

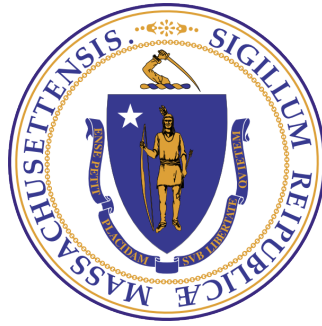
Commonwealth of Massachusetts

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDING JUNE 30, 2022



Commonwealth of Massachusetts



Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2022

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, 2022

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Introductory Section

(Unaudited)

Letter of Transmittal

Constitutional Officers

Commonwealth Organizational Structure

Advisory Board to the Comptroller

Acknowledgments

Certificate of Achievement for Excellence in Financial Reporting





WILLIAM McNAMARA
COMPTROLLER

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May 31, 2023

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

Please accept this Letter of Transmittal for the Commonwealth's fiscal year 2022 (FY22) Annual Comprehensive Financial Report (ACFR) prepared in accordance with Generally Accepted Accounting Principles (GAAP). 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 FY22 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 FY22 are found in the Statutory Basis Financial Report (SBFR) issued separately on December 23, 2022. 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 December 23, 2022; 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, 2022	
Budgeted fund balance	\$ 18,200.3
Non-budgeted special revenue fund balance	4,520.5
Capital projects fund balance	<u>(2,125.5)</u>
Governmental Fund Balance - Statutory Basis, June 30, 2022	\$ 20,595.3
Plus: Expendable Trust and Similar Fund Statutory balances that are considered Governmental Funds for GAAP reporting purposes	666.6
Less: Massachusetts Department of Transportation Funds	<u>(1,715.6)</u>
Adjusted Statutory Governmental fund balance	19,546.3
Reclassification of funds due to implementation of GASB Statement No. 84	30.0
Short-term accruals, net of allowances and deferrals for increases /(decreases):	
Taxes, net of refunds and abatements	564.3
Tobacco settlement agreement receivable	135.5
Medicaid	(235.7)
Other short-term accruals:	
Assessments and other receivables	794.7
Amounts due to authorities and municipalities, net	(896.0)
Claims, judgments and other risks	(27.5)
Amounts due to health care providers and insurers	(13.1)
Workers' compensation and group insurance	(186.7)
Other accruals, net	<u>(3,491.2)</u>
Net increase/(decrease) to governmental fund balances	(3,325.7)
Massachusetts School Building Authority fund balance	<u>1,912.5</u>
Total changes to governmental funds	<u>(1,413.2)</u>
Governmental fund balance (fund perspective)	18,133.1
Plus: Capital assets including infrastructure, net of accumulated depreciation	6,090.8
Deferred revenue, net of other eliminations	923.2
Long-term accruals:	
Net pension liability	(34,372.0)
Net deferred (inflows)/outflows of resources related to pension	(2,531.7)
Net OPEB liability	(14,459.0)
Net deferred (inflows)/outflows of resources related to OPEB	(2,942.3)
Environmental remediation liability	(481.6)
Massachusetts School Building Authority debt and school construction payables	(6,438.7)
Long-term debt, unamortized premiums and net deferrals on debt refundings	(33,585.3)
Compensated absences	(760.6)
Leases liability	(946.0)
Accrued interest on bonds	(443.2)
Other long-term liabilities	<u>(944.2)</u>
Total governmental activities net position (entity wide perspective)	<u>\$ (72,757.5)</u>

The deficit of \$72.758 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 17 and 21 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 FY22 with a positive net position of \$24.849 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, 2022, the net pension liability in governmental activities totaled \$34.372 billion, plus GASB 68 related adjustments (in the form of deferred inflows and outflows of resources) of \$2.532 billion; resulting in a reduction in governmental activities net position of \$36.904 billion. The governmental activities' net OPEB liability totaled \$14.459 billion, plus deferrals of \$2.942 billion, resulting in a reduction in net position of \$17.401 billion.

The net deficit in governmental activities (which excludes "business-type activities" of Unemployment Insurance, the Family and Employment Security Trust and Higher Education) decreased by \$6.298 billion between June 30, 2021 and June 30, 2022. The most significant changes were as follows:

- The Commonwealth's current assets increased by \$6.501 billion, primarily as a result of increased cash on hand (some of which was deposited in the Commonwealth's Stabilization Fund) due to strong tax revenue growth in FY22 as the Massachusetts economy continued to recover from the COVID-19 pandemic.
- Commonwealth long-term debt (principal) outstanding increased by \$287 million from June 30, 2021 as debt issuance to fund FY22 capital spending exceeded the amount of debt retired.
- The Commonwealth's net pension liability, after taking into account deferrals of investment performance and other adjustments that will be recognized over the next several years, decreased by \$1.109 billion, primarily due to strong financial market performance in FY21, as in accordance with government accounting rules, the pension liability for one year is based on the valuation as of June 30 of the prior year.

The net deficit in the primary government which, in addition to governmental activities, includes the Commonwealth's business-type activities of the Unemployment Insurance system, Family and Employment Security Trust and Higher Education institutions, decreased by \$8.374 billion from FY21, due primarily to strong tax revenue growth in the governmental funds as the Massachusetts economy continued its recovery from the pandemic and an increase in net position of business-type activities of \$2.075 billion, primarily the result of net inflows in the Unemployment Insurance Trust Fund and Family and Employment Security Trust, and smaller surpluses in Higher Education. These changes are explained in more detail on pages [21-27](#) 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 157 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, 2022. 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 Assistant Comptroller & Chief Financial Reporting Officer, Pauline Lieu and the Reporting team, Assistant Comptroller & Chief Accounting Officer, Kristin Lacroix and the Statewide Accounting Team, and Senior Advisor Howard Merkwitz. 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 to every manager and employee for their professionalism and hard work.

Sincerely,



William McNamara
Comptroller of the Commonwealth

CONSTITUTIONAL OFFICERS

Maura Healey
Governor

Kim Driscoll
Lieutenant Governor

William F. Galvin
Secretary of State

Andrea Campbell
Attorney General

Deborah B. Goldberg
Treasurer and Receiver-General

Diana DiZoglio
Auditor

LEGISLATIVE OFFICERS

Karen E. Spilka
Senate President

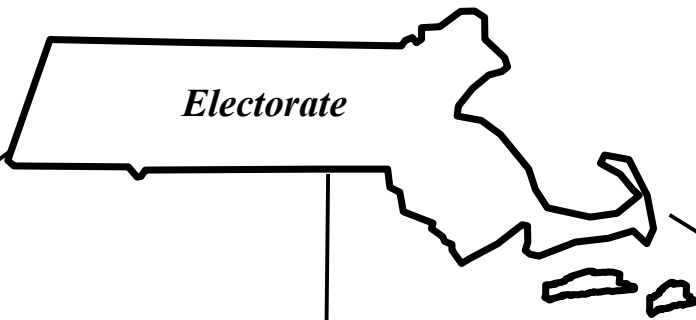
Ronald Mariano
Speaker of the House

JUDICIAL OFFICERS

Kimberly S. Budd
Chief Justice, Supreme Judicial Court

Mark Green
Chief Justice, Appeals Court

Thomas G. Ambrosino
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 African Americans	Commission on the Status of Latinos and Latinas Commission on the Social Status of Black Men and Boys Commission on the Status of Persons with Disabilities Commission on the Status of Women Disabled Persons Protection Commission Massachusetts Gaming Commission Massachusetts Peace Officer Standards and Training 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

Matthew Gorzkowicz (Chair)
Secretary of Administration and Finance

Diana DiZoglio
Auditor

Deborah B. Goldberg
Treasurer and Receiver-General

Thomas G. Ambrosino
Chief Administrator, Trial Court

Andrea Campbell
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

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Presented to

Commonwealth of Massachusetts

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

Financial Section

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

Notes to the Basic Financial Statements

Required Supplementary Information Other Than Management's Discussion and Analysis

Other Supplementary Information



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts (Commonwealth), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As more fully described in Note 14, we did not audit the financial statements of certain activities, funds, and component units of the Commonwealth, which represent the indicated percentages of total assets and total revenues 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	Entities	Percent of Opinion Unit's Total	
		Assets	Revenues / Additions
Governmental Activities	Lotteries Fund; Massachusetts School Building Authority Fund	5.03%	8.67%
Business-Type Activities	University of Massachusetts; State Universities; Community Colleges	73.03%	40.29%
Lotteries Fund	Lotteries Fund	8.02%	100.00%
Massachusetts School Building Authority Fund	Massachusetts School Building Authority Fund	100.00%	100.00%
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%

Opinion Unit	Entity	Percent of Opinion Unit's Total	
		Assets	Revenues / Additions
Aggregate Remaining Fund Information	External Investment Trust Funds	26.47%	54.27%
Aggregate Discretely Presented Component Units	Massachusetts Department of Transportation; Massachusetts Bay Transportation Authority; Commonwealth Health Insurance Connector; 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	89.96%	98.05%

Basis for Opinions

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

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

Emphasis of Matter

Change in Accounting Principle

As discussed in 1T to the financial statements, effective July 1, 2021, the Commonwealth adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. As a result, certain restatements to beginning net position were required. Our opinions are not modified with respect to this matter.

Correction of Errors

As discussed in Note 1T to the financial statements, the beginning net position of the unemployment compensation trust fund and business-type activities have been restated for the correction of an error related to the overdraw of federal pandemic funds. The beginning net position of the state universities, community colleges, business-type activities, Massachusetts Clean Water Trust, and the aggregate discretely presented component units have been restated for the correction of errors related to revenue and expense recognition. The beginning net position of the private-purpose trust funds and custodial funds have been restated for the correction of an error related to the classification of fiduciary funds. Our opinions are not modified with respect to these matters.

Other Auditors' Report on the Financial Statements of the Massachusetts Department of Transportation

The opinion of the other auditors on the June 30, 2022, financial statements of the Massachusetts Department of Transportation (MassDOT) was qualified because MassDOT did not obtain audited financial statements for two of its discretely presented component units representing 6% of the total assets and 4% of the total revenues of the aggregate discretely presented component units; however, in our opinion, the effects of not obtaining sufficient appropriate audit evidence related to these two entities is not material in relation to these financial statements. Accordingly, our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commonwealth's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commonwealth's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the accompanying table of contents (collectively referred to as RSI) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have

Mr. William McNamara, Comptroller
Commonwealth of Massachusetts

applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2023, on our consideration of the Commonwealth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commonwealth's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commonwealth's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Boston, Massachusetts
May 31, 2023



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, 2022 (FY22). 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 FY22 by \$67.424 billion, a decrease in the net deficit of \$8.374 billion from FY21, with the decrease in the net deficit due primarily to strong tax revenue growth, which resulted in a positive operating balance during the fiscal year.

Of the \$67.424 billion deficit, “unrestricted net position” has a deficit of \$72.864 billion and there is a \$1.979 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 \$26.138 billion as of June 30, 2022. However, the Commonwealth originally paid and continues to pay for the construction of these assets and retains approximately \$14.020 billion in transportation-related debt, which is now unrelated to any capital asset owned by the Commonwealth.
- The Commonwealth has a net liability of \$4.519 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 (net) pension liability (known as the "net pension liability"), which totaled \$34.807 billion as of June 30, 2022 (based on a June 30, 2021 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 \$15.218 billion as of June 30, 2022 (based on a June 30, 2021 valuation, per GASB 75).

At the end of FY22, the Commonwealth also held \$3.461 billion in “restricted net position”, which are assets restricted primarily for payment of debt service, unemployment insurance benefits, family and medical leave benefits, and the Institutions of Higher Education. Approximately \$871 million was restricted for debt retirement (of which \$832 million was restricted for MSBA debt retirement), \$337 million was restricted for Higher Education, and \$414 million was restricted for grants and gifts.

The Commonwealth's governmental activities (which exclude the "business-type activities" of the Institutions of Higher Education, Family and Employment Security Trust and Unemployment Insurance) net deficit decreased by \$6.298 billion, to \$72.758 billion, and its governmental activities unrestricted net deficit decreased by approximately \$6.458 billion, to \$72.260 billion, as of June 30, 2022.

Total revenues of the primary government decreased by \$692 million, or 0.7% in FY22, to \$91.731 billion, with strong revenue growth as the economy continued to recover from coronavirus pandemic being offset by a decline in federal unemployment insurance pandemic relief revenue. It also included restatement of business-type activities to reflect GASB 87 implementation. See further discussion of these adjustments in [Note 1T](#) on [page 81-82](#). Total expenses of the primary government decreased by \$11.853 billion, or approximately 12.4%, to \$83.358 billion, mainly as result of the decline in pandemic-related unemployment insurance benefits spending. Details on revenues and expenses for the primary government can be found on [pages 21-26](#).

The net position of business-type activities increased by \$2.075 billion, due to surpluses in the Unemployment Insurance program (as the economy recovered, unemployment insurance taxes increased, and unemployment benefits declined), \$242 million in the Family and Employment Security Trust Fund and \$368 million in Higher Education. The FY22 beginning balance of the Unemployment Compensation Trust Fund was restated and reduced by \$1.943 billion to reflect overdraws of federal pandemic unemployment assistance, as explained on [pages 26-27](#) and in [Note 1T](#) on [page 81-82](#). Business-type activities as a whole ended with a net position of positive \$5.334 billion, as positive balances in the Family and Employment Security Trust Fund and Higher Education offset a negative balance in the Unemployment Compensation Trust Fund.

