u>
Total actual other financing sources - budgetary basis (pages 181-185)....	\$ 52,618	\$ 236	\$ —	\$ —
Adjustments:				
Miscellaneous adjustments	—	—	—	—
MassDOT transfers in is reclassified to revenues	—	—	—	—
Total actual other financing sources - GAAP basis (pages 177-180).....	<u>\$ 52,618</u>	<u>\$ 236</u>	<u>\$ —</u>	<u>\$ —</u>
Total actual expenditures- budgetary basis (pages 181-185).....	\$ 1,231,456	\$ 14,195	\$ 1,395	\$ 12,463
Adjustment:				
Due to component units accrual, net	9,624	—	—	—
Miscellaneous adjustments	—	—	—	—
Reclassification:				
Compensated absences	—	—	—	—
MassDOT transfers out is reclassified to expenditures	611,007	—	—	—
Higher education expenditures are reclassified to transfers out	—	—	—	—
Debt service principal and interest payments are reclassified to transfers out to the debt service fund	(1,091,208)	—	—	—
Nonbudgeted fund included on a GAAP basis	—	—	—	—
Reversal of prior year expenditures on a GAAP basis	—	—	—	—
Total actual expenditures - GAAP basis (pages 177-180).....	<u>\$ 760,879</u>	<u>\$ 14,195</u>	<u>\$ 1,395</u>	<u>\$ 12,463</u>
Total actual other financing uses - budgetary basis (pages 181-185).....	\$ 860,713	\$ 3,443	\$ 222	\$ 25,141
Adjustment:				
Miscellaneous adjustments	(1)	—	—	—
Reclassification:				
MassDOT transfers out is reclassified to expenditures	(611,007)	—	—	—
Higher education expenditures are reclassified to transfers out	—	—	—	—
Debt service principal and interest payments are reclassified to transfers out to the debt service fund	1,091,208	—	—	—
Nonbudgeted fund included on a GAAP basis	—	—	—	—
Total actual other financing uses - GAAP basis (pages 177-180).....	<u>\$ 1,340,913</u>	<u>\$ 3,443</u>	<u>\$ 222</u>	<u>\$ 25,141</u>

* On a GAAP basis, the activities for the Public Safety Trust fund, the Gaming Local Aid fund, the Education Fund, the Local Aid Stabilization Fund, the Gaming Economic Development Fund, the Community College Fund and the Marijuana Regulation Fund are combined in the other special revenue funds in the combined statement of revenues, expenditures and changes in fund balance. The revenues, other financing sources, expenditures and other financing uses of the other special revenue funds are \$284,676, \$303,835, \$347,173 and \$131,210, respectively (all amounts in thousands).

See Independent Auditors' Report

Public Safety Trust Fund	Local Capital Projects Fund	Gaming Local Aid Fund*	Education Fund*	Gaming Economic Development Fund*	Community College Fund*	Marijuana Regulation Fund*	Behavioral Health Outreach, Access and Support Trust Fund*	Totals
\$ 703	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 137,443	\$ —	\$ 2,221,136
—	—	—	—	—	—	547	—	4,304
—	—	—	—	—	—	1	—	56
—	—	—	—	—	—	—	—	329
—	—	—	—	—	—	—	—	6,673
—	—	—	—	—	—	—	—	1
—	—	—	—	—	—	—	—	—
<u>\$ 703</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 137,991</u>	<u>\$ —</u>	<u>\$ 2,232,499</u>
\$ —	\$ 7,856	\$ 114,419	\$ 24,441	\$ 16,585	\$ —	\$ —	\$ 10,000	\$ 226,155
—	—	(1)	—	—	—	—	—	(1)
—	—	—	—	—	—	—	—	—
<u>\$ —</u>	<u>\$ 7,856</u>	<u>\$ 114,418</u>	<u>\$ 24,441</u>	<u>\$ 16,585</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 10,000</u>	<u>\$ 226,154</u>
\$ 616	\$ 7,696	\$ 114,419	\$ 19,803	\$ 6,873	\$ —	\$ 52,831	\$ 609	\$ 1,462,356
—	—	—	—	—	—	—	—	9,624
—	—	(1)	—	—	—	—	—	(1)
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	611,007
—	—	—	(4,484)	—	—	—	—	(4,484)
—	—	—	—	—	—	—	—	(1,091,208)
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
<u>\$ 616</u>	<u>\$ 7,696</u>	<u>\$ 114,418</u>	<u>\$ 15,319</u>	<u>\$ 6,873</u>	<u>\$ —</u>	<u>\$ 52,831</u>	<u>\$ 609</u>	<u>\$ 987,294</u>
\$ 114	\$ 359	\$ —	\$ 4,638	\$ 18,496	\$ —	\$ 84,212	\$ —	\$ 997,338
—	—	—	—	—	—	(1)	—	(2)
—	—	—	—	—	—	—	—	(611,007)
—	—	—	4,484	—	—	—	—	4,484
—	—	—	—	—	—	—	—	1,091,208
—	—	—	—	—	—	—	—	—
<u>\$ 114</u>	<u>\$ 359</u>	<u>\$ —</u>	<u>\$ 9,122</u>	<u>\$ 18,496</u>	<u>\$ —</u>	<u>\$ 84,211</u>	<u>\$ —</u>	<u>\$ 1,482,021</u>

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

Pension and OPEB Trust Funds

June 30, 2021

(Amounts in thousands)

	Pension Trust Funds		OPEB Trust Fund	Total
	State Employees' PERS	Teacher's PERS	State Retiree Benefits	
ASSETS				
Cash and cash equivalents	\$ 112,148	\$ 91,446	\$ 85,991	\$ 289,585
Net investment in PRIT at fair value	35,837,539	36,923,236	1,824,962	74,585,737
Other receivables	107,924	79,139	—	187,063
Other assets	17	344	—	361
Total assets	36,057,628	37,094,165	1,910,953	75,062,746
LIABILITIES				
Accounts payable	18,157	6,041	13	24,211
Net position available for pension and post-employment benefits	\$ 36,039,471	\$ 37,088,124	\$ 1,910,940	\$ 75,038,535

See Independent Auditors' Report

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

Pension and OPEB Trust Funds

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Pension Trust Funds		OPEB Trust Fund	Total
	State Employees' PERS	Teacher's PERS	State Retiree Benefits	
ADDITIONS				
Contributions:				
Employer contributions - Commonwealth and MassDOT	\$ 1,105,838	\$ —	\$ 569,989	\$ 1,675,827
Non-employer contributions - Commonwealth	41,963	1,748,483	—	1,790,446
Employer and non-employer contributions - other	13,352	—	—	13,352
ERIP funding contribution - Commonwealth	28,449	—	—	28,449
Employee contributions	652,911	833,236	—	1,486,147
Boston teachers' contribution from Commonwealth	—	162,976	—	162,976
Other additions	90,879	91,927	200	183,006
Total contributions	1,933,392	2,836,622	570,189	5,340,203
Net investment gain/(loss):				
Investment gain/(loss)	8,390,011	8,617,429	419,685	17,427,125
Less: investment expense	(157,593)	(161,922)	(8,247)	(327,762)
Net Investment gain/(loss)	8,232,418	8,455,507	411,438	17,099,363
Total additions	10,165,810	11,292,129	981,627	22,439,566
DEDUCTIONS				
Administration	21,685	21,782	247	43,714
Retirement benefits and refunds	2,657,397	3,279,491	484,752	6,421,640
Payments to State Boston Retirement System	—	162,976	—	162,976
Other deductions	14,557	57,753	—	72,310
Total deductions	2,693,639	3,522,002	484,999	6,700,640
Change in net position	7,472,171	7,770,127	496,628	15,738,926
Net position available for pension and post-employment benefits at beginning of year	28,567,300	29,317,997	1,414,312	59,299,609
Net position available for pension and post-employment benefits at end of year	\$ 36,039,471	\$ 37,088,124	\$ 1,910,940	\$ 75,038,535

See Independent Auditors' Report

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

June 30, 2021

(Amounts in thousands)

	Massachusetts Municipal Depository Trust	Pension Reserves Investment Trust	Total
ASSETS			
Cash and cash equivalents	\$ 5,713,259	\$ —	\$ 5,713,259
Short-term investments	33,680	—	33,680
Net investment in PRIT at fair value	—	21,107,131	21,107,131
Receivables, net of allowance for uncollectibles:			
Other receivables	2,105	—	2,105
Total assets	5,749,044	21,107,131	26,856,175
LIABILITIES			
Accounts payable	421	—	421
Net position held in trust for pool/pension participants	\$ 5,748,623	\$ 21,107,131	\$ 26,855,754

See Independent Auditors' Report

Combining Statement of Changes in Fiduciary Net Position Held in Trust for Pool Participants
External Investment Trust Funds
Fiscal Year Ended June 30, 2021
(Amounts in thousands)

	Massachusetts Municipal Depository Trust	Pension Reserves Investment Trust	Total
ADDITIONS			
Contributions:			
Other participant contributions	\$ —	\$ 1,290,068	\$ 1,290,068
Proceeds from sale of units	20,436,971	—	20,436,971
Total contributions	20,436,971	1,290,068	21,727,039
Net investment gain/(loss):			
Investment gain/(loss)	9,074	5,198,509	5,207,583
Less: investment expense	(1,667)	(335,627)	(337,294)
Net Investment gain/(loss)	7,407	4,862,882	4,870,289
Total additions	20,444,378	6,152,950	26,597,328
DEDUCTIONS			
Cost of units redeemed	20,996,377	—	20,996,377
Distributions to unit holders from net interest income	7,834	—	7,834
Retirement benefits and refunds	23	1,112,575	1,112,598
Total deductions	21,004,234	1,112,575	22,116,809
Change in net position	(559,856)	5,040,375	4,480,519
Net position held in trust for pool/participants at beginning of year	6,308,479	16,066,756	22,375,235
Net position held in trust for pool/participants at end of year	\$ 5,748,623	\$ 21,107,131	\$ 26,855,754

See Independent Auditors' Report

Combining Statement of Fiduciary Net Position
Custodial Funds

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Court					Total Custodial Funds
	Central Agency Funds	Escrow and Client Accounts	Child Support Enforcement	Statutory Bonds and Deposits	Investment Trust Funds	
ASSETS						
Cash and cash equivalents	\$ 209,855	\$ 163,773	\$ 41,284	\$ 102,725	\$ 20	\$ 517,657
Investments, restricted investments and annuity contracts	—	—	—	527,160	—	527,160
Receivables, net of allowance for uncollectibles:						
Taxes	28,742	—	—	—	—	28,742
Other receivables	—	—	174,984	—	—	174,984
Due from federal government	—	—	2,203	—	—	2,203
TOTAL ASSETS	238,597	163,773	218,471	629,885	20	1,250,746
LIABILITIES						
Accounts payable	3,742	632	3,135	—	—	7,509
Due to cities and towns	56,768	—	—	—	—	56,768
Other liabilities	6,559	—	—	—	—	6,559
TOTAL LIABILITIES	67,069	632	3,135	—	—	70,836
NET POSITION						
Restricted for:						
Individuals, organizations and other governments	<u>\$ 171,528</u>	<u>\$ 163,141</u>	<u>\$ 215,336</u>	<u>\$ 629,885</u>	<u>\$ 20</u>	<u>\$ 1,179,910</u>

See Independent Auditors' Report

Combining Statement of Changes in Fiduciary Net Position
Custodial Funds

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Central Agency Funds	Court Escrow and Client Accounts	Child Support Enforcement	Statutory Bonds and Deposits	Investment Trust Funds	Total Custodial Funds
ADDITIONS						
Sales tax collections for other governments	296,188	—	—	—	—	296,188
Child support collections	—	—	678,362	—	—	678,362
Other additions	1,013,309	202,512	505	694,400	—	1,910,726
Investment income:						
Interest, dividends and other investment income	—	667	24	23,846	—	24,537
Less: investment expense	—	—	—	(29,626)	—	(29,626)
Net investment income	—	667	24	(5,780)	—	(5,089)
TOTAL ADDITIONS	1,309,497	203,179	678,891	688,620	—	2,880,187
DEDUCTIONS						
Sales tax payments to other governments	296,188	—	—	—	—	296,188
Child support payments to individuals	—	—	691,905	—	—	691,905
Other deductions	1,028,925	182,240	—	703,307	—	1,914,472
TOTAL DEDUCTIONS	1,325,113	182,240	691,905	703,307	—	2,902,565
Change in fiduciary net position	(15,616)	20,939	(13,014)	(14,687)	—	(22,378)
Net position - beginning, as restated	187,144	142,202	228,350	644,572	20	1,202,288
Net position - ending	\$ 171,528	\$ 163,141	\$ 215,336	\$ 629,885	\$ 20	\$ 1,179,910

See Independent Auditors' Report

Combining Statement of Net Position
Nonmajor Discretely Presented Component Units
June 30, 2021
(Amounts in thousands)