On a "funds perspective" basis, at June 30, 2022, the Commonwealth's governmental funds reported a combined ending fund balance of \$18.133 billion, an increase of \$4.316 billion from June 30, 2021. Of the ending balances:

- There are \$616 million nonspendable balances, \$1.286 billion is restricted, \$10.341 billion is committed, \$3.796 billion is assigned, and \$2.094 billion is unassigned fund balance (a full discussion of these classifications is included in [Note 1](#) to the basic financial statements, on [pages 69-73](#)).
- The MSBA's fund balance of \$1.913 billion is blended with the Commonwealth. Within this fund balance is \$1.838 billion in cash and restricted investments, which resulted primarily from the issuance of debt in FY22 and previous fiscal years, less approximately \$51 million in liabilities. In FY22, \$1.190 billion was dedicated to the MSBA from Commonwealth sales taxes, and the MSBA issued \$342 million in long-term dedicated sales tax bonds.

Other highlights of FY22 financial operations include:

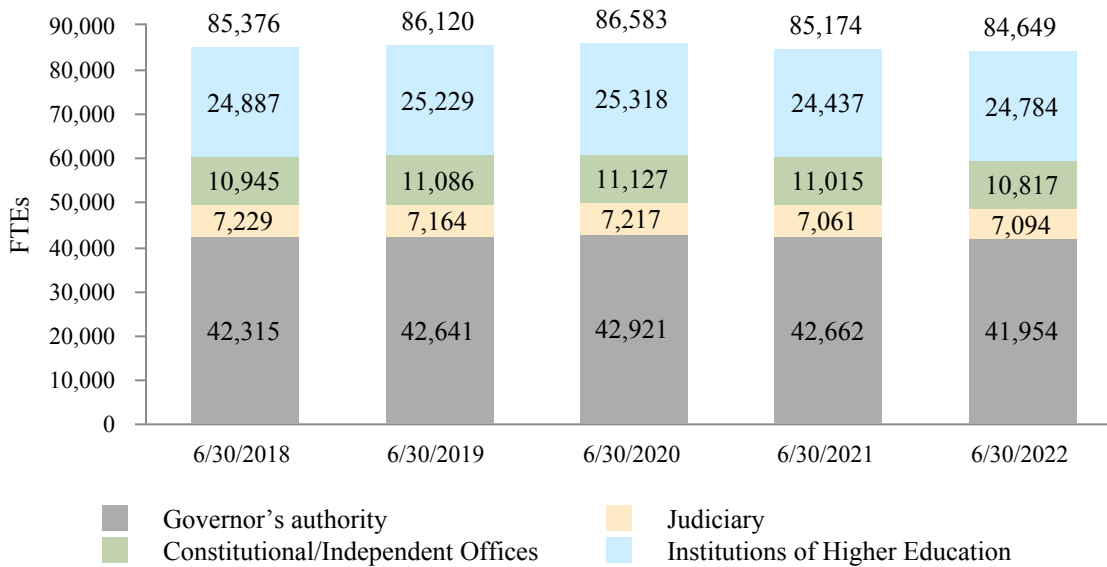
- Tobacco settlement proceeds for the year were approximately \$248 million on a GAAP basis, an increase of approximately \$23 million from FY21. Approximately \$108 million has been reported as a receivable in the governmental funds, equal to half of the anticipated tobacco settlement proceeds to be received in FY23. In FY22 approximately \$25 million, or the equivalent of 10% of cash tobacco settlement proceeds, was transferred to the State Retiree Benefits Trust Fund (SRBTF) to fund the Commonwealth's liability for retiree health care. Per statute, the proportion of tobacco settlement revenues transferred to the SRBTF increases annually until an amount equal to 100% of the tobacco settlement proceeds is to be transferred to the SRBTF in FY22, although the requirement to transfer increasing percentages of tobacco settlement proceeds was modified for FY22 with the percentage reduced to 10%.
- During the fiscal year, the Commonwealth passed or agreed to terms of approximately \$950 million in bond authorizations, of which \$275 million for Infrastructure bridges and roadways; \$600 million for Reconstruction of the Solders' Home in Holyoke and \$75 million of grants to municipalities. 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 FY22 were \$5.864 billion, an increase of approximately \$36 million, or 0.6%, from FY21, as ticket sales continued to recover from the coronavirus-induced FY20 sales decline. Prizes were approximately \$4.790 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 FY22 budget, totaled \$1.101 billion a decrease of \$7 million, or 0.7%, from FY21. Mandated transfers to the General Fund to reimburse it for administrative expense appropriations and other spending totaled \$1.214 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, 2022, the number of Commonwealth employees decreased by a net of 525 full-time equivalent employees (FTEs) from June 30, 2021, to a total of 84,649. The largest decreases in FTE counts were in the Executive Office of Health and Human Services (586 FTE's), the Executive Office of Public Safety (268 FTE's), and the Constitutional and other independent offices (198 FTEs), offset by increases in Institutions of Higher Education increased by 347 FTEs, including growth in FTE counts at the University of Massachusetts 284 FTEs and the Community Colleges 59 FTEs; and increase in Transportation and Construction 110 FTE's.

**Full Time Equivalent Workforce
Including Higher Education as of 6/30
June 2018 – June 2022**



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 64-145](#).

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 \$67.424 billion at the end of FY22, a decrease in the net deficit of \$8.374 billion from the end of FY21. Government-wide unrestricted net position is negative by \$72.864 billion. As explained previously, in addition to the \$34.807 billion government-wide net pension liability and the \$15.218 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	\$ 4,519,339
Outstanding bonds issued to fund the MBTA	207
Debt related to MassDOT assets	14,020,107
Effects on governmental unrestricted net position of items unique to the Commonwealth	<u>\$ 18,539,653</u>

Of the Commonwealth's approximately \$3.148 billion in FY22 state funded capital spending, about \$2.523 billion did not result in capital assets attributed to governmental activities of the Commonwealth, including approximately \$1.590 billion in transportation spending (with \$399 million in grants and other financial assistance to cities and towns), \$204 million for Institutions of Higher Education (which are included in the Commonwealth's business-type activities) and approximately \$711 million in other capital grants and financial assistance to local governments and quasi-public entities. Between FY05 and FY22 the Commonwealth's capital spending on projects owned by non-Commonwealth entities or by the Institutions of Higher Education totaled \$32.174 billion. These include:

- Higher Education capital projects totaling approximately \$2.567 billion
- Capital spending for transportation projects now owned by the Massachusetts Department of Transportation totaling approximately \$16.004 billion
- Transportation-related financial assistance to local governments totaling more than \$5.107 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 \$7.853 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, 2022, the Commonwealth's government-wide current unrestricted cash and cash equivalents totaled \$27.655 billion, an increase of \$5.992 billion from June 30, 2021 due primarily to strong tax revenue growth during the fiscal year. Total current assets

were \$39.453 billion, an increase of \$7.644 billion from June 30, 2021. As of June 30, 2022, the Commonwealth's current liabilities were \$21.415 billion, an increase of \$821 million from June 30, 2021, primarily due to \$2.916 billion increase in tax refunds payable resulting from FY22 tax revenues that exceeded the statutory limit (and thus resulted in refunds paid in FY23), partially offset by a \$2.243 billion decrease in "unearned revenue" as federal coronavirus local fiscal recovery funds received in FY21 were expended in FY22.

As of June 30, 2022, the primary government's non-current assets increased by \$1.486 billion from June 30, 2021, to \$21.312 billion, due mainly to an increase of \$783 million in depreciable capital assets, most of which were in the form of long term leases newly classified as assets under implementation of GASB Statement Number 87 (and were offset by an increase in lease liabilities).

The Commonwealth holds \$15.344 billion in capital assets such as land, construction in process, buildings, infrastructure, and equipment, and right of use leases, net of accumulated depreciation. GASB requires the reporting of the value of investments in the Commonwealth's infrastructure, including roads, bridges, beaches, dams and other immovable assets on the face of the Commonwealth's financial statements. As these assets provide services to citizens, they are not available to finance future spending unless they are sold. Although the Commonwealth's investment in its capital assets is also reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves generally cannot be used to liquidate these liabilities.

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

Net Position as of June 30, 2022 and 2021
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021*	June 30, 2022	June 30, 2021*
Current assets	\$ 31,533,415	\$ 25,032,305	\$ 7,919,433	\$ 6,790,515	\$ 39,452,848	\$ 31,822,820
Non-capital non-current assets	2,700,708	2,512,822	3,266,962	3,051,321	5,967,670	5,564,143
Capital assets	6,090,834	5,053,814	9,253,400	9,207,840	15,344,234	14,261,654
Total assets	40,324,957	32,598,941	20,439,795	19,049,676	60,764,752	51,648,617
Deferred outflows of resources	9,819,459	11,907,792	599,885	811,727	10,419,344	12,719,519
Total assets and deferred outflows	50,144,416	44,506,733	21,039,680	19,861,403	71,184,096	64,368,136
Current liabilities	18,113,863	15,946,066	3,300,966	4,647,359	21,414,829	20,593,425
Long term liabilities	88,650,727	103,645,738	9,875,596	10,029,513	98,526,323	113,675,251
Total liabilities	106,764,590	119,591,804	13,176,562	14,676,872	119,941,152	134,268,676
Deferred inflows of resources	16,137,369	3,970,829	2,529,401	1,926,090	18,666,770	5,896,919
Total liabilities and deferred inflows	122,901,959	123,562,633	15,705,963	16,602,962	138,607,922	140,165,595
Net Position:						
Net investment in capital assets	(1,783,097)	(1,658,414)	3,761,986	3,778,471	1,978,889	2,120,057
Restricted	1,285,776	1,320,793	2,175,161	1,908,425	3,460,937	3,229,218
Unrestricted	(72,260,222)	(78,718,279)	(603,430)	(2,428,455)	(72,863,652)	(81,146,734)
Total Net Position, as restated	\$ (72,757,543)	\$ (79,055,900)	\$ 5,333,717	\$ 3,258,441	\$ (67,423,826)	\$ (75,797,459)

* As restated, see note 1T on page 81-82 - Business - type activities

Changes in Net Position

As noted earlier, the Commonwealth's total primary government net deficit decreased by approximately \$8.374 billion between FY21 and FY22, to \$67.424 billion. The main reasons for the decrease in the net deficit were the \$6.298 billion gain in governmental activities primarily due to increases of \$4.856 billion in tax revenues, which outstripped increases in spending, a \$1.109 billion decrease in the Commonwealth's net pension liability (net of deferrals) due to the strong stock market in FY21 (since the pension valuation is recorded with a one-year lag under GASB rules) and a \$534 million decrease in the net OPEB liability (after deferrals, also lagged one year) due to changes in health insurance payments, medical actuarial assumptions, and increases in the discount rate as interest rates rose.

The following table shows the major categories of government-wide revenues and expenses for FY21 and FY22, as well as net position for the two fiscal years. In FY22, approximately 43.4% of the total revenue came from governmental activities taxes revenue, while the remainder resulted from programmatic revenues, including charges for services and grants and contributions, the majority of which was federal aid. FY22 revenues totaled \$91.731 billion, a decrease of \$692 million, or 0.7% from FY21, with tax revenue totaling \$39.804 billion, an increase of \$4.856 billion, or 13.9%, from FY21. All major tax sources benefited from the economic recovery, with income tax increasing by \$1.917 billion, or 9.5%, sales tax revenue grew by \$1.208 billion, or 15.8%, and corporate excise tax increased by \$1.069 billion, or 29.3%.

Changes in Net Position during the Fiscal Years Ended June 30, 2022 and 2021 (in thousands of dollars except percentages)

	Governmental Activities		Business - Type Activities		Total Primary Government		Total Primary Government		
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021*	June 30, 2022	June 30, 2021*	June 30, 2022 Distribution	June 30, 2021* Distribution	22 to '21 % Change
Revenues									
Program Revenues:									
Charges for services	\$ 12,796,815	\$ 11,942,508	\$ 5,591,917	\$ 5,012,274	\$ 18,388,732	\$ 16,954,782	20.0 %	18.3 %	1.7 %
Operating grants and contributions	27,170,190	22,611,465	4,963,847	16,593,794	32,134,037	39,205,259	35.0 %	42.4 %	(7.4)%
Capital grants and contributions	114,296	77,259	195,238	174,851	309,534	252,110	0.3 %	0.3 %	— %
General Revenues:									
Taxes	39,803,816	34,947,335	—	—	39,803,816	34,947,335	43.4 %	37.8 %	5.6 %
Other	1,135,334	697,132	(40,269)	366,532	1,095,065	1,063,664	1.3 %	1.2 %	0.1 %
Total Revenues	81,020,451	70,275,699	10,710,733	22,147,451	91,731,184	92,423,150	100.0 %	100.0 %	
Expenses									
Medicaid	22,064,800	20,208,100	—	—	22,064,800	20,208,100	26.5 %	21.2 %	5.3 %
Direct local aid	6,758,880	6,499,305	—	—	6,758,880	6,499,305	8.1 %	6.8 %	1.3 %
Health and human services	13,785,541	11,658,328	—	—	13,785,541	11,658,328	16.5 %	12.2 %	4.3 %
Lottery	4,651,322	4,617,789	—	—	4,651,322	4,617,789	5.6 %	4.9 %	0.7 %
Higher education	—	—	5,773,025	5,399,004	5,773,025	5,399,004	6.9 %	5.7 %	1.2 %
Early elementary and secondary education	6,961,534	7,687,798	—	—	6,961,534	7,687,798	8.4 %	8.1 %	0.3 %
Unemployment compensation	—	—	3,904,080	19,438,890	3,904,080	19,438,890	4.7 %	20.4 %	(15.7)%
Family and employment security trust	—	—	686,343	236,361	686,343	236,361	0.8 %	0.2 %	0.6 %
Other	18,772,026	19,465,315	—	—	18,772,026	19,465,315	22.5 %	20.5 %	2.0 %
Total Expenses	72,994,103	70,136,635	10,363,448	25,074,255	83,357,551	95,210,890	100.0 %	100.0 %	
Excess/(Deficiency)									
before transfers	8,026,348	139,064	347,285	(2,926,804)	8,373,633	(2,787,740)			
Transfers	(1,727,991)	(1,517,599)	1,727,991	1,517,599	—	—			
Change in net position (deficits)	6,298,357	(1,378,535)	2,075,276	(1,409,205)	8,373,633	(2,787,740)			
Net position/(deficits) - beginning, as restated	(79,055,900)	(77,677,365)	3,258,441	4,667,646	(75,797,459)	(73,009,719)			
Net position/(deficits) - ending, as restated	<u>\$(72,757,543)</u>	<u>\$(79,055,900)</u>	<u>\$ 5,333,717</u>	<u>\$ 3,258,441</u>	<u>(\$67,423,826)</u>	<u>(\$75,797,459)</u>			

* As restated, see note 1T on pages 81-82 - Business - type activities

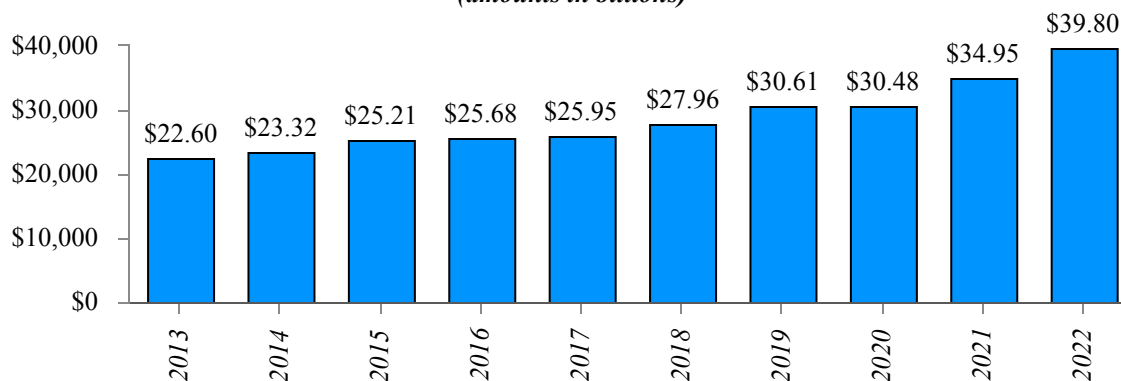
Operating grants and contributions (including federal revenue for Medicaid, coronavirus relief, and Unemployment Insurance) totaled \$32.134 billion, a decrease of \$7.071 billion, or 18.0%, in FY22, with federal revenue for the Unemployment Compensation program dropping from \$15.257 billion in FY21 to \$3.411 billion in FY22, as federal supplementary aid for expanded and extended unemployment insurance benefits wound down.

Charges for services totaled \$18.389 billion, increasing by \$1.434 billion, or 8.5% from FY21, with the increase resulting primarily from growth in Health and Human Services \$1.339 billion, Lottery charges \$34 million, and Labor and Workforce Development \$136 million, with offsetting decreases in General Government \$186 million, and Medicaid \$630 million.

As of June 30, 2022, government-wide restricted net position totaled \$3.461 billion, an increase of \$232 million, with the majority of the increase due to assets restricted for the Paid Family Leave program.

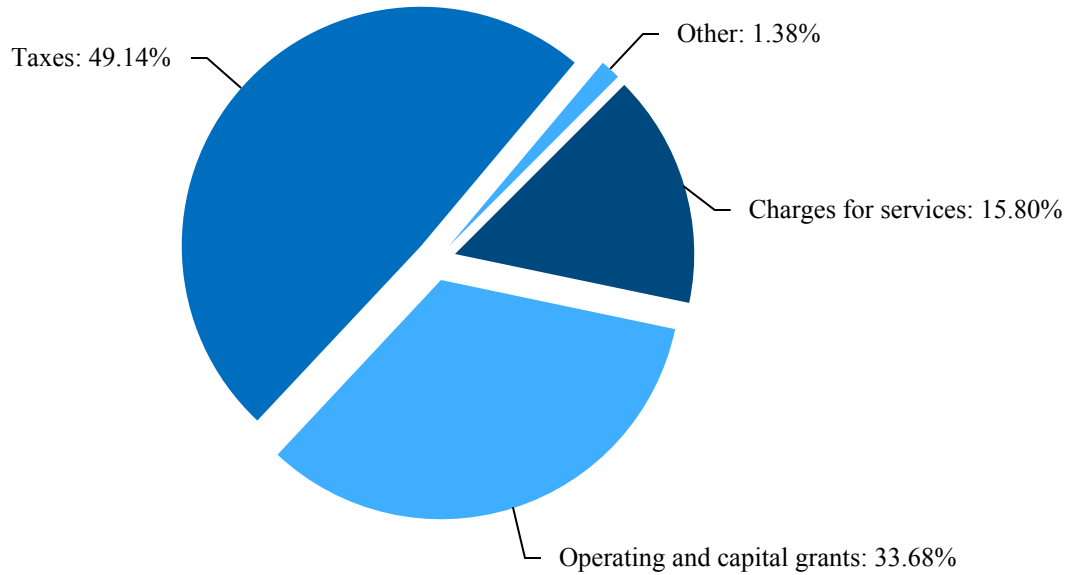
Primary government spending totaled \$83.358 billion, a decrease of \$11.853 billion, or 12.4%, from FY21, with governmental activities spending (i.e., excluding business-type activities such as Higher Education and the Unemployment Insurance program) totaling \$72.994 billion, an increase of \$2.857 billion, or 4.1%, and business-type activities spending totaling \$10.363 billion, a decrease of \$14.711 billion, or 58.7%. Medicaid expenses totaled \$22.065 billion, an increase of \$1.857 billion, or 9.2%, from FY21, with the increase due to higher spending on responses to the coronavirus pandemic. Health and Human services spending totaled \$13.786 billion, an increase of \$2.127 billion or 18.2%, transportation and public works spending totaled \$3.122 billion, a decrease of \$161 million, or 4.9%, early and secondary education spending totaled \$6.962 billion, a decrease of \$726 million, or 9.4%, public safety and homeland security spending totaled \$3.126 billion, a decrease of \$590 million, or 15.9%, as FY21 federally-funded education and public safety spending in response to the pandemic was not repeated in FY22, and general government expenses totaled \$3.903 billion, an increase of \$380 million, or 10.8%. In addition, direct local aid spending totaled \$6.759 billion, an increase of \$260 million, or 4.0% as the Commonwealth continued its commitment to allocating a proportionate increase in projected budgetary tax revenues to local assistance. These increases were offset by a decline of \$1.643 billion due to lower pension and OPEB liabilities in FY22 compared to FY21 resulting from increases in investment income for pensions and decreases in medical costs for OPEB. In business-type activities, unemployment insurance compensation expenditures totaled \$3.904 billion, a decrease of \$15.535 billion, or 79.9%, as expanded benefits mandated by the federal government due to increased unemployment caused by the pandemic wound down in FY22.

**Revenue from Taxation
FY13 - FY22
(amounts in billions)**



Income taxes comprise the majority of tax revenue. Of the \$39.804 billion in FY22 tax revenue within governmental activities, \$22.038 billion, or approximately 55.4%, of total taxes, was from income taxes, \$8.835 billion, or 22.2%, was from sales taxes, \$4.721 billion, or 11.9%, was from corporate taxes, \$721 million, or 1.8%, was from motor fuels taxes and \$3.489 billion, or 8.8%, was from other forms of taxation. Lottery revenues of \$5.861 billion made up 45.8% of the Commonwealth's governmental charges for services. The largest operating grants were federal Medicaid subsidies, which totaled \$13.831 billion, or approximately 50.9%, of all grants, other health and human services grants of \$6.337 billion, or 23.3% of all grants, and education grants of \$2.858 billion, or 10.5% 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.

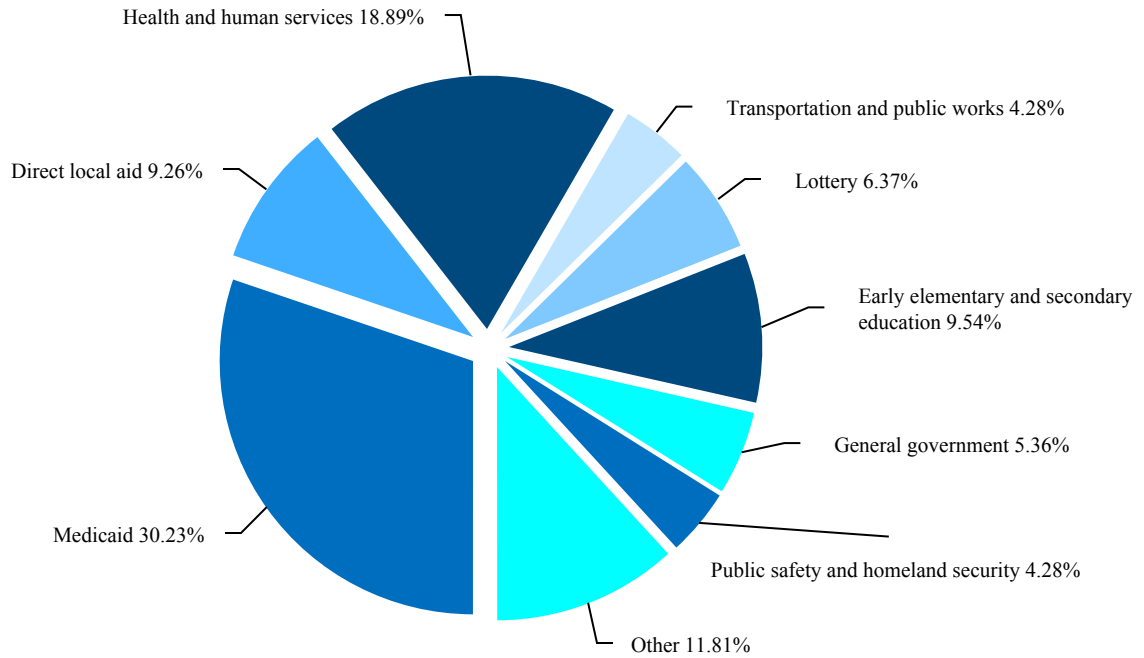
**Revenue—Governmental Activities
Fiscal Year Ending June 30, 2022**



Medicaid expenses of \$22.065 billion accounted for 30.2% of the Commonwealth's governmental activities expenses. Historically, approximately half of Medicaid expenses have been reimbursed by the federal government, although under the Affordable Care Act some Medicaid expenditures are reimbursed at higher rates. The largest expense that is not subsidized by program revenues is direct local aid to the municipalities of the Commonwealth of approximately \$6.759 billion.

Other large expenditures for governmental activities included non-Medicaid health and human services costs of approximately \$13.786 billion, accounting for 18.9% of governmental expenses, pre-kindergarten through secondary education costs of approximately \$6.962 billion, accounting for 9.5% of governmental expenses and public safety and homeland security costs of approximately \$3.126 billion, accounting for 4.3% of governmental expenses. State employees' pensions and other post-employment benefits, which are included in the department spending amounts above, were \$676 million.