	Massachusetts Convention Center Authority	Massachusetts Development Finance Agency	Massachusetts Clean Energy Center	Massachusetts Technology Park Corporation	Massachusetts Housing Partnership	Economic Development Entities	Higher Education Foundations	Total
ASSETS AND DEFERRED OUTFLOWS								
Current assets:								
Cash and cash equivalents	\$ 26,300	\$ 23,055	\$ 24,507	\$ 3,315	\$ 79,790	\$ 110,613	\$ 39,498	\$ 307,078
Short-term investments	—	107,436	140,992	—	25,343	11,922	53,120	338,813
Restricted cash and investments	587	92,000	15,597	20,969	—	109,406	2,511	241,070
Assets held in trust	48,435	—	—	—	—	—	—	48,435
Receivables, net of allowance for uncollectibles:								
Federal grants and reimbursements	—	—	—	361	—	16,606	—	16,967
Loans	279	12,441	3,979	—	43,594	29,995	—	90,288
Other receivables	3,453	8,603	4,122	974	7,489	7,026	14,035	45,702
Due from primary government	4,208	9,947	—	7,162	—	13,753	7	35,077
Inventory	—	—	—	—	—	88	—	88
Other current assets	2,354	13,242	336	529	—	914	3,715	21,090
Total current assets	85,616	266,724	189,533	33,310	156,216	300,323	112,886	1,144,608
Noncurrent assets:								
Cash and cash equivalents - restricted	—	24,204	—	7,438	—	—	—	31,642
Long - term investments	—	58,378	—	—	—	—	1,077,308	1,135,686
Restricted investments	—	—	—	—	—	—	84,338	84,338
Accounts receivables, net	—	894	—	—	—	2,893	17,190	20,977
Loans receivables, net	16,003	75,981	—	—	495,789	36,442	—	624,215
Non-depreciable capital assets	220,382	9,345	5,054	—	—	—	22,300	257,081
Depreciable capital assets, net	397,425	74,584	135,157	48,249	1,575	23,833	43,947	724,770
Other noncurrent assets	—	5,737	—	111	1,912	3,464	2,072	13,296
Total noncurrent assets	633,810	249,123	140,211	55,798	499,276	66,632	1,247,155	2,892,005
Total assets	719,426	515,847	329,744	89,108	655,492	366,955	1,360,041	4,036,613
Deferred outflows of resources:								
Deferred change in fair value of interest rate swaps	—	—	—	—	15,650	—	—	15,650
Deferred outflows related to pension	8,848	—	—	—	—	—	—	8,848
Deferred outflows related to OPEB	2,532	—	—	—	—	—	—	2,532
Total deferred outflows of resources	11,380	—	—	—	15,650	—	—	27,030
Total assets and deferred outflows	730,806	515,847	329,744	89,108	671,142	366,955	1,360,041	4,063,643
LIABILITIES AND DEFERRED INFLOWS								
Current liabilities:								
Accounts payable and other liabilities	10,547	13,439	6,243	8,164	1,368	92,309	33,875	165,945
Accrued payroll	—	—	—	65	1,728	786	—	2,579
Compensated absences	1,051	1,537	278	220	—	751	—	3,837
Accrued interest payable	—	194	—	—	2,130	—	—	2,324
Due to primary government	—	597	—	—	—	—	352	949
Unearned revenue	10,434	26,167	—	1,978	—	39,407	2,869	80,855
Bonds, notes payable and other obligations	—	410	—	—	36,902	20,228	3,199	60,739
Total current liabilities	22,032	42,344	6,521	10,427	42,128	153,481	40,295	317,228
Noncurrent liabilities:								
Compensated absences	1,269	—	—	339	—	392	—	2,000
Due to primary government	—	6,198	—	—	—	—	—	6,198
Unearned revenue	—	—	—	—	—	85	—	85
Bonds, notes payable and other obligations	—	4,444	—	—	482,732	66,433	14,057	567,666
Net pension liability	50,044	—	—	—	—	—	—	50,044
Net OPEB liability	448	—	—	—	—	—	—	448
Liability for derivative instruments	—	—	—	—	1,060	—	—	1,060
Other noncurrent liabilities	—	26,588	—	339	74,471	—	3,837	105,235
Total noncurrent liabilities	51,761	37,230	—	678	558,263	66,910	17,894	732,736
Total liabilities	73,793	79,574	6,521	11,105	600,391	220,391	58,189	1,049,964
Deferred inflows of resources:								
Deferred service concession arrangements	—	—	—	—	—	296	—	296
Deferred inflows related to pension	2,109	—	—	—	—	—	—	2,109
Deferred inflows related to OPEB	3,206	—	—	—	—	—	—	3,206
Total deferred inflows of resources	5,315	—	—	—	—	296	—	5,611
Total liabilities and deferred inflows	79,108	79,574	6,521	11,105	600,391	220,687	58,189	1,055,575
NET POSITION								
Net investment in capital assets	617,807	74,959	140,212	48,249	1,575	27,228	48,927	958,957
Restricted for:								
Other purposes	49,002	177,264	15,678	24,599	15,065	62,059	1,131,894	1,475,561
Unrestricted	(15,111)	184,050	167,333	5,155	54,111	56,981	121,031	573,550
Total net position	\$ 651,698	\$ 436,273	\$ 323,223	\$ 78,003	\$ 70,751	\$ 146,268	\$ 1,301,852	\$3,008,068

Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Discretely Presented Component Units
Fiscal Year Ended June 30, 2021
(Amounts in thousands)

	Massachusetts Convention Center Authority	Massachusetts Development Finance Agency	Massachusetts Clean Energy Center	Massachusetts Technology Park Corporation	Massachusetts Housing Partnership	Economic Development Entities	Higher Education Foundations	Total
Operating revenues:								
Charges for services	\$ 15,442	\$ 53,361	\$ 4,470	\$ 5,530	\$ 10,892	\$ 144,405	\$ 16,057	\$ 250,157
Other	3,289	7,767	21,582	22,358	—	2,168	37,537	94,701
Total operating revenues	18,731	61,128	26,052	27,888	10,892	146,573	53,594	344,858
Operating expenses:								
Cost of services	24,019	42,450	29,661	25,982	776	133,349	—	256,237
Administration costs	28,708	26,639	10,022	215	9,842	19,628	51,279	146,333
Depreciation	40,658	7,431	4,329	5,183	282	2,211	2,629	62,723
Total operating expenses	93,385	76,520	44,012	31,380	10,900	155,188	53,908	465,293
Operating income/(loss)	(74,654)	(15,392)	(17,960)	(3,492)	(8)	(8,615)	(314)	(120,435)
Nonoperating revenues/(expenses):								
Operating grants	23,371	346	2,668	—	782	734,973	—	762,140
Interest income/(loss)	13,591	6,708	—	59	634	255	258,950	280,197
Other nonoperating revenue/(expense)	5,673	(524)	29,269	—	1,406	(723,608)	37,174	(650,610)
Nonoperating revenues/(expenses), net ..	42,635	6,530	31,937	59	2,822	11,620	296,124	391,727
Income/(loss) before contributions	(32,019)	(8,862)	13,977	(3,433)	2,814	3,005	295,810	271,292
Capital contributions	26,681	13,374	—	—	—	1,170	—	41,225
Change in net position/(deficits)	(5,338)	4,512	13,977	(3,433)	2,814	4,175	295,810	312,517
Net position - beginning	657,036	431,761	309,246	81,436	67,937	142,093	1,006,042	2,695,551
Net position - ending	\$ 651,698	\$ 436,273	\$ 323,223	\$ 78,003	\$ 70,751	\$ 146,268	\$ 1,301,852	\$ 3,008,068

See Independent Auditors' Report



Statistical Section

(Unaudited)

Schedule of Net Position by Component – Last Ten Fiscal Years
Changes in Net Position – Last Ten Fiscal Years
Fund Balances, Governmental Funds – Last Ten Fiscal Years
Ten-Year Schedule of Revenues and Other Financing Sources – All Governmental Fund Types
Ten-Year Schedule of Expenditures and Other Financing Uses by Secretariat – All Governmental Fund Types
Personal Income by Industry – Last Ten Calendar Years
Personal Income Tax Filers and Liability by Income Level Calendar (Tax) Years 2019 and 2010
Ten-Year Schedule of Per Capita General Long-Term Bonded Debt and Capital Leases
Ten-Year Schedule of Outstanding Direct Debt and Statutory Debt Limit
Ten-Year Schedule of Pledged Revenue Coverage
Ten-Year Schedule of Percentage of Annual Debt Service Expenditures for General Bonded Debt to Total Non-Capital Expenditures – Fund Perspective - All Governmental Fund Types
Component Units Revenue Bond Coverage for the Last Ten Fiscal Years
Ten-Year Schedule of Massachusetts and United States Resident Population
Ten-Year Schedule of Massachusetts and United States Resident Per Capita Net Income
Ten-Year Schedule of Annual Average Civilian Labor Force, Unemployment and Unemployment Rates
Largest Private Sector Massachusetts Employers - 2021 and 2012
Full Time Equivalent Employees by Function / Program – Last Ten Years
Average Annual Medicaid Caseload and Medicaid Expenditure – Last Ten Fiscal Years
Massachusetts Road Inventory – Calendar Year End, Lane Miles by Type – Last Ten Calendar Years
Massachusetts Real Property Owned and Leased Annual Inventory, Acreage, Improvements and Square Footage - Last Ten Years
Massachusetts Public Higher Education Enrollment and Degrees Conferred – Last Ten Academic Years
Calculation of Transfers – Stabilization Fund
Calculation of Transfer – Tax Reduction Fund
Massachusetts General Information

Statistical Section Narrative and Table of Contents

This part of the Commonwealth of Massachusetts' Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Commonwealth's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the Commonwealth's financial performance and fiscal health has changed over time. The schedules are presented for the last ten fiscal years, except where noted. Schedules included are:

Entity Wide Perspective:

Schedule of Net Position by Component, last ten fiscal years	204
Changes in Net Position, last ten fiscal years	206

Fund Perspective:

Fund Balances, Governmental Funds, last ten fiscal years	208
Ten-Year Schedule of Revenues and Other Financing Sources, All Governmental Fund Types - Fund Perspective	210
Ten-Year Schedule of Expenditures And Other Financing Uses By Secretariat, All Governmental Fund Types - Fund Perspective	212

Revenue Capacity

These schedules contain information to help the reader assess the Commonwealth's most significant revenue source, income taxation. Schedules included are:

Personal Income by Industry, Last Ten Calendar Years - (inclusive of the Commonwealth's highest income tax rate)	214
Personal Income Tax Filers and Liability by Income Level, Tax Years 2019 and 2010	216

Debt Capacity

These schedules present information to help the reader assess the affordability of the Commonwealth's current levels of outstanding debt and the Commonwealth's ability to issue additional debt in the future. Schedules included are:

Ten Year Schedule of Per Capita General Long-Term Bonded Debt and Capital Leases	217
Ten Year Schedule of Outstanding Direct Debt and Statutory Debt Limit	218
Ten Year Schedule of Pledged Revenue Coverage	220
Ten Year Schedule of Percentage of Annual Debt Service Expenditures for General Bonded Debt to Total Non - Capital Expenditures - Fund Perspective, All Governmental Fund Types	222
Component Unit Revenue Bond Coverage for the Last Ten Fiscal Years	223

Demographic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within the Commonwealth's financial activities take place. Schedules included are:

Ten Year Schedule of Massachusetts and United States Resident Population.....	224
Ten Year Schedule of Massachusetts and United States Resident Per Capita Net Income	225
Ten Year Schedule of Annual Average Civilian Labor Force, Unemployment and Unemployment Rates For Massachusetts and The United States	226
Largest Private Sector Employers, 2021 and 2012.....	227

Operating Information

These schedules offer operating data to help the reader understand how the information in the Commonwealth's financial report relates to the services it provides and the activities it performs. Schedules included are:

Full Time Equivalent Commonwealth Employees by Function / Program, Last Ten Years	228
Average Annual Medicaid Caseload and Expenditures - Fund Perspective, Last Ten Fiscal Years	230
Massachusetts Road Inventory, Calendar Year End, Lane Miles by Type, Last Ten Calendar Years	231
Commonwealth Owned Real Property by Executive Office, Last Ten Years	232
Massachusetts Public Higher Education, Enrollment and Degrees Conferred, Last Ten Academic Years.....	234

Other Information

Calculation of Transfers: Stabilization Fund.....	236
Calculation of Transfers: Tax Reduction Fund	237
Massachusetts General Information	238

Schedule of Net Position by Component

Last Ten Fiscal Years

(Amounts in thousands)

	2021	2020	2019	2018	2017
Governmental activities					
Net investment in capital assets.....	\$ (1,658,414)	\$ (1,705,745)	\$ (1,433,294)	\$ (1,446,934)	\$ (1,320,834)
Restricted.....	1,320,793	1,543,264	1,270,844	1,546,202	1,926,716
Unrestricted.....	(78,718,279)	(77,514,884)	(73,917,902)	(74,253,756)	(63,992,403)
Total governmental activities net position	<u>\$ (79,055,900)</u>	<u>\$ (77,677,365)</u>	<u>\$ (74,080,352)</u>	<u>\$ (74,154,488)</u>	<u>\$ (63,386,521)</u>
Business-type activities					
Net investment in capital assets.....	\$ 3,861,405	\$ 3,938,922	\$ 3,868,576	\$ 3,777,515	\$ 3,623,966
Restricted.....	1,908,348	1,319,929	2,271,721	1,833,109	1,735,575
Unrestricted.....	(572,100)	(581,700)	(490,819)	(595,311)	722,923
Total business-type activities net position	<u>\$ 5,197,653</u>	<u>\$ 4,677,151</u>	<u>\$ 5,649,478</u>	<u>\$ 5,015,313</u>	<u>\$ 6,082,464</u>
Commonwealth net position					
Net investment in capital assets.....	\$ 2,202,991	\$ 2,233,177	\$ 2,435,282	\$ 2,330,581	\$ 2,303,132
Restricted.....	3,229,141	2,863,193	3,542,565	3,379,311	3,662,291
Unrestricted.....	(79,290,379)	(78,096,584)	(74,408,721)	(74,849,067)	(63,269,480)
Total Commonwealth net position	<u>\$ (73,858,247)</u>	<u>\$ (73,000,214)</u>	<u>\$ (68,430,874)</u>	<u>\$ (69,139,175)</u>	<u>\$ (57,304,057)</u>

See Independent Auditors' Report

2016	2015	2014	2013	2012
\$ (1,067,098)	\$ (768,411)	\$ (502,370)	\$ (592,483)	\$ (849,338)
1,538,662	1,541,566	1,455,704	1,386,416	1,456,715
(59,111,068)	(55,626,250)	(53,381,659)	(26,733,592)	(24,904,848)
\$ (58,639,504)	\$ (54,853,095)	\$ (52,428,325)	\$ (25,939,659)	\$ (24,297,471)
\$ 3,311,658	\$ 3,055,444	\$ 2,794,845	\$ 2,605,263	\$ 2,366,038
1,745,840	1,539,785	1,590,545	1,209,630	1,576,865
678,667	697,056	675,796	1,026,230	969,309
\$ 5,736,165	\$ 5,292,285	\$ 5,061,186	\$ 4,841,123	\$ 4,912,212
\$ 2,244,560	\$ 2,287,033	\$ 2,292,475	\$ 2,012,780	\$ 1,516,700
3,284,502	3,081,351	3,046,249	2,596,046	3,033,580
(58,432,401)	(54,929,194)	(52,705,863)	(25,707,362)	(23,935,539)
\$ (52,903,339)	\$ (49,560,810)	\$ (47,367,139)	\$ (21,098,536)	\$ (19,385,259)