**Major Expenses—Governmental Activities
Fiscal Year Ending June 30, 2022**



Business–Type Activities

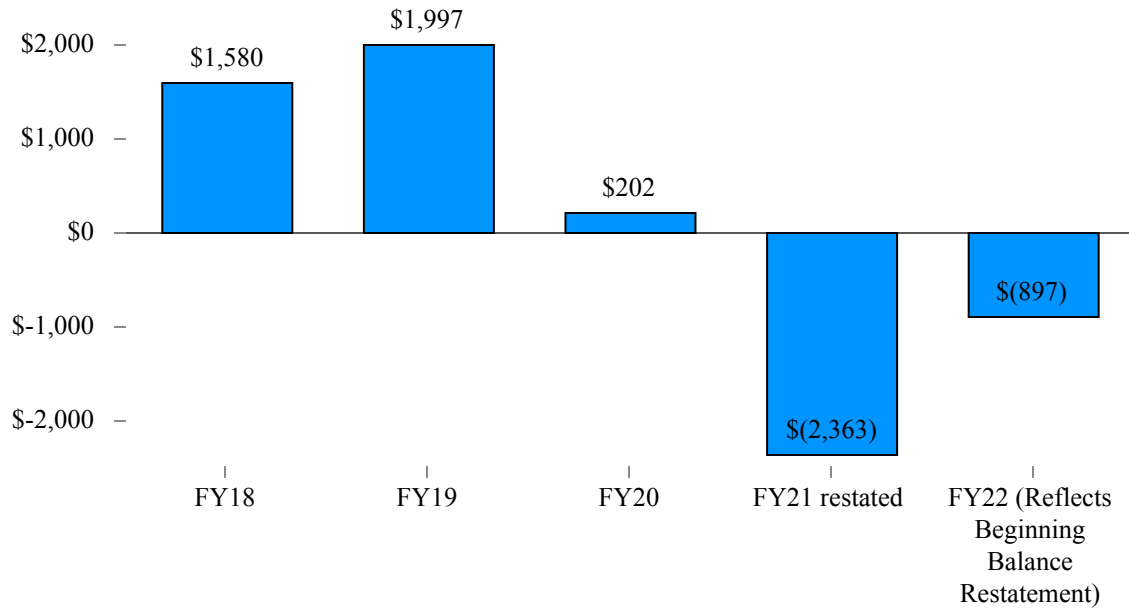
Business–type activities are functions that are similar to activities of a private enterprise. In the Commonwealth, the Family and Employment Security Trust Fund and the Institutions of Higher Education are deemed to be business–type activities because of their lack of separate taxation; GASB standards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

As of June 30, 2022, business-type activities' net position totaled \$5.334 billion, an increase of \$2.075 billion, with gains in all components, including \$1.466 billion in the Unemployment Compensation Trust Fund (as the economy recovered, unemployment insurance taxes increased, and unemployment insurance benefits declined), \$242 million in the Paid Family and Medical Leave (PFML) program, and \$368 million in the Institutions of Higher Education. Program revenues of business-type activities totaled \$10.751 billion a decrease of \$11.030 billion, or 50.6%, resulting entirely from reduced federal operating grants and contributions, which totaled \$4.964 billion, a decrease of \$11.630 billion, or 70.1%, with the decline a result of a drop in federal aid for pandemic-related supplemental unemployment insurance benefits, which totaled \$3.411 billion a decrease of \$11.868 billion, or 77.8%, from FY21. Program expenditures totaled \$10.363 billion, a decline of \$14.711 billion, or 58.7%, from FY21, entirely due to a drop in pandemic-related unemployment insurance benefit spending, which dropped by \$15.535 billion, or 79.9%.

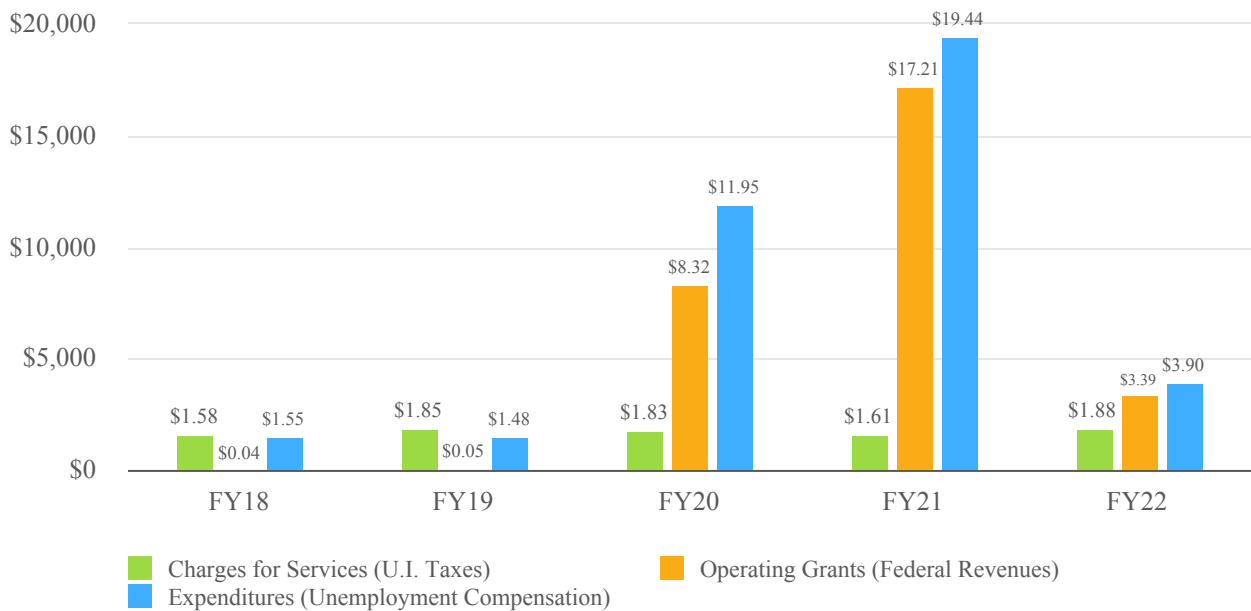
As a result of a detailed reconciliation of prior year revenue and spending in the Unemployment Compensation Trust Fund conducted during the FY22 financial statement audit, the FY22 beginning balance of the Trust Fund was restated and reduced by \$1.943 billion to account for overdraws of pandemic-related unemployment insurance revenues from the federal government by the Department of Unemployment Assistance (DUA) in FY20 and FY21, leaving the Trust Fund with a beginning net position of negative \$2.363 billion. Those prior fiscal year overdraws, as well as \$548 million in similar FY22 overdraws, are accounted for as a \$2.491 billion liability in the Unemployment Compensation Trust Fund's statement of net position. The Executive Office of Labor and Workforce Development is engaged in discussion with the U.S. Department of Labor on the resolution of the overdraw. Including those adjustments, the FY22 ending net position of the Unemployment Compensation Trust Fund was negative \$897 million. See further discussion of these adjustments in [Note 1T](#) on [page 81-82](#).

The two charts below show fiscal year ending balances of the Unemployment Compensation Trust Fund as well as revenue and expenses of the Fund over the past five fiscal years.

**Unemployment Compensation Trust Fund
Ending Net Position
Fiscal Years 2018 - 2022
(amounts in millions - as restated)**



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



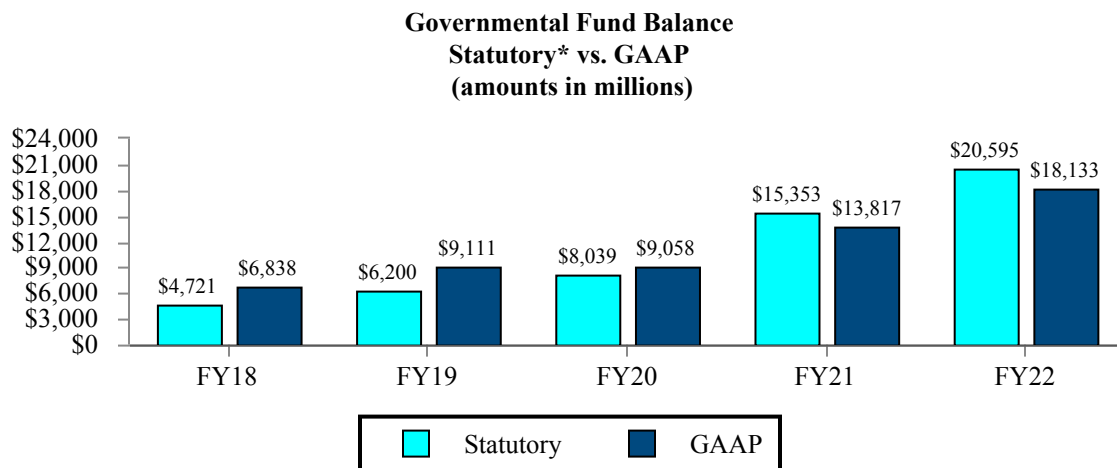
FINANCIAL ANALYSIS OF THE COMMONWEALTH'S FUNDS

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

Governmental Funds

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

The General Fund is the primary operating fund of the Commonwealth. At the end of FY22, the fund balance of the General Fund was \$13.932 billion. Of this amount, \$6.938 billion represents the balance in the Commonwealth's Stabilization Fund, \$2.542 billion was classified as assigned for continuing appropriations from FY22 into FY23 and \$4.452 billion was unassigned, with the unassigned balance almost entirely in the Transitional Escrow Funds, which holds revenue that while unappropriated, is intended to be expended in FY23 and future years.



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

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

	FY22	FY21*	FY20*	FY19	FY18
Beginning fund balances.....	\$ 13,817,345	\$ 9,912,839	\$ 9,165,887	\$ 6,838,444	\$ 5,597,382
Revenues and other financing sources.....	91,840,963	84,720,267	72,506,995	69,775,850	68,990,424
Expenditures and other financing uses.....	87,525,183	80,815,761	72,615,366	67,502,959	67,749,362
Excess/(deficiency).....	4,315,780	3,904,506	(108,371)	2,272,891	1,241,062
Ending fund balances.....	<u>\$ 18,133,125</u>	<u>\$ 13,817,345</u>	<u>\$ 9,057,516</u>	<u>\$ 9,111,335</u>	<u>\$ 6,838,444</u>

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

FY22 governmental fund revenues and other financing sources totaled \$91.841 billion, an increase of \$7.121 billion, or 8.4%, from FY21, with an increase of \$8.622 billion, or 10.6%, in non-Massachusetts School Building Authority (MSBA) revenues and other financing sources, partially offset by a decrease of \$1.585 billion in MSBA long term debt and commercial paper issuance. Tax revenues totaled \$39.816 billion, an increase of \$4.862 billion, or 13.9%, as the Massachusetts economy continued to recover from the coronavirus-induced recession. Federal grants and reimbursements totaled \$27.214 billion, an increase of \$4.261 billion, mainly due to growth in revenue from Medicaid spending reimbursements and a net increase in Federal Grants Fund pandemic relief funds, partially offset by a decline in CARES Act revenue that was recognized as received in FY21 but not repeated in FY22.

Assessments, fees, and investment earnings totaled \$14.163 billion, an increase of \$690 million, or 5.1%. Revenues from other financing sources totaled \$10.648 billion, a decrease of \$2.691 billion, or 20.2% due almost entirely to the net decline of \$3.789 billion in new and refunding bond issuance by the Commonwealth and the MSBA.

FY22 governmental fund expenditures and other financing uses totaled \$87.525 billion, an increase of \$6.709 billion, or 8.3% from FY21, with \$7.522 billion of growth in programmatic spending (as opposed to "other financing uses"). Medicaid expenditures totaled \$22.065 billion, an increase of \$1.857 billion, or 9.2% from FY21. Other changes in programmatic expenditures include increases of \$2.744 billion, or 25.6%, in Health and Human Services expenditures, an increase of \$1.154 billion, or 45.1% in food stamp expenditures in response to the pandemic, as well as an increase of \$1.530 billion, or 30.3%, in Executive Office of Education spending, and \$159 million, or 2.4% Treasury and Receivable General Spending, due primarily to increases in Lottery prize payments. Other financing uses totaled \$9.743 billion, a decrease of \$812 million, or 7.7%, with \$1.931 billion of that amount due to a decrease in debt service-related expenditures, all of which was the result of reduced payments to an escrow agent in support of an advanced bond refunding. Factoring out that refunding payments, FY22 debt service expenditures increased by \$152 million, or 6.2%, compared to FY21.

As of June 30, 2022 the Commonwealth's governmental funds reported combined ending fund balance of \$18.133 billion, an increase of \$4.316 billion, or 31.2%, from the previous year.

Governmental Funds - Fund Balance Classification
(amounts in thousands)

	2022	2021	Change	% Change
<u>Nonspendable/Restricted:</u>				
Nonspendable	\$ 615,882	\$ 755,378	\$ (139,496)	(18.5)%
Restricted	1,285,777	1,320,793	(35,016)	(2.7)%
Total Nonspendable/Restricted	1,901,659	2,076,171	(174,512)	(8.4)%
<u>Unrestricted:</u>				
Committed	10,341,466	6,805,570	3,535,896	52.0%
Assigned	3,796,399	2,046,997	1,749,402	85.5%
Unassigned	2,093,601	2,888,607	(795,006)	(27.5)%
Total Unrestricted	16,231,466	11,741,174	4,490,292	38.2%
Total fund balances	\$ 18,133,125	\$ 13,817,345	\$ 4,315,780	31.2%

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 \$3.536 billion, or 52.0%, increase in committed balances results primarily from a \$2.311 billion growth in the Stabilization Fund balance, as well as in numerous non-budgetary funds which Legislature has designated for specific purposes. Assigned fund balance increased by \$1.749 billion or 85.5%, due primarily to \$1.472 billion

growth in budgetary fund "prior appropriations continued", or PACs, where the Legislature allocated FY22 funding for expenditure in FY23, 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 \$795 million, or 27.5%, decrease in unassigned balances is due mainly to an increase in unassigned balances in the Transitional Escrow Fund (due to the FY22 budget surplus) offset by an increase in deficits in the capital projects funds as FY22 capital expenditures were not bonded until FY23. A full discussion of the Commonwealth's fund balance classification policy under GASB 54 and a table of fund balances by program type can be found in [Note 1](#) to the basic financial statements, on pages [68-73](#).

Proprietary Funds

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

As discussed on pages [26-27](#), the business-type activities increased the Commonwealth's net position by approximately \$2.075 billion.

BUDGETARY HIGHLIGHTS

The FY22 budget enacted by the Legislature (the General Appropriation Act, or GAA) included an FY22 tax revenue estimate of \$34.400 billion prior to tax initiatives (and including \$50 million in tax settlements), an increase of \$4.230 billion from the FY22 consensus estimate of \$30.120 billion, with the increase due to impact on tax revenues of that faster than anticipated economic and financial market recovery from the COVID-19 pandemic.

The GAA estimate was further increased to \$34.541 billion as a result of enacted and proposed tax law changes and other tax-generating initiatives included in the budget. \$30.941 billion of that revenue was to be deposited in the budgeted funds and be available for use, with \$2.336 billion to be deposited into non-budgeted funds, including transfers of sales tax revenue dedicated to the Massachusetts Bay Transportation Authority \$1.236 billion and the Massachusetts School Building Authority \$1.076 billion, capital gains tax revenues transferred to the Stabilization Fund \$1.263 billion, and revenue allocated to the non-budgeted Workforce Training Fund \$25 million.

In January 2022, the Secretary of Administration and Finance revised the FY22 state tax revenue estimate upward by \$598 million, to a gross total of \$34.998 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.

FY22 tax revenues ended the year at \$41.146 billion (including \$44 million in tax settlements exceeding \$10 million each), of which \$38.587 billion was deposited in the budgeted funds. Tax revenue deposited in the budgeted funds increased by \$6.815 billion, or 21.5%, from FY21, \$6.383 billion above the original FY22 tax estimate and \$5.925 billion above the final FY22 estimate. [Chapter 62F Massachusetts General Laws](#) requires that at the end of each fiscal year the Massachusetts State Auditor calculate whether state tax revenues have for the preceding fiscal year exceeded an allowable limit and the amount above that limit reduce each taxpayer's current year's (in this case, tax year 2022) tax liability in an amount proportional to their prior year's (in this case, tax year 2021) tax liability, in the form of tax credits. On September 15, 2022 the Auditor [issued a report](#) indicating that FY22 tax revenues exceeded that year's limit by \$2.941 billion. As a result, individual income tax refunds were issued to taxpayers by the Department of Revenue in November and December 2022 and charged to the General Fund in FY23.

The FY22 General Appropriation Act (GAA) authorized approximately \$50.162 billion in spending, exclusive of approximately \$3.415 billion in required pension contributions and \$1.084 billion in FY21 spending authorized to be continued into FY22 as part of the FY21 and FY22 general appropriation acts and various FY21 supplemental budgets.

Approximately \$9.042 billion in supplemental appropriations were authorized during FY22, \$5.508 billion of which were enacted by June 30, 2022. Subsequent to year end, a supplemental budget was enacted totaling approximately \$3.534 billion in new appropriations. Many of the supplemental appropriations were for the purpose of allocating

the \$1.460 billion FY21 surplus balance in the Transitional Escrow Fund and the \$4.892 billion balance in the Federal COVID-19 Relief Fund. The year's significant supplemental appropriations (many of which were carried forward an reappropriated to be expended in FY23):

- \$900 million for a COVID-19 response reserve;
- \$500 million to pay debt incurred by the Unemployment Insurance Trust Fund to fund unemployment insurance benefits in response to COVID-19;
- \$472 million to fund MassHealth (Medicaid) services;
- \$424 million to fund behavioral health and addiction services;
- \$350 million to fund relief payments for Massachusetts Hospitals;
- \$346 million to fund a Home and Community Based Services Reserve;
- \$305 million to fund increased housing production;
- \$260 million for a COVID-related program providing relief to fiscally strained hospitals;
- \$248 million for Medical Assistance Trust Fund payments to hospitals that treat low-income patients;
- \$225 million to fund Chapter 257 supplemental payments;
- \$200 million for local and regional public health systems;
- \$195 million for nursing facilities and rest homes;
- \$176 million to fund collective bargaining costs of state employees;
- \$153 million to support, through the Massachusetts Growth Capital Corporation, businesses adversely affected by COVID-19;
- \$150 million to fund housing programs for senior citizens and veterans;
- \$150 million to rehabilitate and modernize state-aided public housing developments;
- \$150 million to fund clean energy initiatives;

FY22 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 \$62.084 billion, an increase of \$5.202 billion, or 9.1%, from FY21, although an estimated \$1.629 billion of that increase was due to the net impact of [implementation of a “pass-through entity excise tax”](#), which was enacted by the Legislature in response to the recently imposed federal limitation on the deductibility of state personal income taxes. Under this provision, businesses whose income is subject to the Massachusetts personal income tax (such as partnerships, sole proprietorships, and S-corporations) may elect to pay an additional 5% tax on that income and receive 90% of those payments back in the form of tax credits. Even excluding the additional revenue from this change, tax revenue growth picked up significantly in FY22 as the Massachusetts economy continued to recover from the coronavirus pandemic, with total tax receipts (after subtracting sales tax transfers of \$1.349 billion to the Massachusetts Bay Transportation Authority and \$1.189 billion to the Massachusetts School Building Authority) totaling \$38.587 billion, an increase of \$6.815 billion, or 21.5% from FY21, (or \$5.184 billion and 16.3%, adjusting for revenues from the pass-through entity excise). All major tax types grew strongly in FY22. Total personal income tax collections totaled \$24.336 billion, an increase of \$4.718 billion, or 24.1% (or \$3.089 billion and 15.7% adjusting for the pass-through excise), with personal income tax withholding growing by \$1.196 billion, or 8.1%, non-withheld personal income tax (excluding the pass-through entity tax) increasing by \$1.144 billion, or 24.7%, the

latter driven entirely by growth in capital gains tax revenue, which totaled \$3.877 billion an increase of \$1.293 billion, or 50.1%, from FY21. Corporate and business taxes (comprising corporate excise, financial institutions, insurance company, and public utilities taxes) totaled \$5.110 billion, an increase of \$957 million, or 23.0% and sales and use tax (including regular sales, meals, and motor vehicle sales tax, but excluding cannabis sales tax and the revenues allocated to the MBTA and MSBA) increased by \$741 million, or 13.7%, including a \$388 million, or 41.0% increase in meals taxes as restaurant dining continued to recover from pandemic-related declines. Other notable tax revenue growth included deeds excise revenues, which increased by \$75 million, or 18.9%, as the real estate market staged a strong recovery, cannabis sales and excise taxes, which increased by \$63 million, or 40.7%, as the number of cannabis dispensaries continued to increase, and estate and inheritance taxes, which grew by \$81 million, or 10.2%.

Budgetary fund federal reimbursements totaled \$15.779 billion, a decrease of \$2.560 billion, or 14.0%, with the decline resulting from non-recurring revenue of \$4.892 billion received under the American Rescue Plan Act (ARPA) in FY21. This decrease was partially offset by growth in federal reimbursements for the Commonwealth's Medicaid program, which totaled \$13.895 billion, an increase of \$1.557 billion, or 12.6%, due to increases in reimbursable spending associated with the declared coronavirus Public Health Emergency (PHE), additional reimbursements under the Families First Coronavirus Response Act (FFCRA), which allowed the Commonwealth to claim an additional 6.2% in federal reimbursements during the PHE and extra Home and Community Based Services revenue from the American Rescue Plan Act (ARPA), which totaled approximately \$646 million in FY22.

Departmental revenue totaled \$5.413 billion, an increase of \$638 million, or 13.4%, from FY21. The most significant sources of departmental revenue are assessments and fees for state licenses (particularly for Motor Vehicles, which totaled \$608 million in FY22), reimbursements from cities and towns for health insurance provided by the Group Insurance Commission (which totaled \$620 million in FY22) and rebates received from drug manufacturers, which accounted for most of departmental revenue growth, totaling \$1.592 billion, up \$472 million, or 42.1% from FY21 (after a significant drop in those revenues between FY20 and FY21).

Interfund transfers from non-budgeted funds to the budgeted funds totaled \$2.305 billion, an increase of \$309 million, or 15.5%, from FY21, including a \$160 million, or 35.4% increase in fringe benefit assessments resulting mainly from increased non-budgeted personnel spending in coronavirus-related accounts upon from which fringe benefits are recovered. Gaming revenues transferred to the budgetary funds totaled \$174 million, up \$40 million, or 30.3% from FY21. Lottery Fund transfers to the General Fund totaled \$1.079 billion, a decrease of \$11 million, or 1.0%.

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 FY22, the Commonwealth received \$247 million in tobacco settlement funds, an increase of \$1 million compared to FY21. 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 FY22, the statutorily required transfer was 100% of tobacco settlement revenues; however, FY22 budget actions reduced the percentage of tobacco settlement revenues deposited to the SRBTF from 100% to 10%. That action reduced the FY22 transfer to approximately \$25 million, compared to the statutorily required amount of \$247 million.

FY22 budgeted expenditures and other financing uses, including transfers to non-budgeted funds (but before transfers between the budgeted funds) totaled \$55.983 billion, an increase of \$6.905 billion, or 14.1%, from FY21, 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 \$45.755 billion, an increase of \$4.163 billion, or 10.0%, from FY21. Medicaid expenditures totaled \$19.846 billion, an increase of \$1.723 billion, or 9.5%, from FY21, due to caseload increases, and the extension of the Federal Public Health emergency, during which disenrollment of beneficiaries was suspended. Spending for other Executive Office of Human Services programs totaled \$8.287 billion, spending for direct local aid (both education aid and unrestricted aid) at \$6.743 billion, was up \$260 million, or 4.0%, from FY21, subsidies paid to Massachusetts Higher Education Institutions totaled \$1.262 billion, an increase of \$97 million, or 8.3%, from FY21. Spending on state employee health benefits paid through the Group Insurance

Commission increased by \$126 million, or 7.3%, from \$1.713 billion to \$1.838 billion, as patient visits and overall spending rebounded from pandemic-delayed medical treatment lows in FY21. Other significant spending increases included a \$165 million increase, to \$506 million, in spending from a COVID Response Reserve, for various COVID-related costs.

Spending on post employment benefits (primarily pensions but also state retiree health insurance) totaled \$4.433 billion, an increase of \$682 million, or 18.2%, from FY21. That increase was mainly driven by transfers to the state pension fund of \$3.415 billion in accordance with the Commonwealth's actuarially-determined pension funding schedule, an increase of \$300 million, or 9.6%, from FY21, and additional pension contributions funded by \$250 million appropriation from general revenues and a \$126 million transfer of capital gains tax taxes, as required by a statute that mandates such transfers from a portion of capital gains tax collections above an annual threshold. As a result, FY22 contributions to the pension fund totaled \$3.791 billion an increase of \$615 million, or 19.4% from FY21. Budgeted fund debt service totaled \$2.423 billion, up \$133 million, or 5.8%, from FY21.

Interfund transfers from budgeted to non-budgeted funds totaled \$3.372 billion, an increase of \$1.927 billion or 133.4%, from FY21, primarily due to \$600 million in ARPA revenue transfers to the Unemployment Insurance Compensation Trust Fund, including \$500 million for repayment of loans taken out from the federal government to pay unemployment insurance benefits during the pandemic, \$460 million in new transfers of ARPA revenues to fund a COVID-related program providing assistance to low-income front line workers, a \$246 million, or 48.7% increase in transfers to the Medical Assistance Trust Fund for payments to hospitals that treat large populations of lower income patients, \$255 million in new funding for a COVID-related program providing relief to fiscally strained hospitals, \$350 million to create a Student Opportunity Act Investment Fund, and \$100 million for targeted funding to help municipalities repair roads from winter damage, modeled after the 2015 Winter Recovery Assistance Program.

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, 2022 amounts to approximately \$27.817 billion, with accumulated depreciation and amortization of approximately \$12.473 billion, leaving a net book value of \$15.344 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 FY21 to FY22 was approximately \$1.083 billion, with a \$1.037 billion increase in governmental activities and a \$46 million increase in business-type activities. The major increase in the net value of capital assets was in construction in process and machinery and equipment.

The following table details the capital assets for the Commonwealth.

	Capital Assets at Year - End					
	(net of depreciation)					
	(amounts in thousands)					
	Governmental Activities		Business - Type Activities		Total	
	2022	2021	2022	2021*	2022	2021*
Land.....	\$ 972,506	\$ 957,406	\$ 249,435	\$ 230,570	\$ 1,221,941	\$ 1,187,976
Historical treasures.....	—	—	3,073	2,136	3,073	2,136
Construction in process.....	975,386	892,334	617,141	435,655	1,592,527	1,327,989
Buildings.....	2,648,983	2,573,982	6,986,100	7,083,502	9,635,083	9,657,484
Machinery and equipment.....	429,582	468,765	208,214	206,758	637,796	675,523
Right-to-use assets.....	911,142	—	1,166,989	1,219,300	2,078,131	1,219,300
Infrastructure, excluding central artery.....	153,235	161,327	—	—	153,235	161,327
Library collections.....	—	—	22,448	29,919	22,448	29,919
Total.....	\$ 6,090,834	\$ 5,053,814	\$ 9,253,400	\$ 9,207,840	\$ 15,344,234	\$ 14,261,654

* As restated, see note 1T on page 81-82 - Business - type activities

Additional detail on the Commonwealth’s FY22 capital asset activity can be found in [Note 5](#) to the basic financial statements (“Capital Assets”) on pages [98–99](#).

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 FY22 capital budget, the Commonwealth borrowed by issuing \$1.393 billion in long-term bonds, which was new money general obligation debt and \$350 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 \$525 million in debt to refund already existing debt, taking advantage of continued low interest rates in FY22. 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.