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

	2021	2020	2019	2018	2017
EXPENSES					
Governmental Activities:					
General government	\$ 3,522,506	\$ 2,923,397	\$ 2,766,272	\$ 2,792,959	\$ 2,764,634
Judiciary	1,429,817	1,396,370	1,221,969	1,162,698	1,226,221
Direct local aid	6,499,305	6,390,233	6,089,548	5,900,634	5,734,682
Medicaid	20,208,100	19,206,749	18,093,807	18,105,722	17,182,691
Group health insurance	1,710,258	1,651,357	1,670,238	1,648,278	1,668,100
Energy and environmental	900,326	824,062	701,950	732,161	720,182
Housing and economic development	2,963,819	1,599,085	1,574,628	1,544,103	1,411,189
Health and human services	11,658,328	9,645,198	8,662,012	8,298,704	8,131,843
Transportation and public works	3,283,352	2,806,861	2,554,289	2,483,768	2,535,121
Early elementary and secondary education	7,687,798	6,618,282	5,607,240	6,101,603	6,243,115
Public safety and homeland security	3,716,834	3,962,024	3,006,893	2,757,266	2,913,849
Labor and workforce development	428,225	342,418	298,930	295,061	312,510
Lottery	4,617,789	4,306,512	4,445,654	4,325,321	4,128,209
Interest (unallocated)	1,510,178	1,491,983	1,522,183	1,419,910	1,384,248
Total governmental activities	70,136,635	63,164,531	58,215,613	57,568,188	56,356,594
Business-type Activities:					
Unemployment compensation	19,438,890	11,948,319	1,483,901	1,552,404	1,514,002
Family and employment security	236,361	5,434	—	—	—
Higher Education:					
University of Massachusetts	3,417,854	3,446,910	3,282,171	3,307,087	3,167,596
State Universities	1,050,949	1,150,987	1,145,531	1,089,551	1,063,196
Community Colleges	900,836	886,593	917,967	887,223	936,241
Total business-type activities	25,044,890	17,438,243	6,829,570	6,836,265	6,681,035
Total Commonwealth expenses	\$ 95,181,525	\$ 80,602,774	\$ 65,045,183	\$ 64,404,453	\$ 63,037,629
REVENUES					
Program Revenues:					
Governmental Activities:					
Charges for services:					
General government	\$ 747,288	\$ 926,889	\$ 611,834	\$ 652,138	\$ 594,132
Judiciary	59,074	69,737	81,567	91,500	95,937
Medicaid	1,272,228	1,388,195	1,129,343	1,054,698	897,542
Group health insurance	860,726	822,420	808,194	941,946	802,628
Energy and environmental	319,315	280,252	279,267	273,504	249,565
Housing and economic development	242,815	225,908	163,315	213,530	194,940
Health and human services	1,576,692	822,920	1,411,918	1,292,584	1,359,519
Transportation and public works	627,594	568,028	627,941	625,595	596,200
Early elementary and secondary education	6,624	7,365	8,445	7,846	7,919
Public safety and homeland security	345,917	370,568	338,099	248,234	280,400
Labor and workforce development	56,603	203,992	307,506	269,293	40,652
Lottery	5,827,632	5,391,167	5,644,440	5,436,551	5,254,468
Total charges for services	11,942,508	11,077,441	11,411,869	11,107,419	10,373,902
Operating grants and contributions	22,611,465	18,661,840	16,253,915	16,230,934	15,519,380
Capital grants and contributions	77,259	77,964	66,085	99,002	58,354
Total governmental activities	34,631,232	29,817,245	27,731,869	27,437,355	25,951,636
Business-type Activities:					
Charges for services:					
Unemployment Compensation	1,608,603	1,833,362	1,852,195	1,617,394	1,468,492
Family and employment security	1,005,102	840,600	—	—	—
Higher Education:					
University of Massachusetts	1,635,792	1,844,180	1,860,268	1,907,824	1,882,899
State Universities	502,827	644,932	679,801	658,608	654,170
Community Colleges	200,278	221,732	237,288	259,156	274,868
Operating grants and contributions	18,546,091	9,250,714	976,096	931,780	909,228
Capital grants and contributions	174,851	145,646	112,033	160,201	238,621
Total business-type activities	23,673,544	14,781,166	5,717,681	5,534,963	5,428,278
Total Commonwealth program revenues	\$ 58,304,776	\$ 44,598,411	\$ 33,449,550	\$ 32,972,318	\$ 31,379,914
General Revenues and Other Changes in Net Position (all types consolidated):					
Governmental Activities:					
Taxes (all types)	\$ 34,947,335	\$ 30,482,040	\$ 30,609,957	\$ 27,964,093	\$ 25,949,577
Investment earnings and miscellaneous	697,132	1,169,416	1,513,855	1,283,283	995,073
Transfers, net	(1,517,599)	(1,404,336)	(1,565,932)	(1,123,731)	(1,286,709)
Total governmental activities	34,126,868	30,247,120	30,557,880	28,123,645	25,657,941
Business-type Activities:					
Investment earnings and miscellaneous	374,249	333,608	145,483	423,379	312,347
Other losses	—	—	—	—	—
Transfers, net	1,517,599	1,404,336	1,565,932	1,123,731	1,286,709
Total business-type activities	1,891,848	1,737,944	1,711,415	1,547,110	1,599,056
Total Commonwealth general revenues	\$ 36,018,716	\$ 31,985,064	\$ 32,269,295	\$ 29,670,755	\$ 27,256,997
CHANGES IN NET POSITION					
Governmental activities	\$ (1,378,535)	(3,100,166)	\$ 74,136	\$ (2,007,188)	\$ (4,747,017)
Business-type activities	520,502	(919,133)	599,526	245,808	346,299
Total changes in net position including restatements	\$ (858,033)	\$ (4,019,299)	\$ 673,662	\$ (1,761,380)	\$ (4,400,718)

See Independent Auditors' Report

	2016	2015	2014	2013	2012
\$	2,616,051	\$ 2,703,519	\$ 2,521,454	\$ 2,571,881	\$ 2,384,167
	1,154,038	1,026,429	1,007,234	983,314	936,113
	5,598,687	5,469,412	5,353,521	5,179,104	4,991,532
	16,825,110	15,086,742	14,034,862	12,286,342	11,708,397
	1,632,703	1,657,018	1,403,590	1,282,661	1,218,079
	1,069,510	671,801	615,854	524,632	568,898
	1,367,957	1,314,980	1,289,156	1,250,008	1,246,213
	7,912,817	7,605,180	7,308,295	7,737,736	7,619,987
	2,711,910	2,689,975	2,379,178	1,868,020	1,759,589
	5,420,052	4,654,161	4,714,555	4,493,537	4,336,326
	2,746,612	2,486,107	2,451,881	2,391,982	2,323,452
	324,678	309,091	352,454	385,757	472,044
	4,299,592	4,109,611	3,980,980	3,982,700	3,877,305
	1,250,004	1,263,218	1,197,709	1,206,542	1,202,772
	54,929,721	51,047,244	48,610,723	46,144,216	44,644,874
	1,499,811	1,598,084	2,036,431	2,718,447	3,466,500
	—	—	—	—	—
	3,151,215	2,809,062	2,925,013	2,759,488	2,684,039
	1,002,577	994,341	922,383	864,161	851,118
	928,067	891,906	852,946	814,245	801,038
	6,581,670	6,293,393	6,736,773	7,156,341	7,802,695
\$	61,511,391	\$ 57,340,637	\$ 55,347,496	\$ 53,300,557	\$ 52,447,569
\$	565,434	\$ 634,289	\$ 361,105	\$ 352,291	\$ 458,320
	100,568	105,521	108,766	111,384	114,170
	841,697	1,052,170	1,226,108	471,539	297,566
	799,011	755,712	660,359	619,982	495,377
	289,738	253,856	262,339	228,019	214,340
	173,941	164,438	165,365	150,690	142,320
	1,224,967	405,710	483,080	1,143,551	931,535
	577,292	577,430	530,853	567,348	505,842
	7,508	7,649	10,067	6,748	6,783
	284,264	256,596	228,730	218,643	205,546
	38,581	175,130	150,394	246,577	237,772
	5,405,128	5,193,545	5,049,536	5,041,329	4,940,151
	10,308,129	9,582,046	9,236,702	9,158,101	8,549,722
	15,158,087	13,950,227	13,121,648	12,836,122	12,909,908
	85,759	81,475	30,699	18,726	79,733
	25,551,975	23,613,748	22,389,049	22,012,949	21,539,363
	1,611,096	1,492,067	1,897,495	1,923,476	1,982,602
	—	—	—	—	—
	1,875,144	1,602,043	1,697,585	1,640,296	1,519,496
	616,025	583,669	558,170	533,347	523,979
	274,252	266,956	270,512	281,428	275,778
	891,823	936,917	1,347,423	1,791,196	2,525,342
	265,714	206,128	122,081	123,396	162,271
	5,534,054	5,087,780	5,893,266	6,293,139	6,989,468
\$	31,086,029	\$ 28,701,528	\$ 28,282,315	\$ 28,306,088	\$ 28,528,831
\$	25,676,303	\$ 25,209,826	\$ 23,319,168	\$ 22,599,332	\$ 21,403,426
	1,161,089	1,251,288	1,131,848	985,810	1,393,192
	(1,246,055)	(1,429,174)	(1,205,141)	(1,096,061)	(1,155,955)
	25,591,337	25,031,940	23,245,875	22,489,081	21,640,663
	245,441	7,536	306,690	271,832	214,056
	—	—	—	—	—
	1,246,055	1,429,174	1,205,141	1,096,061	1,155,955
	1,491,496	1,436,710	1,511,831	1,367,893	1,370,011
	27,082,833	\$ 26,468,650	\$ 24,757,706	\$ 23,856,974	\$ 23,010,674
\$	(3,786,409)	\$ (2,401,556)	\$ (2,975,800)	\$ (1,642,187)	\$ (1,464,850)
	443,880	231,099	668,324	504,691	556,784
	(3,342,529)	\$ (2,170,457)	\$ (2,307,476)	\$ (1,137,496)	\$ (908,066)

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

(Amounts in thousands)

	2021	2020	2019	2018	2017
Fund balances:					
Nonspendable.....	\$ 755,378	\$ —	\$ —	\$ —	\$ —
Restricted ⁽¹⁾	1,320,793	1,294,124	1,316,707	1,519,833	1,926,716
Committed ⁽²⁾	6,805,570	5,325,797	5,007,488	3,302,222	2,351,687
Assigned ⁽³⁾	2,046,997	1,682,922	1,256,717	955,830	684,655
Unassigned.....	2,888,607	754,673	1,530,423	1,060,559	634,324
Total governmental fund balances.....	<u>\$ 13,817,345</u>	<u>\$ 9,057,516</u>	<u>\$ 9,111,335</u>	<u>\$ 6,838,444</u>	<u>\$ 5,597,382</u>

(1) Restricted fund balance increased from FY20 mainly due to amounts in the federal grants funds..

(2) The increase in the committed fund balance from FY20 is due to an increase of approximately \$1.125 billion in the ending balance of the Commonwealth's stabilization fund.

(3) Assigned fund balance increased from FY20 as a result of an increase in authorizations reappropriated from prior years of approximately \$325 million.

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2016	2015	2014	2013	2012
\$ —	\$ —	\$ —	\$ —	\$ —
1,377,671	1,792,461	1,518,671	1,558,842	2,196,201
2,422,088	2,375,367	2,250,157	2,324,445	2,404,475
845,567	576,632	510,353	595,085	574,621
628,420	561,105	340,505	391,795	1,143,978
<u>\$ 5,273,746</u>	<u>\$ 5,305,565</u>	<u>\$ 4,619,686</u>	<u>\$ 4,870,167</u>	<u>\$ 6,319,275</u>

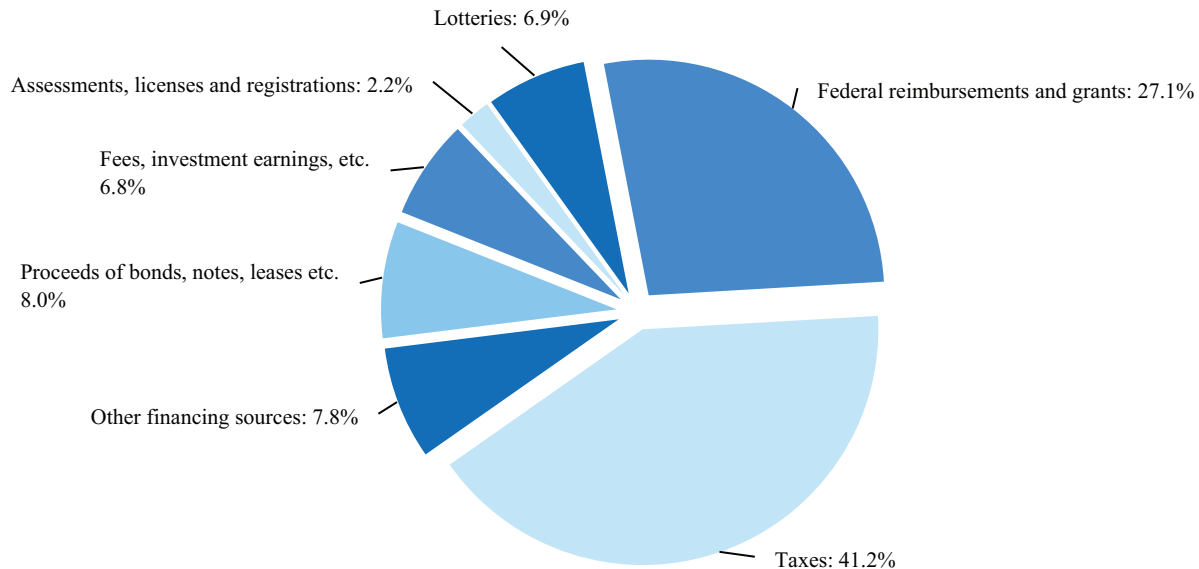
Ten-Year Schedule of Revenues and Other Financing Sources
All Governmental Fund Types - Fund Perspective
(Modified Accrual Basis of Accounting)

(Amounts in millions)

	2021		2020		2019		2018		2017	
		%		%		%		%		%
Taxes	\$ 34,955	41.2	\$ 30,266	41.7	\$ 30,618	43.8	\$ 28,243	41.1	\$ 25,828	37.7
Federal reimbursements	16,438	19.4	14,427	19.9	12,650	18.1	12,647	18.3	11,932	17.4
Federal grants	6,515	7.7	4,048	5.6	3,678	5.3	3,684	5.3	3,635	5.3
Lotteries	5,829	6.9	5,395	7.4	5,652	8.1	5,442	7.9	5,258	7.7
Assessments	1,350	1.6	1,378	1.9	1,377	2.0	1,354	2.0	1,219	1.8
Motor vehicle licenses and registrations	515	0.6	515	0.7	566	0.8	566	0.8	554	0.8
Fees, investment earnings, etc	5,780	6.8	5,527	7.6	5,794	8.3	5,518	8.0	4,966	7.3
Issuance of general and special obligation bonds	4,216	5.0	2,787	3.8	2,008	2.9	2,779	4.0	3,464	5.1
Issuance of refunding bonds	1,766	2.1	1,225	1.7	819	1.2	993	1.4	1,853	2.7
Bond premiums	786	0.9	276	0.4	470	0.7	562	0.8	812	1.2
Proceeds of capital lease	2	—	1	—	—	—	—	—	1	—
Other financing sources	6,569	7.8	6,662	9.3	6,143	8.8	7,202	10.4	8,915	13.0
Total revenues and other financing sources	\$ 84,721	100.0	\$ 72,507	100.0	\$ 69,775	100.0	\$ 68,990	100.0	\$ 68,437	100.0