Approximately 3.9% of the Commonwealth’s \$24.907 billion in general obligation debt outstanding as of June 30, 2022 was issued as variable rate bonds. During fiscal 2022 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	
	2022	2021	2022	2021*	2022	2021*
General obligation bonds	\$ 24,907,431	\$ 24,765,437	\$ —	\$ —	\$ 24,907,431	\$ 24,765,437
Special obligation bonds (excluding GANs)....	3,949,740	3,700,470	—	—	3,949,740	3,700,470
Revenue obligation bonds	—	—	4,991,863	4,576,545	4,991,863	4,576,545
Federal unemployment insurance borrowing ..	—	—	1,768,015	2,268,015	1,768,015	2,268,015
Grant anticipation notes	478,235	582,550	—	—	478,235	582,550
Subtotal	29,335,406	29,048,457	6,759,878	6,844,560	36,095,284	35,893,017
Massachusetts School Building Authority	5,991,695	6,104,240	—	—	5,991,695	6,104,240
Total	\$ 35,327,101	\$ 35,152,697	\$ 6,759,878	\$ 6,844,560	\$ 42,086,979	\$ 41,997,257

* As restated, see note 1T on page 81-82 - Business - type activities

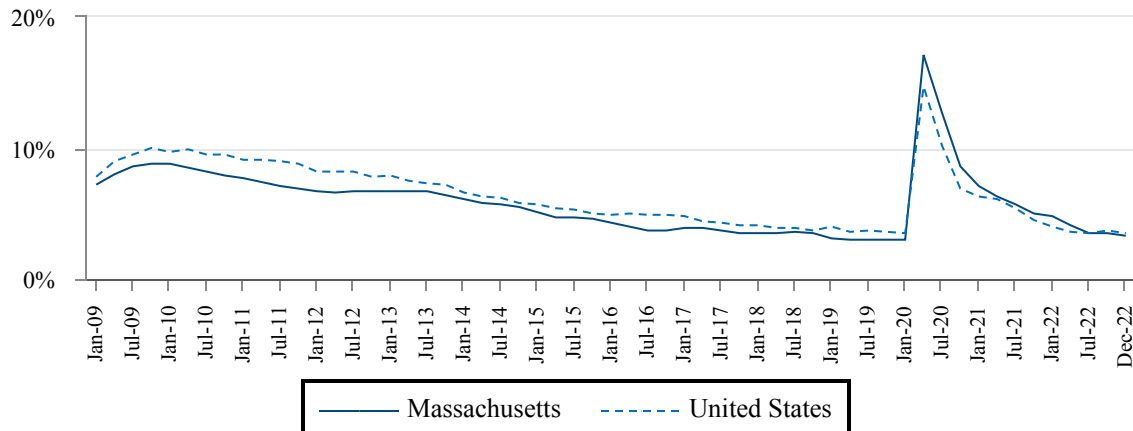
Additional detail on the Commonwealth’s short-term debt can be found in [Note 6](#) (“Short-Term Financing and Credit Arrangements”) on [pages 99–100](#) and [Note 7](#) (“Long-Term Obligations”) on [pages 100-114](#).

ECONOMIC FACTORS AFFECTING THE FISCAL YEAR 2023 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 7.1%, compared to the national rate of 6.3%, but by July 2022, the two rates had converged, with both at 3.5%. As of December 2022, the Massachusetts rate had fallen below the national rate, with Massachusetts at 3.3% and the national rate at 3.5%.

***Unemployment Rate
January 2009 – December 2022***



The FY23 General Appropriation Act (GAA) is based on an FY23 tax revenue estimate of approximately \$39.718 billion, and a decrease of \$2.087 billion, or 5.3%, from FY22 actual tax collections. Of that amount, \$33.383 billion represents taxes available for budget after adjusting for \$6.335 billion in tax revenue, which is allocated to state pension contributions of \$3.744 billion, sales tax revenue dedicated to the Massachusetts Bay Transportation Authority of \$1.363 billion and the Massachusetts School Building Authority of \$1.203 billion, and revenue allocated to the non-budgetary Workforce Training Fund \$25 million.

With tax revenues through December 2022 \$1.087 billion above the year-to-date tax revenue benchmark, on January 15, 2022, the Secretary of Administration and Finance raised the FY23 tax revenue estimate by \$192 million. Through January 31, 2022, FY23 year-to-date tax collections totaled \$21.643 billion, down \$229 million, or 1.0%, from the same period in FY21, \$922 million above the upwardly revised year-to-date benchmark.

REQUESTS FOR INFORMATION

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



Basic Financial Statements

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

Statement of Net Position

June 30, 2022

(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	\$ 21,831,400	\$ 5,823,470	\$ 27,654,870	\$ 5,846,023
Restricted cash with fiscal agent	303,519	—	303,519	—
Short-term investments	290,250	923,147	1,213,397	—
Assets held in trust	—	—	—	60,718
Receivables, net of allowance for uncollectibles:				
Taxes	5,477,987	—	5,477,987	—
Federal grants and reimbursements receivable	2,314,768	94,781	2,409,549	158,233
Loans	6,329	5,971	12,300	766,398
Lease receivables	1,301	56,176	57,477	64,192
Other receivables	1,284,212	953,080	2,237,292	380,868
Due from cities and towns	23,031	—	23,031	—
Due from component units	618	783	1,401	—
Due from primary government	—	—	—	764,307
Other current assets	—	62,025	62,025	104,100
Total current assets	31,533,415	7,919,433	39,452,848	8,144,839
Noncurrent assets:				
Cash and cash equivalents - restricted	—	573,900	573,900	706,520
Long-term investments	—	1,336,688	1,336,688	1,572,805
Investments, restricted investments and annuity contracts	1,629,596	943	1,630,539	35,773
Receivables, net of allowance for uncollectibles:				
Taxes	422,945	—	422,945	—
Federal grants and reimbursements receivable	71,124	—	71,124	—
Loans	67,018	21,991	89,009	3,930,929
Lease receivables	68,443	1,276,641	1,345,084	573,770
Other receivables	429,128	29,602	458,730	51,882
Due from component units	10,439	—	10,439	—
Due from primary government	—	—	—	7,684
Non-depreciable capital assets	1,947,892	869,649	2,817,541	15,261,746
Depreciable capital and right-to-use assets, net	4,142,942	8,383,751	12,526,693	26,961,225
Other noncurrent assets	—	27,197	27,197	18,507
Other noncurrent assets - restricted	2,015	—	2,015	—
Total noncurrent assets	8,791,542	12,520,362	21,311,904	49,120,841
Total assets	40,324,957	20,439,795	60,764,752	57,265,680
Deferred outflows of resources:				
Derivatives - interest rate swaps	32,062	515	32,577	34,442
Loss on refunding	90,268	151,183	241,451	193,764
Pension and OPEB	9,697,129	401,158	10,098,287	780,734
Other	—	47,029	47,029	—
Total deferred outflows of resources	9,819,459	599,885	10,419,344	1,008,940
Total assets and deferred outflows	50,144,416	21,039,680	71,184,096	58,274,620
LIABILITIES AND DEFERRED INFLOWS				
Current liabilities:				
Accounts payable and other liabilities	4,631,293	389,459	5,020,752	1,316,055
Accrued payroll	234,133	229,294	463,427	73,171
Compensated absences	531,539	176,309	707,848	36,815
Accrued interest payable	443,193	54,460	497,653	180,202
Tax refunds and abatements payable	4,855,836	206,392	5,062,228	—
Due to component units	818,735	—	818,735	—
Due to primary government	—	—	—	1,401
Due to federal government	538,514	—	538,514	—
Claims and judgments	67,518	—	67,518	—
Unearned revenue	3,909,569	20,380	3,929,949	400,862
Prizes payable	116,542	—	116,542	—

(continued)

Statement of Net Position

June 30, 2022

(Amounts in thousands)

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Government Wide Total	
Deposits and unearned revenue	—	162,628	162,628	—
School construction grants payable	134,480	—	134,480	—
Lease liability	181,112	66,175	247,287	18,540
Massachusetts School Building Authority bonds and unamortized premiums	196,023	—	196,023	—
Bonds payable and unamortized premiums	1,448,408	1,994,302	3,442,710	721,402
Environmental remediation liability	6,968	1,567	8,535	—
Total current liabilities	18,113,863	3,300,966	21,414,829	2,748,448
Noncurrent liabilities:				
Compensated absences	229,041	64,687	293,728	19,491
Accrued interest payable	513	—	513	156,549
Due to component units	7,684	—	7,684	—
Due to primary government	—	—	—	10,439
Due to federal government	9,567	2,958	12,525	—
Overdraws of federal pandemic-related unemployment insurance benefits	—	2,490,802	2,490,802	—
Claims and judgments	200	—	200	—
Unearned revenue	—	—	—	49,724
Prizes payable	499,340	—	499,340	—
Lease liability	764,932	1,191,469	1,956,401	173,282
Bonds payable and unamortized premiums	31,325,921	4,765,576	36,091,497	10,230,492
Massachusetts School Building Authority bonds and unamortized premiums	6,127,665	—	6,127,665	—
School construction grants payable	17,933	—	17,933	—
Environmental remediation liability	474,645	—	474,645	—
Liability for derivative instruments	32,062	515	32,577	57,030
Net pension liability	34,372,032	434,613	34,806,645	1,832,944
Net OPEB liability	14,459,035	758,787	15,217,822	3,266,430
Other noncurrent liabilities	330,157	166,189	496,346	308,469
Total noncurrent liabilities	88,650,727	9,875,596	98,526,323	16,104,850
Total liabilities	106,764,590	13,176,562	119,941,152	18,853,298
Deferred inflows of resources:				
Service concession arrangements	—	15,817	15,817	267
Gain on refunding	901,284	8,662	909,946	3,388
Pension and OPEB	15,171,124	1,323,093	16,494,217	1,204,144
Leases	64,961	1,131,278	1,196,239	607,915
Other	—	50,551	50,551	—
Total deferred inflows of resources	16,137,369	2,529,401	18,666,770	1,815,714
Total liabilities and deferred inflows	122,901,959	15,705,963	138,607,922	20,669,012
NET POSITION				
Net investment in capital assets	(1,783,097)	3,761,986	1,978,889	36,185,765
Restricted for:				
Family and employment security	—	1,837,989	1,837,989	—
Retirement of indebtedness	871,333	—	871,333	—
Higher education endowment funds	—	22,977	22,977	—
Higher education academic support and programs	—	5,771	5,771	—
Higher education scholarships and fellowships:				
Nonexpendable	—	3,061	3,061	—
Expendable	—	13,260	13,260	—
Higher education capital projects - expendable purposes	—	5,596	5,596	—
Grants and gifts	414,443	286,507	700,950	—
Other purposes	—	—	—	5,122,966
Unrestricted (deficits)	(72,260,222)	(603,430)	(72,863,652)	(3,703,123)
Total net position	\$ (72,757,543)	\$ 5,333,717	\$ (67,423,826)	\$ 37,605,608

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

(concluded)

Statement of Activities
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Discretely Presented Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental Activities:								
General government.....	\$ 3,902,680	\$ 561,303	\$ 2,094,770	\$ 68,972	\$ (1,177,635)	\$ —	\$ (1,177,635)	\$ —
Judiciary.....	1,243,650	65,958	3,763	—	(1,173,929)	—	(1,173,929)	—
Direct local aid.....	6,758,880	—	—	—	(6,758,880)	—	(6,758,880)	—
Medicaid.....	22,064,800	642,125	13,830,537	—	(7,592,138)	—	(7,592,138)	—
Group health insurance.....	1,863,586	898,761	—	—	(964,825)	—	(964,825)	—
Energy and environmental affairs.....	822,053	386,816	65,793	—	(369,444)	—	(369,444)	—
Housing and economic development.....	2,806,068	257,188	1,334,461	—	(1,214,419)	—	(1,214,419)	—
Health and human services.....	13,785,541	2,915,732	6,336,526	45,324	(4,487,959)	—	(4,487,959)	—
Transportation and public works.....	3,122,013	602,857	1,288	—	(2,517,868)	—	(2,517,868)	—
Early elementary and secondary education.....	6,961,534	6,366	2,857,872	—	(4,097,296)	—	(4,097,296)	—
Public safety and homeland security.....	3,126,435	405,960	469,890	—	(2,250,585)	—	(2,250,585)	—
Labor and workforce development.....	440,198	192,356	175,290	—	(72,552)	—	(72,552)	—
Lottery.....	4,651,322	5,861,393	—	—	1,210,071	—	1,210,071	—
Interest (unallocated).....	1,445,343	—	—	—	(1,445,343)	—	(1,445,343)	—
Total governmental activities.....	72,994,103	12,796,815	27,170,190	114,296	(32,912,802)	—	(32,912,802)	—
Business-Type Activities:								
Unemployment Compensation.....	3,904,080	1,881,248	3,388,840	—	—	1,366,008	1,366,008	—
Family and Employment Security Trust.....	686,343	925,337	5,051	—	—	244,045	244,045	—
Higher Education:								
University of Massachusetts.....	3,669,599	2,001,814	946,695	87,062	—	(634,028)	(634,028)	—
State Universities.....	1,135,987	607,506	219,065	45,306	—	(264,110)	(264,110)	—
Community Colleges.....	967,439	176,012	404,196	62,870	—	(324,361)	(324,361)	—
Total business-type activities.....	10,363,448	5,591,917	4,963,847	195,238	—	387,554	387,554	—
Total primary government.....	\$ 83,357,551	\$ 18,388,732	\$ 32,134,037	\$ 309,534	(32,912,802)	387,554	(32,525,248)	—
Discretely Presented Component Units:								
Massachusetts Department of Transportation.....	\$ 3,671,552	\$ 882,601	\$ 1,049,310	\$ 2,272,430	—	—	—	532,789
Massachusetts Bay Transportation Authority.....	2,275,419	1,801,247	909,182	1,084,334	—	—	—	1,519,344
Commonwealth Health Insurance Connector.....	761,932	685,391	74,643	—	—	—	—	(1,898)
Massachusetts Clean Water Trust.....	141,889	138,510	—	95,603	—	—	—	92,224
Other nonmajor component units.....	627,415	615,236	217,080	43,639	—	—	—	248,540
Total discretely presented component units.....	\$ 7,478,207	\$ 4,122,985	\$ 2,250,215	\$ 3,496,006	—	—	—	2,390,999

(continued)

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
General revenues:				
Taxes:				
Income	22,038,160	—	22,038,160	—
Sales taxes	8,834,915	—	8,834,915	—
Corporate taxes	4,720,902	—	4,720,902	—
Motor and special fuel taxes	720,505	—	720,505	—
Other taxes	3,489,334	—	3,489,334	—
Miscellaneous:				
Investment earnings/(loss)	49,630	(342,294)	(292,664)	(204,047)
Tobacco settlement	248,497	—	248,497	—
Contribution from municipalities	67,227	—	67,227	—
Other revenue (expense)	769,980	302,025	1,072,005	—
Transfers	(1,727,991)	1,727,991	—	—
Total general revenues and transfers	39,211,159	1,687,722	40,898,881	(204,047)
Change in net position	6,298,357	2,075,276	8,373,633	2,186,952
Net position/(deficits) - beginning, as restated *	(79,055,900)	3,258,441	(75,797,459)	35,418,656
Net position/(deficits) - ending	\$ (72,757,543)	\$ 5,333,717	\$ (67,423,826)	\$ 37,605,608

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

(concluded)

* As restated, see note 1T on page 81-82 - Business - type activities



Governmental Fund Financial Statements

Balance Sheet
Governmental Funds
June 30, 2022
(Amounts in thousands)

	General	Lotteries	Massachusetts School Building Authority	Federal Grants	Federal COVID-19 Response	Other Governmental Funds	Total
ASSETS							
Cash and cash equivalents	\$ 13,098,197	\$ 50,260	\$ 824,449	\$ 309,397	\$ 3,496,192	\$ 4,052,905	\$ 21,831,400
Restricted cash with fiscal agent	—	—	—	—	—	303,519	303,519
Investments, restricted investments and annuity contracts	290,250	615,882	1,013,714	—	—	—	1,919,846
Receivables, net of allowance for uncollectibles:							
Taxes	5,692,609	—	58,389	—	—	149,934	5,900,932
Due from federal government	1,616,268	—	—	621,801	—	147,823	2,385,892
Loan receivable	—	—	61,796	—	—	11,551	73,347
Other receivables	1,289,687	3,463	5,057	—	—	477,478	1,775,685
Due from cities and towns	23,031	—	—	—	—	—	23,031
Due from other funds	1,569,346	—	—	—	—	73,159	1,642,505
Due from component units	618	—	—	—	—	—	618
Total assets	\$ 23,580,006	\$ 669,605	\$ 1,963,405	\$ 931,198	\$ 3,496,192	\$ 5,216,369	\$ 35,856,775
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 3,240,143	\$ 48,804	\$ 12,883	\$ 558,857	\$ 706	\$ 756,138	\$ 4,617,531
Accrued payroll	216,147	—	—	11,186	—	6,800	234,133
Tax refunds and abatements payable	4,854,407	—	585	—	—	844	4,855,836
Due to other funds	—	—	—	—	—	1,642,505	1,642,505
Due to component units	79,475	—	—	—	—	739,260	818,735
Due to federal government	538,514	—	—	—	—	—	538,514
Unearned revenue	—	—	—	254,863	3,495,486	159,220	3,909,569
Claims and judgments	67,518	—	—	—	—	—	67,518
School construction grants payable	—	—	37,390	—	—	—	37,390
Other accrued liabilities	624	—	—	—	—	13,137	13,761
Total liabilities	8,996,828	48,804	50,858	824,906	3,496,192	3,317,904	16,735,492
Deferred inflows of resources - unavailable revenue	651,528	4,372	—	—	—	332,258	988,158
Total liabilities and deferred inflows of resources	9,648,356	53,176	50,858	824,906	3,496,192	3,650,162	17,723,650
Fund balances:							
Nonspendable	—	615,882	—	—	—	—	615,882
Restricted	—	—	833,878	106,292	—	345,607	1,285,777
Committed	6,937,864	—	—	—	—	3,403,602	10,341,466
Assigned	2,542,037	547	1,078,669	—	—	175,146	3,796,399
Unassigned (deficits)	4,451,749	—	—	—	—	(2,358,148)	2,093,601
Fund balances	13,931,650	616,429	1,912,547	106,292	—	1,566,207	18,133,125
Total liabilities, deferred inflows of resources and fund balances	\$ 23,580,006	\$ 669,605	\$ 1,963,405	\$ 931,198	\$ 3,496,192	\$ 5,216,369	\$ 35,856,775

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, 2022

(Amounts in thousands)

Total fund balances - governmental funds		\$ 18,133,125
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	1,947,892	
Capital assets being depreciated, net	3,231,800	
Right-to-use assets, net	907,744	
Right-to-use assets, net (Massachusetts School Building Authority)	<u>3,398</u>	
Capital assets, net of accumulated depreciation and amortization		6,090,834
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		923,196
Deferred inflows of resources are not reported in the governmental funds:		
Gain on refunding	(901,284)	
Pension and OPEB related	<u>(15,171,124)</u>	
Total deferred inflow of resources		(16,072,408)
Deferred outflows of resources are not reported in the governmental funds:		
Change in fair value of interest rate swaps	32,062	
Loss on refunding	90,268	
Pension and OPEB related	<u>9,697,129</u>	
Total deferred outflow of resources		9,819,459
Massachusetts School Building Authority assets (excluding capital assets)		9,416
Due from component units		10,439
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	(34,372,032)	
Net OPEB liability	(14,459,035)	
Commonwealth bonded debt	(29,335,406)	
Unamortized bond premiums	(3,438,923)	
Accrued interest on bonds	(443,193)	
Massachusetts School Building Authority bonded debt	(6,323,688)	
Massachusetts School Building Authority grants to municipalities	(115,023)	
Prizes payable	(615,882)	
Lease liability	(946,044)	
Environmental remediation liability	(481,613)	
Claims and judgments	(200)	
Liability for derivative instruments	(32,062)	
Employee benefits, including compensated absences, health insurance benefits and other compensation claims	<u>(1,108,503)</u>	
Long-term liabilities (including current portions)		<u>(91,671,604)</u>
Total net (deficit) - governmental activities		<u>\$ (72,757,543)</u>

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, 2022
(Amounts in thousands)

	General	Lotteries	Massachusetts School Building Authority	Federal Grants	Federal COVID-19 Response	Other Governmental Funds	Total
REVENUES							
Taxes	\$ 34,949,426	\$ 224	\$ 1,189,633	\$ —	\$ —	\$ 3,677,130	\$ 39,816,413
Assessments	402,909	—	—	—	—	1,181,800	1,584,709
Federal grants and reimbursements	15,267,254	—	—	9,412,563	15,203	2,518,720	27,213,740
Departmental	4,123,505	5,862,734	—	—	—	1,518,107	11,504,346
Miscellaneous	640,475	1,281	(26,609)	32	—	458,822	1,074,002
Total revenues	55,383,569	5,864,239	1,163,024	9,412,595	15,203	9,354,579	81,193,210
EXPENDITURES							
Current:							
Legislature	76,093	—	—	—	—	—	76,093
Judiciary	1,091,131	—	—	3,159	—	286	1,094,576
Inspector General	6,387	—	—	—	—	15	6,402
Governor and Lieutenant Governor	7,344	—	—	—	—	55	7,399
Secretary of the Commonwealth	49,992	—	—	867	—	8,583	59,442
Treasurer and Receiver-General	215,003	4,790,280	14,130	3,148	—	1,720,012	6,742,573
Auditor of the Commonwealth	21,366	—	—	—	—	—	21,366
Attorney General	112,792	—	—	45,685	—	6,353	164,830
Ethics Commission	2,691	—	—	—	—	—	2,691
District Attorney	150,329	—	—	4,191	—	6,094	160,614
Office of Campaign and Political Finance	1,786	—	—	—	—	—	1,786
Sheriff's Departments	662,825	—	—	5,813	—	10,722	679,360
Disabled Persons Protection Commission	8,660	—	—	1,347	—	—	10,007
Commission on Status of Women	501	—	—	—	—	—	501
Board of Library Commissioners	36,366	—	—	6,769	—	—	43,135
Massachusetts Gaming Commission	—	—	—	—	—	56,032	56,032
Comptroller	25,457	—	—	—	—	1,995	27,452
Administration and Finance	2,427,963	—	—	79,893	—	1,104,928	3,612,784
Energy and Environmental Affairs	413,244	—	—	40,021	—	138,477	591,742
Health and Human Services	8,114,832	—	—	4,806,850	—	524,624	13,446,306
Executive Office of Technology Services	161,711	—	—	1,459	—	10,010	173,180
Massachusetts Department of Transportation	1,970	—	—	91	—	2,999,863	3,001,924
Office of the Child Advocate	2,930	—	—	—	—	—	2,930
Commission Against Discrimination	6,870	—	—	—	—	—	6,870
Cannabis Control Commission	—	—	—	—	—	13,816	13,816
Executive Office of Education	4,025,367	—	—	2,483,322	10,000	59,870	6,578,559
Center for Health and Information Analysis	29,077	—	—	—	—	14	29,091
Massachusetts School Building Assistance	—	—	628,351	—	—	—	628,351
Public Safety and Homeland Security	1,235,106	—	—	268,161	—	335,664	1,838,931
Massachusetts Peace Officer Standards and Training	1,740	—	—	—	—	—	1,740
Housing and Economic Development	817,521	—	—	1,348,160	—	128,734	2,294,415
Labor and Workforce Development	134,671	—	—	160,888	5,203	109,936	410,698
Medicaid	20,082,581	—	—	—	—	1,982,219	22,064,800
Post employment benefits	2,104,009	—	749	—	—	11,953	2,116,711
Direct local aid	6,658,064	—	—	—	—	100,816	6,758,880
Capital outlay:							
Capital acquisition and construction	—	—	—	—	—	1,420,368	1,420,368
Debt service/commercial paper repayments	—	—	386,806	—	—	2,638,616	3,025,422
Principal on current refundings	—	—	—	—	—	610,306	610,306
Total expenditures	48,686,379	4,790,280	1,030,036	9,259,823	15,203	14,000,361	77,782,083
Excess/(deficiency) of revenues over/(under) expenditures	6,697,190	1,073,959	132,988	152,772	—	(4,645,782)	3,411,127
OTHER FINANCING SOURCES							
Bonds premium	—	—	648	—	—	368,473	369,121
Issuance of general and special obligation bonds	—	—	342,152	—	—	1,742,836	2,084,988
Issuance of current refunding bonds	—	—	—	—	—	525,485	525,485
Transfers in for debt service	—	—	—	—	—	2,611,214	2,611,214
Transfers in	2,240,093	—	—	4,054	—	2,812,798	5,056,945
Total other financing sources	2,240,093	—	342,800	4,054	—	8,060,806	10,647,753
OTHER FINANCING USES							
Payments to refunding bond escrow agent	—	—	346,950	—	—	—	346,950
Transfers out	1,837,221	1,214,230	—	171,488	—	1,690,473	4,913,412
Transfers of appropriations	1,656,754	—	—	244	—	7,643	1,664,641
Transfers of bond proceeds	—	—	—	—	—	206,883	206,883
Transfers out for debt service	1,253,971	—	—	—	—	1,357,243	2,611,214
Total other financing uses	4,747,946	1,214,230	346,950	171,732	—	3,262,242	9,743,100
Total other financing sources and (uses)	(2,507,853)	(1,214,230)	(4,150)	(167,678)	—	4,798,564	904,653
Net change in fund balances	4,189,337	(140,271)	128,838	(14,906)	—	152,782	4,315,780
Fund balances at beginning of year	9,742,313	756,700	1,783,709	121,198	—	1,413,425	13,817,345
Fund balances at end of year	\$ 13,931,650	\$ 616,429	\$ 1,912,547	\$ 106,292	\$ —	\$ 1,566,207	\$ 18,133,125

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, 2022

(Amounts in thousands)

Net change in fund balances - total governmental funds	\$ 4,315,780
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	1,585,901
Current year depreciation and amortization expense	(548,881)
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	353,020
Long-term receivables	(28,000)
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	(363,471)
Change in lease liabilities	(931,784)
Massachusetts School Building Authority (excluding lease related assets and liabilities)	208,397
Net pension costs	1,026,913
Net OPEB costs	424,494
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	255,988
Change in net position of governmental activities	<u>\$ 6,298,357</u>