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**Apportionment of Revenues by Source -
Fiscal Year Ended June 30, 2021**



	%		%		%		%		%
2016	Total	2015	Total	2014	Total	2013	Total	2012	Total
\$ 25,746	38.0	\$ 25,258	41.7	\$ 23,786	41.6	\$ 22,391	40.5	\$ 21,533	39.6
11,577	17.1	10,462	17.2	9,417	16.5	8,981	16.2	8,934	16.4
3,656	5.4	3,583	5.9	3,730	6.5	3,887	7.0	4,051	7.5
5,406	8.0	5,194	8.6	5,049	8.8	5,042	9.1	4,944	9.1
1,104	1.6	1,026	1.7	1,080	1.8	1,093	2.0	1,024	1.9
546	0.8	546	0.9	495	0.9	487	0.9	474	0.9
4,957	7.3	4,540	7.5	4,152	7.3	3,750	6.8	3,823	7.0
3,969	5.9	3,761	6.2	2,360	4.1	1,471	2.7	2,902	5.3
1,463	2.2	632	1.0	1,236	2.2	1,913	3.5	388	0.7
613	0.9	379	0.6	193	0.3	398	0.7	260	0.5
31	—	31	0.1	11	—	1	—	4	—
8,682	12.8	5,247	8.6	5,701	10.0	5,876	10.6	6,033	11.1
<u>\$ 67,750</u>	<u>100.0</u>	<u>\$ 60,659</u>	<u>100.0</u>	<u>\$ 57,210</u>	<u>100.0</u>	<u>\$ 55,290</u>	<u>100.0</u>	<u>\$ 54,370</u>	<u>100.0</u>

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

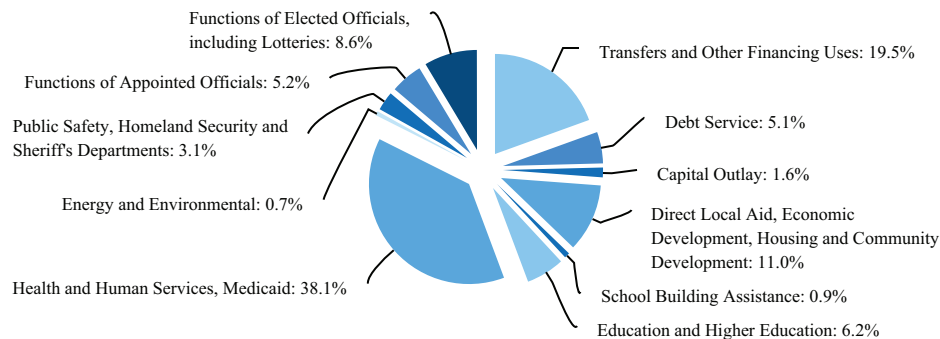
(Amounts in millions)

	2021	% Total	2020	% Total	2019	% Total	2018	% Total	2017	% Total
Legislature	\$ 73	0.1	\$ 70	0.1	\$ 68	0.1	\$ 68	0.1	\$ 67	0.1
Judiciary	1,023	1.3	1,022	1.4	985	1.5	921	1.4	908	1.3
Inspector General	6	—	6	—	5	—	5	—	4	—
Governor and Lieutenant Governor	9	—	7	—	7	—	7	—	7	—
Secretary of the Commonwealth	78	0.1	63	0.1	55	0.1	45	0.1	51	0.1
Treasurer and Receiver-General	6,583	8.1	5,961	8.2	6,092	9.0	5,854	8.6	5,657	8.2
Auditor of the Commonwealth	20	—	19	—	18	—	19	—	18	—
Attorney General	112	0.1	108	0.2	107	0.2	98	0.1	76	0.1
Ethics Commission	2	—	2	—	2	—	2	—	2	—
District Attorney	154	0.2	150	0.2	138	0.2	129	0.2	130	0.2
Office of Campaign and Political Finance	2	—	2	—	3	—	2	—	2	—
Sheriff's Department	699	0.9	718	1.0	672	1.0	635	0.9	624	0.9
Disabled Persons Protection Commission	7	—	6	—	5	—	4	—	3	—
Board of Library Commissioners	37	—	33	—	30	—	28	—	28	—
Massachusetts Gaming Commission	46	0.1	44	0.1	50	0.1	44	0.1	37	0.1
Comptroller	22	—	17	—	16	—	16	—	17	—
Administration and Finance	2,910	3.9	2,490	3.4	2,310	3.4	2,475	3.7	2,444	3.6
Energy and Environmental	461	0.6	466	0.6	477	0.7	445	0.7	405	0.6
Health and Human Services	10,702	13.2	8,817	12.1	8,054	12.0	7,813	11.5	7,463	11.0
Executive Office of Technology Services	156	0.2	140	0.2	116	0.2	81	0.1	—	—
Massachusetts Department of Transportation	2,909	3.6	2,486	3.4	2,349	3.5	2,387	3.5	2,391	3.5
Office of the Child Advocate	2	—	2	—	1	—	1	—	1	—
Commission Against Discrimination	7	—	—	—	—	—	—	—	—	—
Cannabis Control Commission	11	—	13	—	10	—	2	—	—	—
Executive Office of Education*	5,049	6.2	4,323	6.0	3,972	5.9	3,723	5.5	3,589	5.3
Center for Health and Information Analysis	21	—	20	—	20	—	21	—	23	—
Massachusetts School Building Assistance	752	0.9	713	1.0	572	0.9	550	0.8	621	0.9
Public Safety and Homeland Security	1,769	2.2	2,066	2.8	1,463	2.2	1,400	2.1	1,374	2.0
Housing and Economic Development*	2,440	3.0	1,223	1.7	1,157	1.7	1,089	1.6	1,021	1.5
Labor and Workforce Development*	356	0.4	280	0.4	258	0.4	255	0.4	259	0.4
Medicaid	20,208	25.0	19,207	26.5	18,094	26.8	18,106	26.9	17,183	25.2
Pension	1,657	2.1	1,384	1.9	1,368	2.0	1,294	1.9	1,127	1.7
Direct local aid	6,499	8.0	6,390	8.8	6,090	9.0	5,901	8.7	5,735	8.4
Capital outlay:										
Capital acquisition and construction	1,308	1.6	1,051	1.5	1,310	1.9	1,253	1.8	1,202	1.8
Debt service:										
Principal/commercial paper repayment	1,878	2.3	1,948	2.7	1,480	2.2	3,706	5.5	4,676	6.9
Interest	1,230	1.5	1,238	1.7	1,484	2.2	1,381	2.0	1,262	1.9
Principal on current refunding	1,065	1.3	409	0.6	956	1.4	522	0.8	188	0.3
Other financing uses:										
Payments to refunding bond escrow agent	2,469	3.1	1,655	2.3	—	—	628	0.9	2,304	3.4
Transfers	8,084	10.0	8,067	11.1	7,709	11.4	6,838	10.1	7,215	10.6
Total expenditures and other financing uses	\$ 80,816	100.0	\$ 72,616	100.0	\$ 67,503	100.0	\$ 67,748	100.0	\$ 68,114	100.0
Change in Governmental Fund Balance	\$ 3,905		\$ (108)		\$ 2,273		\$ 1,241		\$ 324	
Ratio of debt service expenditures to total noncapital expenditures	3.2%		5.8%		6.7%		9.5%		10.7%	

* Reflects departmental and functional reorganizations as of the year implemented. Prior years not restated.

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Apportionment of Expenditures - Fiscal Year Ended June 30, 2021



	2016	% Total	2015	% Total	2014	% Total	2013	% Total	2012	% Total
\$	61	0.1	\$ 61	0.1	\$ 56	0.1	\$ 57	0.1	\$ 58	0.1
	880	1.3	845	1.4	816	1.4	792	1.4	757	1.4
	5	—	5	—	6	—	6	—	3	—
	7	—	6	—	5	—	6	—	7	—
	44	0.1	50	0.1	51	0.1	49	0.1	41	0.1
	5,799	8.7	5,602	9.6	5,327	9.5	5,307	9.5	5,282	9.9
	19	—	18	—	18	—	18	—	17	—
	67	0.1	41	0.1	88	0.2	76	0.1	55	0.1
	2	—	2	—	2	—	2	—	2	—
	124	0.2	119	0.2	115	0.2	115	0.2	110	0.2
	2	—	3	—	1	—	1	—	1	—
	616	0.9	593	1.0	565	1.0	541	1.0	529	1.0
	3	—	3	—	2	—	2	—	2	—
	28	—	28	—	25	—	25	—	24	—
	34	0.1	23	—	23	—	14	—	1	—
	17	—	16	—	16	—	14	—	14	—
	2,416	3.6	2,490	4.2	2,298	4.0	2,293	4.1	1,951	3.7
	436	0.6	417	0.7	410	0.7	365	0.6	351	0.7
	7,402	10.9	7,211	12.0	6,957	12.1	7,384	13.1	7,301	13.6
	—	—	—	—	—	—	—	—	—	—
	2,595	3.8	2,611	4.4	2,296	4.0	1,785	3.1	1,679	3.1
	1	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—
	3,478	5.1	3,320	5.5	3,201	5.6	3,008	5.3	3,069	5.8
	27	—	28	—	26	—	9	—	—	—
	626	0.9	732	1.2	869	1.5	1,037	1.8	975	1.8
	1,385	2.0	1,334	2.2	1,274	2.2	1,296	2.3	1,208	2.3
	1,048	1.5	1,021	1.7	1,035	1.8	988	1.7	999	1.9
	277	0.4	269	0.4	330	0.6	350	0.6	455	0.9
	16,825	24.9	15,087	25.2	14,035	24.4	12,286	21.7	11,708	22.0
	1,103	1.6	902	1.5	865	1.5	878	1.5	801	1.5
	5,599	8.3	5,469	9.1	5,353	9.3	5,179	9.1	4,991	9.4
	1	—	—	—	—	—	—	—	—	—
	1,162	1.7	1,205	2.0	999	1.7	854	1.5	847	1.6
	—	—	—	—	—	—	—	—	—	—
	4,487	6.6	1,781	3.0	1,546	2.7	1,525	2.7	1,297	2.4
	1,248	1.8	1,187	2.0	1,223	2.1	1,229	2.2	1,207	2.3
	250	0.4	203	0.3	159	0.3	230	0.4	—	—
	2,613	3.9	615	1.0	562	1.0	2,046	3.6	388	0.7
	7,094	10.5	6,676	11.1	6,907	12.0	6,972	12.3	7,189	13.5
<u>\$</u>	<u>67,781</u>	<u>100.0</u>	<u>\$ 59,973</u>	<u>100.0</u>	<u>\$ 57,461</u>	<u>100.0</u>	<u>\$ 56,739</u>	<u>100.0</u>	<u>\$ 53,319</u>	<u>100.0</u>
<u>\$</u>	<u>(32)</u>		<u>\$ 686</u>		<u>\$ (251)</u>		<u>\$ (1,448)</u>		<u>\$ 1,051</u>	
	<u>10.5%</u>		<u>6.2%</u>		<u>6.0%</u>		<u>6.4%</u>		<u>5.6%</u>	

Personal Income by Industry
Last Ten Calendar Years

(Amounts in millions)

	2020	2019	2018	2017	2016
Total personal income	\$ 550,584	\$ 511,334	\$ 483,433	\$ 450,962	\$ 442,500
Unearned income	166,915	126,165	118,567	111,017	108,349
Farm earnings	170	108	103	129	151
Nonfarm earnings	383,499	385,061	364,763	339,816	334,000
Private earnings	368,213	369,080	349,476	323,875	319,931
Agricultural services, forestry, fishing	600	625	659	716	677
Mining	146	144	274	608	379
Construction	22,859	23,397	23,177	20,609	19,473
Manufacturing	28,355	28,568	27,271	26,550	27,181
Durable goods	19,760	20,020	19,239	18,709	18,894
Nondurable goods	8,595	8,548	8,032	7,841	8,287
Transportation and utilities	11,669	11,724	9,667	8,649	8,330
Wholesale trade	15,280	15,254	15,102	14,830	14,621
Retail trade	17,303	17,438	16,432	15,982	15,520
Services	272,001	271,930	256,894	235,931	233,750
Government	43,642	44,549	42,557	42,492	41,130
Federal, civilian	5,821	5,647	5,458	5,477	5,427
Military	1,096	1,003	900	891	860
State and local	36,725	37,899	36,199	36,124	34,843
Personal income tax revenue (fiscal year, statutory basis)	\$ 19,618	\$ 17,361	\$ 17,109	\$ 16,240	\$ 14,394
Total personal income	\$ 550,584	\$ 511,334	\$ 483,433	\$ 450,962	\$ 442,500
Average Effective Rate	3.56 %	3.40 %	3.54 %	3.60 %	3.25 %
Highest Earned Income Tax Rate	5.00 %	5.00 %	5.05 %	5.10 %	5.10 %

Sources: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System and the Massachusetts Department of Revenue. Average effective rate is individual income tax revenue divided by personal income.

See Independent Auditors' Report

2015	2014	2013	2012	2011
\$ 415,636	\$ 396,206	\$ 381,271	\$ 363,944	\$ 352,243
97,728	94,494	91,615	87,333	83,338
195	178	151	150	136
317,713	301,534	289,505	276,461	268,769
272,533	262,843	252,939	243,503	236,764
406	354	373	426	409
276	270	201	113	124
17,197	15,481	14,759	13,426	12,526
26,497	25,921	25,341	26,375	25,388
18,193	18,224	17,977	19,223	18,319
8,304	7,697	7,364	7,152	7,069
7,600	7,295	7,083	6,742	6,604
13,938	13,546	13,483	12,979	13,082
14,716	14,137	13,565	13,333	12,891
191,903	185,839	178,134	170,109	165,740
39,921	38,691	36,567	32,959	32,006
5,202	5,007	4,792	5,442	5,426
860	874	943	1,221	1,245
33,859	32,810	30,832	26,296	25,335

\$ 14,449	\$ 13,202	\$ 12,831	\$ 11,911	\$ 11,576
\$ 415,636	\$ 396,206	\$ 381,271	\$ 363,944	\$ 352,243
3.48 %	3.33 %	3.37 %	3.27 %	3.29 %
5.15 %	5.20 %	5.25 %	5.25 %	5.30 %

Commonwealth of Massachusetts
Personal Income Tax Filers and Liability by Income Level
Calendar (Tax) Years 2019 and 2010

(Amounts, except income level are in thousands)

Calendar Year 2019 (or Fiscal Year 2020)

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$100,001 and higher	909,683	22.8%	\$ 12,350,986	75.5%
\$75,001 - \$100,000	336,919	8.5%	1,237,344	7.6%
\$50,001 - \$75,000	539,964	13.6%	1,350,148	8.2%
\$25,001 - \$50,000	847,316	21.3%	1,112,768	6.8%
\$10,001 - \$25,000	638,373	16.1%	275,617	1.7%
\$10,000 and lower	704,085	17.7%	38,681	0.2%
Total	<u>3,976,340</u>	<u>100.0%</u>	<u>\$ 16,365,544</u>	<u>100.0%</u>

Calendar Year 2010 (or Fiscal Year 2011)

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$100,001 and higher	595,974	17.1%	\$ 7,294,193	67.4%
\$75,001 - \$100,000	284,029	8.1%	1,063,299	9.8%
\$50,001 - \$75,000	453,778	13.0%	1,155,352	10.7%
\$25,001 - \$50,000	770,457	22.1%	1,017,010	9.4%
\$10,001 - \$25,000	668,556	19.2%	268,761	2.5%
\$10,000 and lower	714,021	20.5%	28,404	0.3%
Total	<u>3,486,815</u>	<u>100.0%</u>	<u>\$ 10,827,019</u>	<u>100.0%</u>

Source: Massachusetts Department of Revenue - 2019 is the most recent tax year for which complete data is available.

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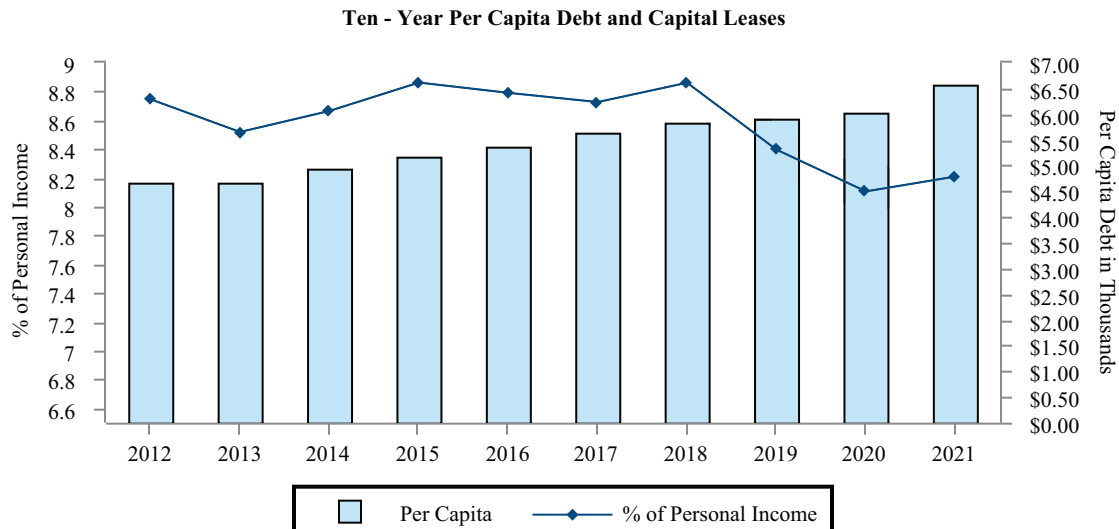
Ten -Year Schedule of Per Capita General Long-Term Bonded Debt and Capital Leases

(Amounts in thousands, except for percentages)

Fiscal Year Ended June 30	Governmental Activities			Business-Type Activities			Total Primary Government	Prior Year Personal Income	Massachusetts Resident Population (4)	Debt as a % of Personal Income	Amount of Debt Per Capita
	Bonded Debt (1)	Capital Leases	MSBA Bonded debt (2)	Bonded Debt (3)	Capital Leases						
2021	\$ 32,229,313	\$ 14,260	\$ 6,104,240	\$ 6,842,430	\$ 8,724	\$ 45,198,967	\$ 550,584,495	6,894	8.2 %	\$ 6.56	
2020	30,701,422	17,114	6,053,947	4,667,917	8,842	41,449,242	511,333,665	6,895	8.1 %	6.01	
2019	30,219,316	19,835	6,054,994	4,284,704	9,589	40,588,438	483,433,495	6,886	8.4 %	5.89	
2018	29,496,401	22,492	5,990,554	4,438,502	9,825	39,957,774	450,961,579	6,864	8.9 %	5.82	
2017	28,216,650	30,856	5,828,790	4,529,353	8,979	38,614,628	442,500,000	6,827	8.7 %	5.66	
2016	26,422,941	41,302	5,624,275	4,438,282	9,887	36,536,687	415,636,000	6,797	8.8 %	5.38	
2015	24,790,909	42,928	5,714,410	4,553,105	9,895	35,111,247	396,206,000	6,765	8.9 %	5.19	
2014	23,090,434	55,878	5,632,470	4,243,731	14,529	33,037,042	381,271,000	6,715	8.7 %	4.92	
2013	22,001,693	50,831	5,195,160	3,736,432	19,299	31,003,415	363,943,750	6,664	8.5 %	4.65	
2012	21,907,683	60,457	5,443,265	3,370,389	23,327	30,805,121	352,242,750	6,614	8.7 %	4.66	

- (1) Excludes Massachusetts School Building Authority debt. Bonded debt for each fiscal year includes unamortized premiums or discounts.
- (2) The Massachusetts School Building Authority (MSBA) is presented as a blended component unit in these financial statements.
- (3) Business-type activities bond debt includes Federal Unemployment insurance borrowing under Title XII of the Social Security Act, notes payable of the Institutions of Higher Education and unamortized premiums or discounts.
- (4) Population estimates have been restated to most current United States Census Bureau Data. Population data is reported as of July 1 of the previous year. *Source: - HTTP://www.fedstats.gov (US Census Bureau.)*

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Ten Year Schedule of Outstanding Direct Debt and Statutory Debt Limit

(Amounts in thousands)

	2021 (3)	2020 (3)	2019 (3)	2018 (3)	2017 (3)
Outstanding principal as of June 30 (1).....	\$ 29,048,457	\$ 28,098,890	\$ 27,739,221	\$ 27,360,819	\$ 26,445,665
Plus/(less) amounts excluded:					
Net amortized (discount)/premium and issuance costs	—	—	—	—	—
Total net proceeds/principal	29,048,457	28,098,890	27,739,221	27,360,819	26,445,665
Less net proceeds/principal of direct debt excluded from statutory debt limit:					
Central artery project bonds	(847,790)	(945,574)	(1,013,492)	(1,092,519)	(1,110,195)
Accelerated bridge program	(2,137,770)	(2,325,620)	(2,349,950)	(2,429,000)	(2,380,740)
County debt assumed	—	—	—	—	—
(Premium)/discount	—	—	—	—	—
Grant anticipation notes (2)	—	—	—	—	—
School Modernization and Reconstruction Trust Bonds ..	(430,926)	(496,936)	(574,902)	(598,985)	(632,348)
Convention center bonds	(479,645)	(504,255)	(527,635)	(552,110)	(575,420)
MBTA forward funding bonds	(207)	(207)	(207)	(207)	(207)
Special obligation gas bonds	(28,385)	(55,290)	(80,930)	(105,230)	(128,270)
Rail enhancement program bonds (4)	(1,637,221)	(1,260,565)	(1,104,610)	(1,131,105)	(644,540)
Outstanding direct debt, net proceeds/principal	23,486,513	22,510,443	22,087,495	21,451,663	20,973,945
Statutory debt limit*	26,481,173	25,220,164	24,019,204	22,875,433	21,786,126
Debt margin (debt limit less direct debt)	<u>\$ 2,994,660</u>	<u>\$ 2,709,721</u>	<u>\$ 1,931,709</u>	<u>\$ 1,423,770</u>	<u>\$ 812,181</u>
Debt margin as a percentage of direct debt limit	<u>11.3%</u>	<u>10.7%</u>	<u>8.0%</u>	<u>6.2%</u>	<u>3.7%</u>

(1) Exclusive of the Massachusetts School Building Authority debt.

(2) Inclusive of crossover refunding amounts.

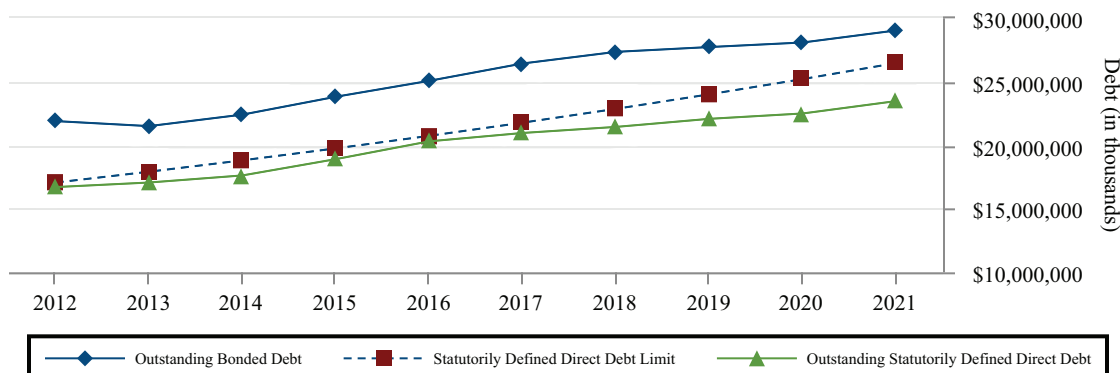
(3) For fiscal 2009 through 2012, debt outstanding was defined in state finance law as net proceeds of debt issued. State finance law was amended, effective January 1, 2013, to change the statutory definition of outstanding debt from net proceeds to principal. Therefore, fiscal years prior to 2013 are calculated using net proceeds; fiscal 2013 and thereafter are calculated using principal.

(4) Section 4 of Chapter 220 of the Acts of 2016 exempted bonds issued under the Rail Enhancement Program from the statutory debt limit.

* Section 60A of Chapter 165 of the Acts of 2012, as amended, reset the statutory defined debt limit, effective July 1, 2012, to \$17.070 billion

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**Outstanding Bonded Debt, Statutory Direct Debt and Statutory Debt Limit
2012 - 2021**



2015 (3)	2014 (3)	2013 (3)	2012
\$ 23,826,301	\$ 22,419,852	\$ 21,513,039	\$ 21,433,553
—	—	—	474,130
23,826,301	22,419,852	21,513,039	21,907,683
(1,197,127)	(1,241,263)	(1,303,013)	(1,342,841)
(2,195,004)	(1,756,395)	(1,088,605)	(1,095,385)
—	—	—	(75)
—	—	—	(474,130)
—	(178,390)	(349,100)	(510,385)
(689,446)	(723,917)	(764,337)	(795,009)
(618,705)	(638,700)	(638,700)	(638,700)
(207)	(207)	(207)	(207)
(210,635)	(249,705)	(296,395)	(337,545)
—	—	—	—
18,915,177	17,631,275	17,072,682	16,713,406
19,760,659	18,819,675	17,923,500	17,070,000
<u>\$ 845,482</u>	<u>\$ 1,188,400</u>	<u>\$ 850,818</u>	<u>\$ 356,594</u>
<u>4.3%</u>	<u>6.3%</u>	<u>4.7%</u>	<u>2.1%</u>

Ten Fiscal Year Schedule of Pledged Revenue Coverage

Special Obligation Highway Bonds (Motor Fuels Taxation and Motor Vehicle Fees), Convention Center Bonds (Tax Incremental Financing) and Grant Anticipation Notes (Federal Highway Grants)

(Statutory Basis, Amounts in Thousands, Except for Ratios)

	2021	2020	2019	2018	2017
Highway Bonds					
For issues prior to December 2010, the bonds are secured by a pledge of 6.86¢ of the 21¢ per gallon state gasoline excise tax for FY2008 and before. For FY2009 and after, the pledge is up to 10¢ of the tax. Bonds issued in December 2010, May 2012 and November 2013 (Commonwealth Transportation Fund, or "CTF bonds") are secured by a senior lien on 17.085 cents of the total 24 cent per gallon gasoline tax, the full 21 cents per gallon of special fuels taxes (comprised primarily of taxes on diesel fuel), the full 19.1% of the average price per gallon tax on liquefied natural gas and all Registry of Motor Vehicle fees deposited in the Commonwealth Transportation Fund. Federal Build America Bonds subsidies are also pledged to all CTF bonds. The bonds also have a subordinate lien on 6.86¢ of the 24¢ per gallon gasoline tax not included in the senior lien. Revenues pledged to the bonds are available prior to use for any other purposes. Thus, operating expenses paid from these revenue sources are not applicable for the purpose of calculating debt service coverage ratios and are not shown in this table. The 2010 bonds were issued as federally taxable Build America Bonds/ Recovery Zone Economic Development Bonds; the programs provide an interest subsidy of 35-45% directly to the Commonwealth. The interest subsidy is shown as pledged funds and debt service is gross of the subsidy.					
<u>Pre-2010 Bond Issues</u>					
Tax Receipts	\$ 161,792	\$ 174,566	\$ 192,614	\$ 191,183	\$ 191,820
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 161,792	\$ 174,566	\$ 192,614	\$ 191,183	\$ 191,820
Annual Debt Service	\$ 29,821	\$ 29,822	\$ 29,818	\$ 29,825	\$ 51,276
Debt Service Coverage Ratio	5.43	5.85	6.46	6.41	3.74
Ratings History of Bonds (Fitch, Moody's and S&P)*	AA+, Aa1, AA+	AA+, Aa1, AA+	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1, AAA
<u>Post-2010 Bond Issues (Includes Revenues in Excess of Those Needed to Pay Debt Service on Pre-2010 Highway Bonds)</u>					
Receipts	\$ 1,266,755	\$ 1,250,653	\$ 1,373,116	\$ 1,362,788	\$ 1,326,734
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 1,266,755	\$ 1,250,653	\$ 1,373,116	\$ 1,362,788	\$ 1,326,734
Annual Debt Service	\$ 189,083	\$ 184,361	\$ 176,189	\$ 149,968	\$ 129,024
Debt Service Coverage Ratio	6.78	6.78	7.79	9.09	10.28
Ratings History of Bonds (Fitch, Moody's and S&P)*	NA, Aa1, AA+	NA, Aa1, AA+	NA, Aa1, AAA	NA, Aa1, AAA	NA, Aa1, AAA
Convention Center Bonds					
These bonds are secured by amounts payable to the Convention Center Fund, which include certain hotel tax receipts in Boston, Cambridge, Springfield, surcharges on car rentals, parking, sightseeing tours and cruises and sales tax receipts in those cities. Revenues pledged to the bonds are available prior to use for any other purposes. Thus, operating expenses paid from these revenue sources are not applicable for the purpose of calculating debt service coverage ratios and are not shown in this table.					
Receipts	\$ 45,744	\$ 145,835	\$ 164,197	\$ 146,872	\$ 133,789
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 45,744	\$ 145,835	\$ 164,197	\$ 146,872	\$ 133,789
Annual Debt Service	\$ 52,283	\$ 52,222	\$ 54,601	\$ 54,473	\$ 54,540
Debt Service Coverage Ratio	0.87	2.79	3.01	2.70	2.45
Ratings History of Bonds (Fitch, Moody's and S&P)*	NA, A1, BBB+	NA, A1, A	NA, A1, A	NA, A1, A	NA, A1, A
Grant Anticipation Notes (GANS)					
Notes issued prior to December 2010 ("Senior Federal Highway Notes") were secured by all federal highway reimbursements, which are deposited in the Grant Anticipation Note Trust fund. The outstanding pre-December 2010 notes were retired in June 2015 and Notes issued in December 2010 ("Federal Highway Grant Anticipation Notes") and after are secured by all federal highway reimbursements. Revenues pledged to the notes are available prior to use for any other purposes. Thus, operating expenses paid from these revenue sources are not applicable for the purpose of calculating debt service coverage ratios and are not shown in this table. The 2010 bonds were issued as federally taxable Build America Bonds; the program provides an interest subsidy of 35% directly to the Commonwealth. The interest subsidy is shown as pledged funds and debt service is gross of the subsidy.					
<u>Post 2010 GANS (Includes Revenues in Excess of those Needed to Pay Debt Service on Pre-2010 Highway Bonds)</u>					
Receipts	\$ 1,792,915	\$ 1,705,993	\$ 1,771,001	\$ 1,756,726	\$ 1,734,397
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 1,792,915	\$ 1,705,993	\$ 1,771,001	\$ 1,756,726	\$ 1,734,397
Annual Debt Service	\$ 86,773	\$ 86,858	\$ 86,093	\$ 83,804	\$ 80,486
Debt Service Coverage Ratio	20.66	19.64	20.57	20.96	21.55
Ratings History of Bonds (Fitch, Moody's and S&P)*	AA+, Aa1, AA+	AA+, Aa1, AA+	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1, AAA

*Uninsured rating, if available.

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2016		2015		2014		2013		2012	
\$	190,803	\$	187,913	\$	187,467	\$	186,638	\$	190,129
	N/A		N/A		N/A		N/A		N/A
\$	190,803	\$	187,913	\$	187,467	\$	186,638	\$	190,129
\$	50,906	\$	52,225	\$	52,228	\$	58,922	\$	58,939
	3.75		3.60		3.59		3.17		3.23
AA+, Aa1, AAA		AA+, Aa1, AAA		AA+, Aa1, AAA		AA+, Aa1, AAA		AA+, Aa1, AAA	
\$	1,294,357	\$	1,283,248	\$	1,210,405	\$	1,170,297	\$	1,121,709
	N/A		N/A		N/A		N/A		N/A
\$	1,294,357	\$	1,283,248	\$	1,210,405	\$	1,170,297	\$	1,121,709
\$	94,859	\$	81,054	\$	69,921	\$	58,108	\$	32,623
	13.65		15.83		17.31		20.14		34.38
NA, AAA, AAA		NA, AAA, AAA		NA, AAA, AAA		NA, AAA, AAA		NA, AAA, AAA	
\$	134,806	\$	124,937	\$	109,879	\$	100,631	\$	94,234
	N/A		N/A		N/A		N/A		N/A
\$	134,806	\$	124,937	\$	109,879	\$	100,631	\$	94,234
\$	54,540	\$	52,852	\$	34,486	\$	34,486	\$	34,486
	2.47		2.36		3.19		2.92		2.73
NA, A1, A		NA, A1, A		NA, A1, A		NA, A1, A		NA, A1, A	
\$	1,707,187	\$	1,556,243	\$	1,562,732	\$	1,575,266	\$	1,674,485
	N/A		N/A		N/A		N/A		N/A
\$	1,707,187	\$	1,556,243	\$	1,562,732	\$	1,575,266	\$	1,674,485
\$	76,049	\$	33,472	\$	4,268	\$	4,973	\$	4,271
	22.45		46.49		366.15		316.76		392.06
AA+, Aa1, AAA		AA+, Aa1, AAA		AA+, Aa1, AAA		AA+, Aa2, AAA		AA+, Aa2, AAA	

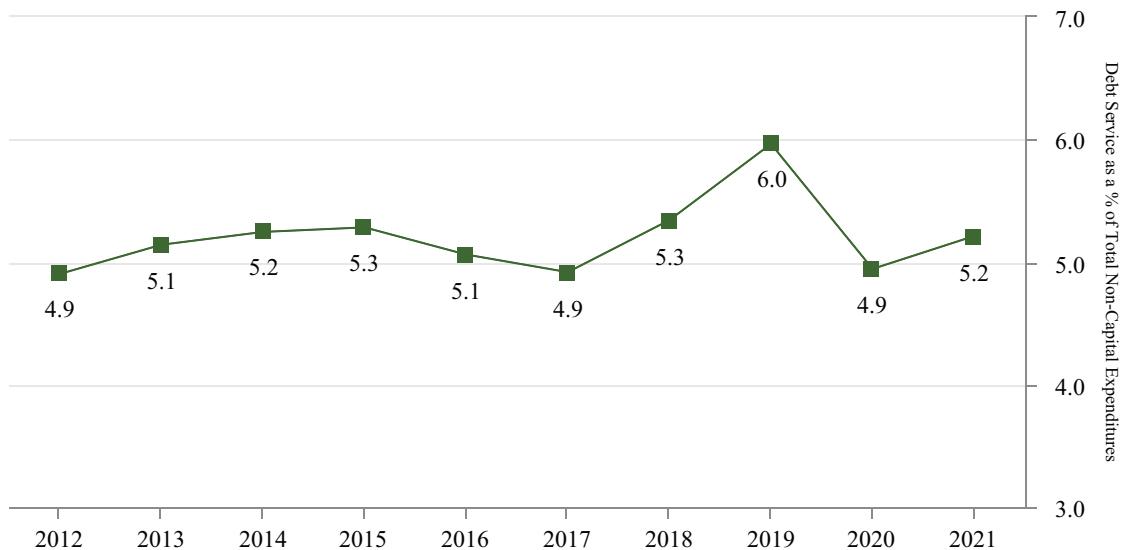
**Ten-Year Schedule of Percentage of Annual Debt Service Expenditures
For General Bonded Debt to Total Non-Capital Expenditures - Fund Perspective
All Governmental Fund Types**
(Amounts in thousands)

Fiscal year ended June 30	Debt service ⁽¹⁾	Total non-capital expenditures ⁽²⁾	Ratio (%)
2021	\$ 3,572,588	\$ 68,543,124	5.2
2020	3,026,865	61,227,675	4.9
2019	3,489,029	58,502,774	6.0
2018	3,040,834	56,925,468	5.3
2017	2,667,043	54,239,919	4.9
2016	2,720,117	53,748,227	5.1
2015	2,703,200	51,171,135	5.3
2014	2,534,285	48,312,870	5.2
2013	2,351,074	45,733,298	5.1
2012	2,160,589	44,070,405	4.9

- (1) Business type activities debts are secured solely by leases between the Institutions of Higher Education and two blended building authorities. Excludes Massachusetts School Building Authority debt service paid by the Authority.
- (2) Expenditures are shown net of Massachusetts School Building Authority expenditures as they are school building assistance capital grants to local cities and towns.

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Debt Service to Non-Capital Expenditures Ratio 2012 - 2021



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

(Amounts in thousands)

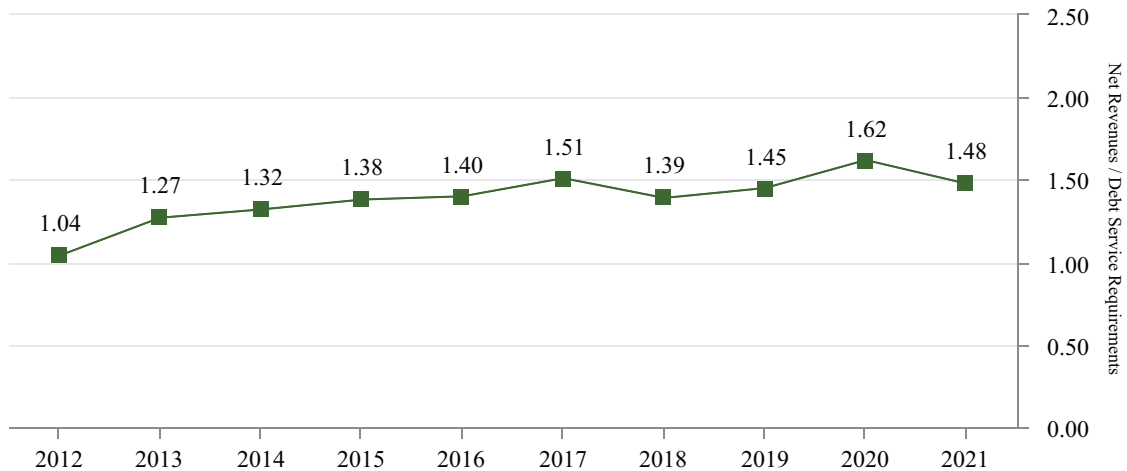
Fiscal year ended June 30	Net Revenues ⁽¹⁾	Debt service requirements ⁽²⁾	Coverage Ratio (%)
2021	\$ 2,234,478	\$ 1,513,531	1.48
2020	2,194,836	1,352,565	1.62
2019	2,073,011	1,431,521	1.45
2018	1,831,742	1,322,491	1.39
2017	1,763,564	1,169,651	1.51
2016	1,817,135	1,298,267	1.40
2015	1,950,292	1,417,420	1.38
2014	1,481,374	1,126,392	1.32
2013	1,585,500	1,244,358	1.27
2012	1,584,013	1,517,899	1.04

- (1) Net revenues represent revenue pledged and available for the repayment of revenue bonds. In most cases, revenue pledged for the bonds is available prior to use for any other purposes. Thus, operating expenses paid from these revenue sources are not applicable when calculating debt service coverage and are not subtracted from pledged revenues.
- (2) Debt service requirements represent total debt service payments made less debt service paid on short-term borrowings of only those Authorities with revenue bonds outstanding.

Source: Office of the Comptroller

See Independent Auditors' Report

Component Units Revenue Bond Coverage 2012 - 2021



Ten-Year Schedule of Massachusetts and United States Resident Population

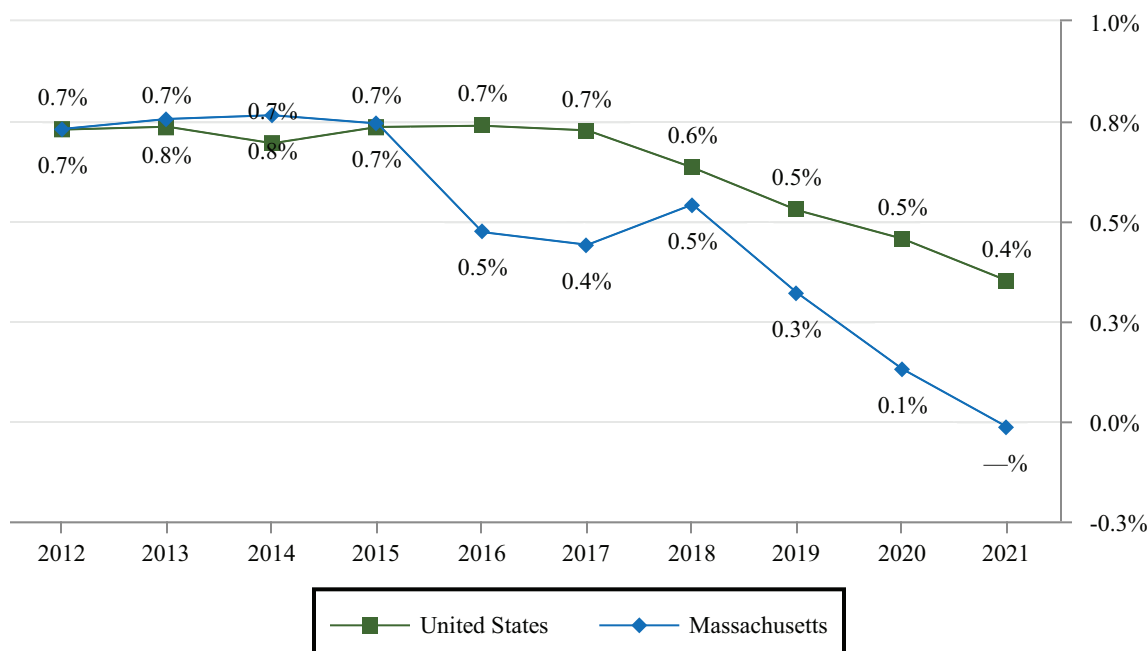
(Amounts in thousands)

Beginning of Fiscal Year	Massachusetts Resident Population ⁽¹⁾	% Change	United States Resident Population (1)	% Change	Massachusetts as % of U.S.
2021	6,894	—%	329,484	0.4%	2.1%
2020	6,895	0.1%	328,330	0.5%	2.1%
2019	6,886	0.3%	326,838	0.5%	2.1%
2018	6,864	0.5%	325,122	0.6%	2.1%
2017	6,827	0.4%	323,072	0.7%	2.1%
2016	6,797	0.5%	320,739	0.7%	2.1%
2015	6,765	0.7%	318,386	0.7%	2.1%
2014	6,715	0.8%	316,060	0.7%	2.1%
2013	6,664	0.8%	313,878	0.7%	2.1%
2012	6,614	0.7%	311,583	0.7%	2.1%

(1) Population estimates have been restated using most current United States Census Bureau Data. Population data is reported as of July 1 of the previous year and has been restated to most recent United States Census Bureau Data.

See Independent Auditors' Report

**Massachusetts and United States Estimated Year-to-Year Population Change
2012 - 2021**



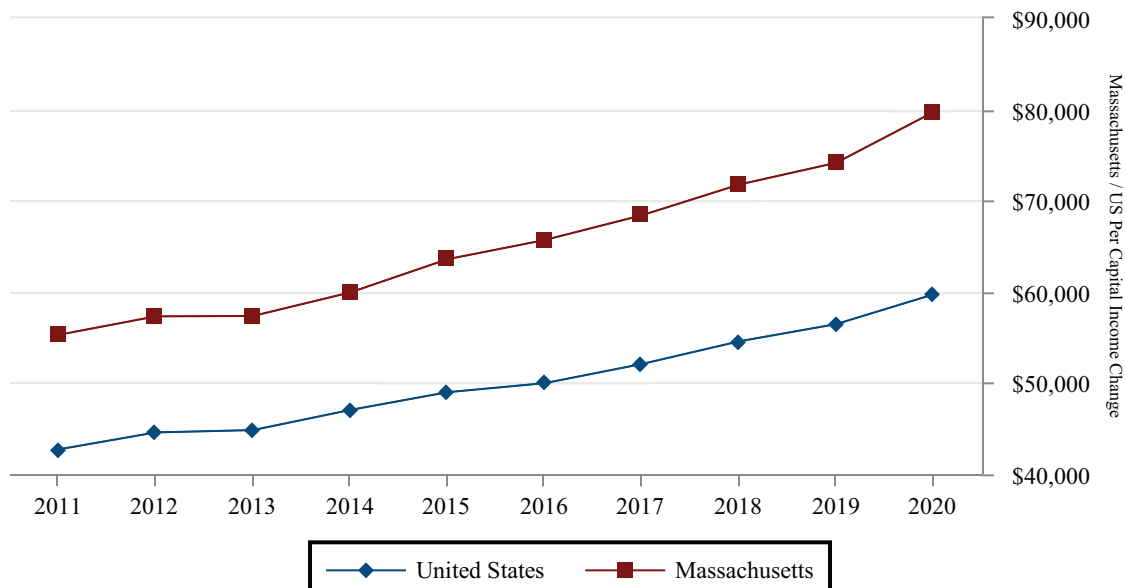
Ten-Year Schedule of Massachusetts and United States Resident Per Capita Net Income

Calendar year	Massachusetts	% Change	United States	% Change	Massachusetts as % of U.S.
2020	\$ 79,721	7.5 %	\$ 59,729	5.8 %	133.5 %
2019	74,161	3.3 %	56,474	3.5 %	131.3 %
2018	71,768	4.9 %	54,581	4.8 %	131.5 %
2017	68,405	4.1 %	52,096	4.2 %	131.3 %
2016	65,689	3.3 %	49,995	2.0 %	131.4 %
2015	63,588	6.1 %	49,003	4.1 %	129.8 %
2014	59,943	4.5 %	47,058	4.9 %	127.4 %
2013	57,362	0.1 %	44,851	0.6 %	127.9 %
2012	57,322	3.7 %	44,598	4.4 %	128.5 %
2011	55,296	4.2 %	42,735	5.4 %	129.4 %

Source: Bureau of Economic Analysis, US Department of Commerce. Prior years restated due to revised estimates updated on March 24, 2021.

See Independent Auditors' Report

**Massachusetts and United States Estimated Per Capita Net Income
2011 - 2020**

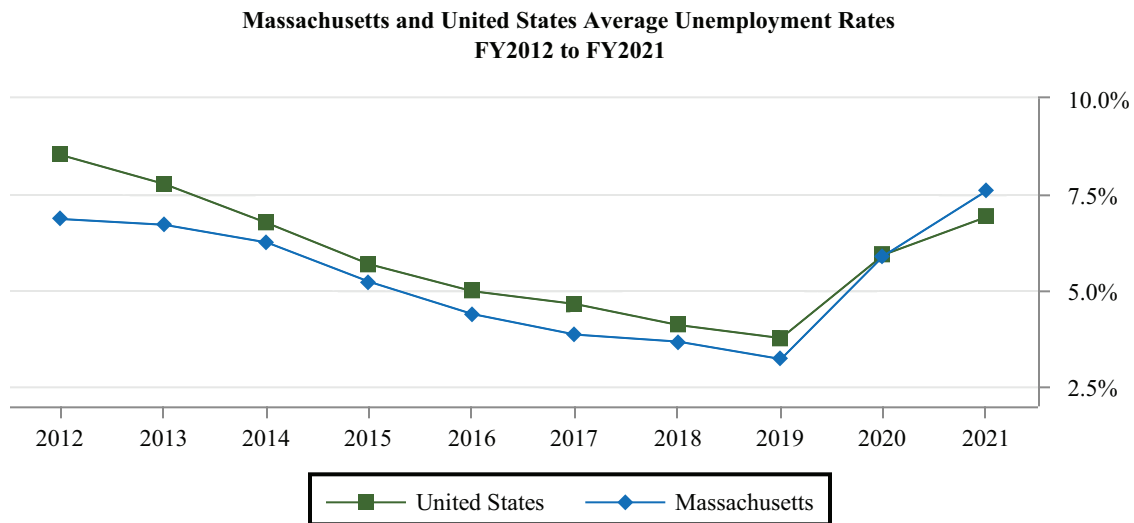


**Ten-Year Schedule of Fiscal Year Annual Average Civilian Labor Force,
Unemployment and Unemployment Rates
For Massachusetts and the United States**
(Amounts in thousands)

Fiscal Year	Massachusetts			United States			Massachusetts Rate as % of U.S. Rate
	Labor Force	Unemployment	Unemployment Rate %	Labor Force	Unemployment	Unemployment Rate %	
2021	3,699	281	7.6%	160,562	11,110	6.9%	110.1%
2020	3,720	220	5.9%	162,567	9,654	5.9%	100.0%
2019	3,780	122	3.2%	162,674	6,136	3.8%	85.6%
2018	3,722	137	3.7%	161,171	6,628	4.1%	89.5%
2017	3,650	141	3.9%	159,796	7,442	4.7%	82.9%
2016	3,594	158	4.4%	158,047	7,887	5.0%	88.1%
2015	3,594	188	5.2%	156,626	8,908	5.7%	92.0%
2014	3,533	221	6.3%	155,470	10,514	6.8%	92.5%
2013	3,514	236	6.7%	155,346	12,079	7.8%	86.4%
2012	3,496	240	6.9%	154,297	13,153	8.5%	80.5%

Source: Federal Bureau of Labor Statistics, July 2021. Seasonally adjusted. Previous data has been updated by the Federal Bureau of Labor Statistics.

See Independent Auditors' Report



Largest Private Sector Massachusetts Employers 2021 and 2012

(Alphabetical Order)

2021			2012		
Employer	Headquarters	Product or Service	Employer	Headquarters	Product or Service
Bay State Medical Center, Inc.	Springfield	Hospital	Bay State Medical Center, Inc.	Springfield	Hospital
Beth Israel Deaconess Medical Center	Boston	Hospital	Beth Israel Deaconess Medical Center	Boston	Hospital
Boston Medical Center Corporation	Boston	Hospital	Boston Medical Center Corporation	Boston	Hospital
Boston University	Boston	University	Boston University	Boston	University
Brigham and Women's Hospital, Inc.	Boston	Hospital	Brigham and Women's Hospital, Inc.	Boston	Hospital
Dana-Farber Cancer Institute, Inc.	Boston	Hospital	DeMoulas Supermarkets, Inc.	Tewksbury	Supermarket
DeMoulas Supermarkets, Inc.	Tewksbury	Supermarket	EMC Corporation	Hopkinton	Computer Storage & Peripherals
General Hospital Corporation	Boston	Hospital	General Hospital Corporation	Boston	Hospital
Harvard University	Cambridge	University	Harvard University	Cambridge	University
Massachusetts Institute of Technology	Cambridge	University	Massachusetts Institute of Technology	Cambridge	University
Partners Healthcare Systems, Inc.	Boston	Hospital	Partners Healthcare Systems, Inc.	Boston	Hospital
Raytheon Company	Lexington	Electronics / Defense	Raytheon Company	Lexington	Electronics / Defense
Shaw's Supermarkets, Inc.	West Bridgewater	Supermarket	S & S Credit Company, Inc (Stop & Shop)	Quincy	Supermarket
State Street Bank and Trust Company	Boston	Banking	Shaw's Supermarkets, Inc.	West Bridgewater	Supermarket
The Children's Hospital Corporation	Boston	Hospital	Southcoast Hospitals Group	New Bedford	Hospital
The Stop & Shop Supermarkets Company	Quincy	Supermarket	State Street Bank and Trust Company	Boston	Banking
The TJX Companies, Inc.	Framingham	Retail	The Children's Hospital Corporation	Boston	Hospital
UMASS Memorial Medical Center, Inc.	Worcester	Hospital	UMASS Memorial Medical Center, Inc.	Worcester	Hospital

Source: Massachusetts Executive Office of Labor and Workforce Development, Division of Unemployment Assistance. In addition, Amazon.Com Services, Inc., CVS Pharmacy, Inc, Home Depot U.S.A.; Inc., Target Corp, United Parcel Services, Inc., Wal-Mart Associates, Inc. and Whole Foods Market Group, Inc. are all large Massachusetts employers, but are headquartered outside of Massachusetts. The information is based on the June 2021 employment for employers as registered for unemployment insurance. The list may not include those employers who do business in MA under multiple legal corporations and those who register each store, facility or franchisee as a separate employer.

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Full Time Equivalent Employees
By Function/Program
Last Ten Years

Functions/Programs	2021	2020	2019	2018	2017
General government	6,942	6,890	6,900	6,855	6,905
Judiciary	7,061	7,217	7,164	7,229	7,208
Energy and environmental affairs	2,671	2,626	2,614	2,533	2,509
Health and human services	22,022	22,218	22,209	22,104	21,817
Transportation and construction	3,504	3,584	3,555	3,527	3,482
Education	908	887	852	821	815
Public safety and homeland security	16,649	16,907	16,676	16,502	16,522
Housing and economic development	980	936	922	918	818
Higher Education:					
University of Massachusetts	14,840	15,324	15,193	14,737	15,032
State universities	4,944	5,136	5,219	5,233	5,186
Community colleges	4,653	4,858	4,816	4,917	5,066
Totals	85,174	86,583	86,120	85,376	85,360
Percentage change	(1.6)%	0.5 %	0.9 %	— %	(1.0)%

Source: Office of the State Comptroller

"Education" includes the Department of Elementary and Secondary Education, the Executive Office of Education, the Board of Higher Education and Early Education and Care. Transportation and construction includes MassDOT. FTE's are rounded. Prior years not restated for changes.

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2016	2015	2014	2013	2012	Change - 2021 from 2012
7,018	7,696	7,637	7,627	7,408	(6.3)%
7,264	7,264	7,195	7,297	7,087	(0.4)%
2,539	2,689	2,629	2,684	2,685	(0.5)%
21,557	22,060	21,496	21,996	21,042	4.7 %
4,004	4,357	4,301	4,243	4,230	(17.2)%
907	970	1,099	928	922	(1.5)%
16,868	17,057	17,215	16,907	16,503	0.9 %
844	884	891	868	845	16.0 %
15,130	14,670	14,066	14,688	14,159	4.8 %
5,050	5,036	4,969	4,856	4,747	4.1 %
5,032	5,077	4,990	5,111	4,834	(3.7)%
86,213	87,760	86,488	87,205	84,462	0.8 %
(1.8)%	1.5 %	(0.8)%	3.2 %	0.5 %	

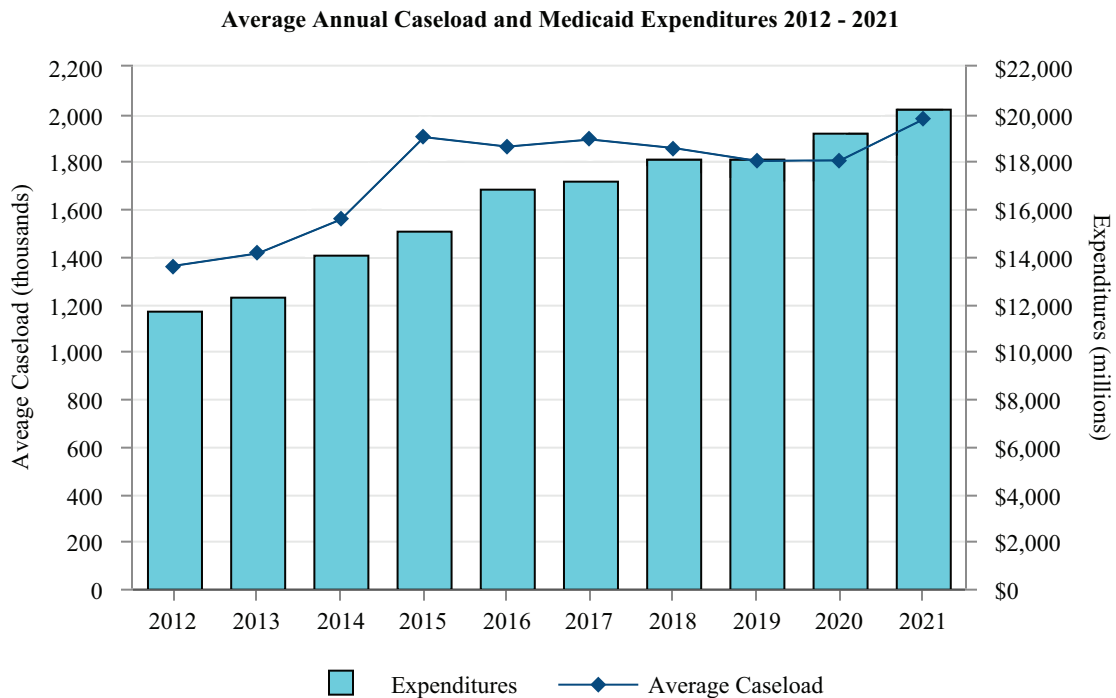
**Average Annual Medicaid Caseload and
Medicaid Expenditures - Fund Perspective
Last Ten Fiscal Years**

(Caseload amount in thousands, expenditure amounts in millions)

Fiscal year ended June 30	Average annual caseload	Medicaid expenditures	Average expenditures per case
2021*	1,978	\$20,208	10,216
2020*	1,805	19,207	10,641
2019*	1,803	18,094	10,035
2018*	1,857	18,106	9,750
2017*	1,893	17,183	9,077
2016*	1,863	16,825	9,031
2015*	1,903	15,087	7,928
2014*	1,556	14,035	9,020
2013	1,413	12,286	8,695
2012	1,361	11,708	8,602

* Includes members in transitional coverage program starting January 1, 2014.

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Massachusetts Road Inventory
Calendar Year End, Lane Miles by Type
Last Ten Calendar Years

Calendar Year	Interstate	Arterial	Collector	Local	Total	% Change	Total	
							Urban	Total Rural
2020	3,190	15,588	9,046	45,271	73,095	0.11%	85.8%	14.2%
2019	3,168	15,613	9,049	45,183	73,013	1.10%	85.8%	14.2%
2018	3,199	15,587	9,047	44,383	72,216	(0.58)%	85.7%	14.3%
2017	3,204	15,618	9,051	44,761	72,634	1.16%	85.9%	14.1%
2016	3,204	15,624	9,050	43,926	71,804	(1.02)%	85.9%	14.1%
2015	3,204	15,641	9,048	44,654	72,547	0.24%	85.8%	14.2%
2014	3,211	15,645	9,048	44,472	72,376	(0.01)%	85.7%	14.3%
2013	3,211	15,674	9,058	44,438	72,381	0.16%	85.7%	14.3%
2012	3,212	15,639	9,038	44,379	72,268	0.13%	85.8%	14.2%
2011	3,212	15,051	9,611	44,300	72,174	0.2%	81.1%	18.9%

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

See Independent Auditors' Report

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

Functions/Programs	Survey Year 2021	Survey Year 2020	Survey Year 2019	Survey Year 2018	Survey Year 2017
General Government:					
Total Acreage	3,234	4,615	4,812	5,108	4,964
Number of Improvements	331	330	307	287	268
Gross square footage	5,643,667	5,602,706	6,056,184	5,848,109	6,054,449
Judiciary:					
Total Acreage	144	154	152	155	154
Number of Improvements	73	74	69	73	75
Gross square footage	5,129,991	5,129,991	4,763,973	4,935,067	5,224,810
Energy and environmental affairs:					
Total Acreage	347,857	753,328	692,352	689,821	688,129
Number of Improvements	4,108	3,329	2,625	2,352	2,184
Gross square footage	104,763,962	83,595,589	12,292,810	8,410,119	8,214,843
Housing and economic development:					
Total Acreage	2	2	2	2	2
Number of Improvements	6	6	6	6	6
Gross square footage	67,412	67,412	78,012	78,012	78,012
Health and human services:					
Total Acreage	2,111	2,569	2,560	2,760	2,862
Number of Improvements	466	463	462	455	455
Gross square footage	8,079,366	8,088,467	7,908,283	8,390,655	8,131,022
Transportation and public works:					
Total Acreage	1,061	6,957	6,951	7,160	7,195
Number of Improvements	999	1,008	971	965	952
Gross square footage	6,583,261	6,519,615	6,296,235	6,273,557	6,123,984
Education:					
Total Acreage	150	208	208	220	208
Number of Improvements	30	30	30	40	40
Gross square footage	508,706	508,706	223,706	207,633	207,633
Public safety and homeland security:					
Total Acreage	9,352	10,198	10,336	12,071	19,271
Number of Improvements	1,078	1,035	1,129	1,100	1,118
Gross square footage	14,554,396	14,483,439	15,394,170	15,176,714	14,998,157
Higher Education:					
Total Acreage	6,577	5,924	5,923	5,715	6,770
Number of Improvements	1,215	1,178	1,185	1,136	1,101
Gross square footage	42,579,314	42,039,298	42,092,601	40,434,772	43,339,713
Totals for Commonwealth (exclusive of Component Units):					
Total Acreage	370,488	783,955	723,296	723,012	729,555
Number of Improvements	8,306	7,453	6,784	6,414	6,199
Gross square footage	187,910,075	166,035,223	95,105,974	89,754,638	92,372,623
Percentage Change for Commonwealth:					
Acreage	(52.7)%	8.4 %	— %	(0.9)%	1.0 %
Improvement	11.4 %	9.9 %	5.8 %	3.5 %	1.2 %
Gross square footage	13.2 %	74.6 %	6.0 %	(2.8)%	9.3 %

Source: Executive Office of Administration and Finance, Division of Capital Asset Management and Maintenance. See <http://www.mass.gov/anf/property-mgmt-and-construction/sale-and-lease-of-state-assets/comprehensive-real-estate-serv/massets-reports.html>

See Independent Auditors' Report

Survey Year 2016	Survey Year 2015	Survey Year 2014	Survey Year 2013	Survey Year 2012
2,488	2,574	3,114	3,101	3,039
118	173	513	333	279
4,808,125	6,803,498	10,916,681	9,076,550	7,690,761
153	153	149	148	148
75	75	74	73	73
4,843,949	4,843,949	5,310,049	4,700,920	4,700,920
680,310	674,046	668,631	652,400	642,799
2,186	2,186	1,806	2,192	2,191
8,134,142	8,134,142	6,507,161	7,287,961	7,283,666
2	2	0	2	2
6	6	4	5	5
78,012	78,012	57,812	68,412	68,412
5,568	5,623	5,834	5,829	6,407
627	627	907	792	855
8,361,435	8,360,310	10,995,096	9,759,611	10,923,090
6,968	6,966	7,014	6,965	6,972
930	929	675	921	919
5,820,282	4,919,282	1,989,583	4,876,689	4,876,689
208	208	208	208	208
40	40	40	43	43
207,633	207,633	205,503	272,352	272,352
19,150	19,150	19,166	19,169	19,172
1,063	1,014	1,083	997	990
13,845,503	13,376,555	14,402,161	12,213,112	12,191,229
7,244	7,243	7,128	7,473	7,254
1,078	1,076	873	1,009	1,007
38,443,057	38,411,260	29,666,140	32,594,800	32,523,400
722,091	715,965	711,244	695,295	686,001
6,123	6,126	5,975	6,365	6,362
84,542,138	85,134,641	80,050,186	80,850,407	80,530,519
0.9 %	0.7 %	2.3 %	1.4 %	2.3 %
— %	2.5 %	(6.1)%	— %	0.7 %
(0.7)%	6.4 %	(1.0)%	0.4 %	1.1 %

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

Academic Year	Fall 2020	Fall 2019	Fall 2018	Fall 2017	Fall 2016
ENROLLMENT					
University System					
Undergraduate (FTE).....	52,633	53,103	56,544	56,275	51,209
Graduate (FTE).....	13,437	12,907	18,161	18,284	12,769
System Enrollment	66,070	66,010	74,705	74,559	63,978
State University System					
Undergraduate (FTE).....	31,087	34,807	35,081	36,074	35,909
Graduate (FTE).....	5,859	6,003	6,169	5,694	5,641
System Enrollment	36,946	40,810	41,250	41,768	41,550
Community College System					
Undergraduate (FTE).....	39,814	47,190	47,891	52,306	55,336
DEGREES CONFERRED					
	2021	2020	2019	2018	2017
University System					
Certificates (MD).....	693	604	573	571	505
Associates.....	70	80	93	82	73
Bachelors.....	13,364	13,061	13,118	13,036	12,754
Masters.....	4,111	4,074	4,099	4,013	3,771
Doctoral.....	599	662	665	599	602
Certificate of Advance Graduate Study.....	48	49	67	71	76
Post-Baccalaureate Certificate.....	652	658	696	708	842
First Professional.....	86	58	47	49	50
Total Degrees	19,623	19,246	19,358	19,129	18,673
State University System					
Certificates.....	45	54	39	28	35
Bachelors.....	7,996	8,516	8,692	8,867	8,775
Masters.....	2,855	2,876	2,693	2,388	2,283
Certificate of Advance Graduate Study.....	130	138	92	85	83
Post-Baccalaureate Certificate.....	301	259	370	302	359
Total Degrees	11,327	11,843	11,886	11,670	11,535
Community College System					
Certificates.....	2,473	2,311	2,886	3,332	3,147
Associates.....	9,267	9,413	10,276	10,416	11,067
Total Degrees	11,740	11,724	13,162	13,748	14,214
Total All Systems - Degrees	42,690	42,813	44,406	44,547	44,422

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

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Fall 2015	Fall 2014	Fall 2013	Fall 2012	Fall 2011	Change - 2020 from 2011
50,816	49,725	48,893	48,136	47,432	11.0 %
12,517	12,576	12,442	12,202	12,048	11.5 %
63,333	62,301	61,335	60,338	59,480	11.1 %
34,700	35,507	35,429	34,773	35,639	(12.8)%
8,007	7,507	7,704	7,894	6,224	(5.9)%
42,707	43,014	43,133	42,667	41,863	(11.7)%
59,827	58,764	64,584	62,445	64,586	(38.4)%
2016	2015	2014	2013	2012	% Change - 2021 from 2012
423	435	376	426	348	99.1 %
85	103	96	121	97	(27.8)%
12,124	11,841	11,544	10,910	10,399	28.5 %
3,669	3,787	3,559	3,442	3,360	22.4 %
575	504	501	486	450	33.1 %
86	81	77	62	89	(46.1)%
769	738	691	664	659	(1.1)%
53	64	79	103	43	100.0 %
17,784	17,553	16,923	16,214	15,445	27.1 %
40	29	34	37	29	55.2 %
8,762	8,534	8,184	8,024	7,722	3.5 %
2,353	2,116	2,478	2,327	2,404	18.8 %
73	63	113	108	143	(9.1)%
283	304	327	371	362	(16.9)%
11,511	11,046	11,136	10,867	10,660	6.3 %
3,131	3,288	3,365	2,929	2,888	(14.4)%
11,317	11,517	11,341	10,772	10,404	(10.9)%
14,448	14,805	14,706	13,701	13,292	(11.7)%
43,743	43,404	42,765	40,782	39,397	8.4 %

Calculation of Transfers: Stabilization Fund*

Fiscal Year Ended June 30, 2021
(Amounts are in thousands)

This statement is prepared on the statutory basis of accounting pursuant to General Laws Chapter 29, Section 5c. It presents information contained in the official books and accounting records of the Commonwealth. Financial statements supporting this calculation are presented in the Financial Section of this report.

	General Fund	Commonwealth Transportation Fund	Local Capital Projects Fund	Gaming Local Aid Fund	Education Fund	Gaming Economic Development Fund	Marijuana Regulation Fund	Total
Budgeted Fund Undesignated Balances (Consolidated Net Surplus)	<u>\$ 1,151,006</u>	<u>\$ 214,622</u>	<u>\$ 352</u>	<u>\$ —</u>	<u>\$ 2,948</u>	<u>\$ 11,263</u>	<u>\$ 80,133</u>	<u>\$ 1,460,324</u>

Stabilization Balance Reconciliation:

Balance as of July 1, 2020	\$ 3,501,181
Capital Gains Tax Revenue Transfers to Stabilization Fund during FY2021 per Chapter 29, Section 5G	1,098,140
Transfer to Stabilization Fund from Abandoned Property Revenue Growth from Prior Fiscal Year	—
Certain tax revenues	324
Transfer of 10% of casino gaming tax revenue (MGM and Encore)	17,458
Stabilization Fund investment income	<u>9,317</u>
Stabilization Fund Balance as of June 30, 2021	<u>\$ 4,626,419</u>
Memo: Change in Stabilization Fund Balance, FY20-21	\$ 1,125,238

* Excludes funds with no FY21 balances or activity

Note: Details may not add to totals due to rounding

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Calculation of Transfers: Tax Reduction Fund

June 30, 2021

(Amounts in thousands)

This statement is prepared pursuant to Chapters 29 Sections 2H and 2I of the Massachusetts General Laws, as amended. It is prepared on the statutory basis of accounting and presents information contained in the official books and accounting records of the Commonwealth. Supporting information is presented in individual schedules, as indicated, and in the Financial Section of this report.

The computation is as follows:

Part 1: Comparison of Stabilization Fund, after current fiscal year transfers, to 15% of budgeted revenues and other financial resources:

Undesignated fund balance in the Stabilization Fund	\$ 4,626,419
Allowable Stabilization Fund balance	<u>8,532,366</u>
Stabilization Fund excess, if any, transferable to Tax Reduction Fund	<u>\$ —</u>

Part 2: Status of Stabilization Fund after transfers:

Stabilization Fund balance	\$ 4,626,419
Transfer to Tax Reduction Fund	<u>—</u>
Stabilization Fund balance after transfer to Tax Reduction Fund	<u>\$ 4,626,419</u>

Part 3: Status of Tax Reduction Fund after transfers:

Tax Reduction Fund balance	\$ —
Transfers from Stabilization Fund	<u>—</u>
Tax Reduction Fund balance after transfers	<u>\$ —</u>

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MASSACHUSETTS GENERAL INFORMATION

Admitted to Union (6th State): 1788
Population: 6,893,574

Capital: Boston
Nickname: Bay State

The State Seal



The State Flag



The State Seal, adopted by Governor John Hancock and the Council on December 13, 1780 and made official by the General Court on June 4, 1885, is circular and bears a representation of the arms of the Commonwealth encircled with the words "Sigillum Reipublicae Massachusettensis" (Seal of the Republic of Massachusetts). The arms, according to legislative enactment, consists of "a shield having a blue field or surface with an Indian thereon, dressed in a shirt and moccasins, holding in his right hand a bow, and in his left hand an arrow, point downward, all of gold; and in the upper corner of the field, above his right arm, bent at the elbow, clothed and ruffled, with the hand grasping a broadsword."

The State Flag is white, a representation of the coat of arms on both sides. It was adopted in its final form in 1971; before that, the obverse side depicted a pine tree.

The State Flower



The Mayflower

The State Fish



The Cod, a soft-finned fish, usually 10-20lbs. A sculpture of a cod hangs in the House of Representatives as a tribute to this useful aquatic creature.

The State Bird



The Black Capped Chickadee

The State Dinosaur



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

The State Tree



The American Elm was adopted as the official tree March 21, 1941 to commemorate the fact that General George Washington took command of the Continental Army beneath one of Cambridge Common in 1775.

The State Dog



The Boston Terrier, the first purebred dog developed in America (1869), is a cross between an English bulldog and an English terrier.

Beverage: 🍷 Cranberry Juice
Dessert: 🥧 Boston Cream Pie

Muffin: 🍞 The Corn Muffin
Cookie: 🍪 Chocolate Chip

Horse: 🐎 The Morgan Horse
Bean: 🫘 Navy Bean



**PREPARED BY
THE OFFICE OF THE COMPTROLLER OF THE COMMONWEALTH**