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



Proprietary Fund Financial Statements

Statement of Net Position
Proprietary Funds
June 30, 2022
(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	\$ 3,281,894	\$ 1,628,357	\$ 211,442	\$ 424,523	\$ 277,254	\$ 5,823,470
Short-term investments	—	—	733,347	120,516	69,284	923,147
Receivables, net of allowance for uncollectibles:						
Federal grants and reimbursements receivable	—	—	78,749	4,621	11,411	94,781
Loans receivable	—	—	4,798	1,173	—	5,971
Lease receivable	—	—	16,464	39,712	—	56,176
Other receivables	327,166	275,586	243,251	23,449	73,695	943,147
Due from affiliates	—	—	9,791	—	142	9,933
Due from foundation	—	—	—	444	339	783
Other current assets	—	—	49,371	6,814	5,840	62,025
Total current assets	3,609,060	1,903,943	1,347,213	621,252	437,965	7,919,433
Noncurrent assets:						
Cash and cash equivalents - restricted	—	—	538,617	35,249	34	573,900
Long-term investments	—	—	1,052,299	193,892	90,497	1,336,688
Restricted investments	—	—	—	943	—	943
Receivables, net of allowance for uncollectibles:						
Loans receivable	—	—	19,365	2,626	—	21,991
Lease receivable	—	—	317,654	958,987	—	1,276,641
Other receivables	—	—	29,602	—	—	29,602
Non-depreciable capital assets	—	—	599,091	127,330	143,228	869,649
Depreciable capital and right-to-use assets, net	—	—	4,927,971	2,673,167	782,613	8,383,751
Other noncurrent assets	—	—	17,463	9,732	2	27,197
Total noncurrent assets	—	—	7,502,062	4,001,926	1,016,374	12,520,362
Total assets	3,609,060	1,903,943	8,849,275	4,623,178	1,454,339	20,439,795
Deferred outflows of resources:						
Derivatives - interest rate swaps	—	—	—	—	515	515
Pensions and OPEB	—	—	271,885	84,198	45,075	401,158
Loss on refunding	—	—	115,519	35,664	—	151,183
Other	—	—	46,594	435	—	47,029
Total deferred outflows of resources	—	—	433,998	120,297	45,590	599,885
Total assets and deferred outflows	3,609,060	1,903,943	9,283,273	4,743,475	1,499,929	21,039,680
LIABILITIES AND DEFERRED INFLOWS:						
Current liabilities:						
Accounts payable and other liabilities	25,709	52,248	224,923	41,208	45,371	389,459
Accrued payroll	—	216	151,430	48,654	28,994	229,294
Compensated absences	—	—	104,113	37,460	34,736	176,309
Accrued interest payable	28,799	—	25,433	100	128	54,460
Tax refunds and abatements payable	192,902	13,490	—	—	—	206,392
Unearned revenue	—	—	—	15,240	5,140	20,380
Student deposits and unearned revenues	—	—	120,833	12,862	28,933	162,628
Lease liability	—	—	15,047	42,267	8,861	66,175
Environmental remediation liability	—	—	—	—	1,567	1,567
Bonds, notes payable and other obligations	1,768,015	—	161,804	60,533	3,950	1,994,302
Total current liabilities	2,015,425	65,954	803,583	258,324	157,680	3,300,966
Noncurrent liabilities:						
Compensated absences	—	—	25,039	21,939	17,709	64,687
Due to federal government	—	—	—	2,958	—	2,958
Overdraws of federal pandemic-related unemployment insurance benefits	2,490,802	—	—	—	—	2,490,802
Lease liability	—	—	185,609	980,011	25,849	1,191,469
Bonds, notes payable and other obligations	—	—	3,525,569	1,199,473	40,534	4,765,576
Liability for derivative instruments	—	—	—	—	515	515
Net pension liability	—	—	276,313	110,553	47,747	434,613
Net OPEB liability	—	—	485,141	189,812	83,834	758,787
Other noncurrent liabilities	—	—	148,411	11,142	6,636	166,189
Total noncurrent liabilities	2,490,802	—	4,646,082	2,515,888	222,824	9,875,596
Total liabilities	4,506,227	65,954	5,449,665	2,774,212	380,504	13,176,562

(continued)

Statement of Net Position
Proprietary Funds
June 30, 2022
(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:						
Service concession arrangements	—	—	—	15,698	119	15,817
Pensions and OPEB	—	—	808,934	327,681	186,478	1,323,093
Gain on refunding	—	—	—	8,662	—	8,662
Leases	—	—	232,271	899,007	—	1,131,278
Other	—	—	44,451	4,784	1,316	50,551
Total deferred inflows of resources	—	—	1,085,656	1,255,832	187,913	2,529,401
Total liabilities and deferred inflows	4,506,227	65,954	6,535,321	4,030,044	568,417	15,705,963
NET POSITION:						
Net investment in capital assets	—	—	2,281,471	633,819	846,696	3,761,986
Restricted for:						
Family and employment benefits	—	1,837,989	—	—	—	1,837,989
Higher education endowment funds	—	—	22,515	33	429	22,977
Higher education academic support and programs	—	—	—	1,209	4,562	5,771
Higher education scholarships and fellowships:						
Nonexpendable	—	—	—	3,061	—	3,061
Expendable	—	—	—	6,150	7,110	13,260
Higher education capital projects - expendable purposes	—	—	—	5,596	—	5,596
Higher education grants, gifts, and other	—	—	262,669	22,572	1,266	286,507
Unrestricted	(897,167)	—	181,297	40,991	71,449	(603,430)
Total net position	\$ (897,167)	\$ 1,837,989	\$ 2,747,952	\$ 713,431	\$ 931,512	\$ 5,333,717

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, 2022

(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	\$ 1,867,087	\$ —	\$ —	\$ —	\$ —	\$ 1,867,087
Family and employment security contribution	—	925,337	—	—	—	925,337
Net tuition and fees	—	—	1,007,124	355,977	160,764	1,523,865
Grants and reimbursements	—	—	719,479	118,063	226,091	1,063,633
Auxiliary enterprises	—	—	434,129	125,579	2,903	562,611
Sales & services	—	—	429,790	113,846	321	543,957
Miscellaneous	14,161	—	130,771	12,104	12,024	169,060
Total operating revenues	1,881,248	925,337	2,721,293	725,569	402,103	6,655,550
Operating expenses:						
Unemployment compensation	3,904,080	—	—	—	—	3,904,080
Family and employment security	—	617,023	—	—	—	617,023
Instruction	—	—	930,362	333,930	303,844	1,568,136
Research	—	—	551,367	179	7	551,553
Academic support	—	—	194,153	101,314	104,390	399,857
Student services	—	—	211,088	119,705	137,436	468,229
Scholarships and fellowships	—	—	121,334	85,850	120,257	327,441
Public service	—	—	71,649	4,725	5,461	81,835
Operation and maintenance of plant	—	—	242,749	105,061	79,065	426,875
Institutional support	—	—	315,810	117,203	145,269	578,282
Other operating expenses	—	69,320	312,002	3,164	—	384,486
Depreciation	—	—	300,240	106,961	50,640	457,841
Amortization	—	—	30,475	57,892	9,692	98,059
Auxiliary operations	—	—	320,535	98,317	2,739	421,591
Total operating expenses	3,904,080	686,343	3,601,764	1,134,301	958,800	10,285,288
Operating income/(loss)	(2,022,832)	238,994	(880,471)	(408,732)	(556,697)	(3,629,738)
Nonoperating revenues/(expenses):						
Other federal revenues	3,410,616	—	227,216	101,002	178,105	3,916,939
Other revenues	—	—	277,428	24,597	—	302,025
Other expenses	—	—	(67,835)	(1,686)	(8,639)	(78,160)
Investment income/(loss)	(21,776)	5,051	(206,097)	(110,873)	(25,324)	(359,019)
Total nonoperating revenues/(expenses)	3,388,840	5,051	230,712	13,040	144,142	3,781,785
Income/(loss) before capital grants and contributions and transfers	1,366,008	244,045	(649,759)	(395,692)	(412,555)	152,047
Capital grants and contributions	—	—	87,062	45,306	62,870	195,238
Transfers, net	100,000	(2,423)	723,487	435,296	471,631	1,727,991
Total capital grants and contributions and transfers	100,000	(2,423)	810,549	480,602	534,501	1,923,229
Change in net position	1,466,008	241,622	160,790	84,910	121,946	2,075,276
Total net position - beginning, as restated *	(2,363,175)	1,596,367	2,587,162	628,521	809,566	3,258,441
Total net position - ending	\$ (897,167)	\$ 1,837,989	\$ 2,747,952	\$ 713,431	\$ 931,512	\$ 5,333,717

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

* As restated, see note 1T on pages 81-82

Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2022
(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	\$ 1,395,690	\$ —	\$ —	\$ —	\$ —	\$ 1,395,690
Collection of family and employment security contributions	—	949,690	—	—	—	949,690
Tuition, residence, dining and other student fees	—	—	1,106,745	357,673	153,021	1,617,439
Research grants and contracts	—	—	724,415	190,369	219,724	1,134,508
Payments to suppliers	—	(59,556)	(1,055,007)	(222,614)	(169,907)	(1,507,084)
Payments to employees	—	(5,250)	(2,327,857)	(569,692)	(525,597)	(3,428,396)
Payments to students	—	—	(122,685)	(63,129)	(120,180)	(305,994)
Payments for unemployment benefits	(4,251,836)	—	—	—	—	(4,251,836)
Payments for family and employment security benefits	—	(601,742)	—	—	—	(601,742)
Collection of loans to students and employees	—	—	7,873	780	—	8,653
Income from contract services	—	—	420,296	1,160	502	421,958
Maintenance costs	—	—	—	(1,069)	—	(1,069)
Auxiliary enterprise charges	—	—	434,311	86,730	80	521,121
Other receipts/(payments)	10,331	—	(589,762)	(418,774)	(447,725)	(1,445,930)
Net cash provided by/(used in) operating activities	(2,845,815)	283,142	(1,401,671)	(638,566)	(890,082)	(5,492,992)
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES						
State appropriations	—	—	880,003	334,047	334,295	1,548,345
Grants and contracts	3,962,143	—	300,484	109,908	167,136	4,539,671
Due to federal government refund	(156,022)	—	—	—	—	(156,022)
Principal paid on loan payable	(500,000)	—	—	—	—	(500,000)
Interest paid on loan payable	(3,397)	—	—	—	—	(3,397)
Net transfers in/(out)	100,000	(2,423)	723,487	435,296	471,631	1,727,991
Assignment of Perkins loans	—	—	—	(259)	—	(259)
Net cash provided by/(used in) non-capital financing activities	3,402,724	(2,423)	1,903,974	878,992	973,062	7,156,329
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital appropriations	—	—	87,062	37,805	10,884	135,751
Purchases of capital assets	—	—	(378,227)	(62,575)	(41,571)	(482,373)
Proceeds/(loss) from sales of capital assets	—	—	47,586	987	—	48,573
Proceeds from debt issuance	—	—	512,947	40,251	—	553,198
Other capital asset activity	—	—	26,905	188	1,371	28,464
Advance payment related to service concession arrangement	—	—	—	4,288	—	4,288
Investments held by bond trustee, net	—	—	—	249	—	249
Principal paid on capital debt and leases	—	—	(210,816)	(65,417)	(13,472)	(289,705)
Payment of debt issuance costs and mortgage insurance premium	—	—	(2,423)	(202)	—	(2,625)
Interest paid on capital debt and leases	—	—	(135,125)	(88,009)	(3,182)	(226,316)
Net cash provided by/(used in) capital financing activities	—	—	(52,091)	(132,435)	(45,970)	(230,496)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sales and maturities of investments	—	—	1,317,831	93,787	32,256	1,443,874
Purchases of investments	—	—	(1,397,908)	(157,553)	(74,807)	(1,630,268)
Investment earnings	10,420	5,051	25,990	12,394	316	54,171
Net cash provided by/(used in) investing activities	10,420	5,051	(54,087)	(51,372)	(42,235)	(132,223)
Net increase/(decrease) in cash and cash equivalents	567,329	285,770	396,125	56,619	(5,225)	1,300,618
Cash and cash equivalents, restricted cash and cash equivalents at the beginning of the fiscal year	2,714,565	1,342,587	353,934	403,153	282,513	5,096,752
Cash and cash equivalents, restricted cash and cash equivalents at the end of the fiscal year	\$ 3,281,894	\$ 1,628,357	\$ 750,059	\$ 459,772	\$ 277,288	\$ 6,397,370
Reconciliation of net operating revenues and expenses to cash used by operating activities:						
Operating income/(loss)	\$ (2,022,832)	\$ 238,994	\$ (880,471)	\$ (408,732)	\$ (556,697)	\$ (3,629,738)
Adjustments to reconcile operating income/(loss) to net cash provided by/(used in) operating activities:						
Depreciation expense	—	—	300,240	106,961	50,640	457,841
Amortization expense	—	—	30,475	57,892	9,692	98,059
Fringe benefits paid by the Commonwealth	—	—	—	108,763	116,460	225,223
Changes in assets and liabilities:						
Accounts receivable, prepaids and other assets	9,047	18,362	(719,385)	(422,799)	(469,638)	(1,584,413)
Accounts payable, accrued liabilities and benefits	(832,030)	25,786	(17,623)	738	4,120	(819,009)
Student deposits and other unearned and deferred revenues	—	—	668	16,791	(12,292)	5,167
Other noncurrent assets - restricted and liabilities	—	—	(115,575)	(98,180)	(32,367)	(246,122)
Net cash provided by/(used in) operating activities	\$ (2,845,815)	\$ 283,142	\$ (1,401,671)	\$ (638,566)	\$ (890,082)	\$ (5,492,992)

Non-cash investing, capital and financing activities:

The University System, the State Universities and Community Colleges had \$31.6 million, \$165.0 million and \$160.7 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, 2022

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Custodial Funds
ASSETS				
Cash and cash equivalents	\$ 490,837	\$ 6,570,352	\$ 1,238	\$ 871,825
Short-term investments	—	28,743	—	—
Net investment in PRIT at fair value	70,832,274	21,590,148	—	—
Investments, restricted investments	—	—	—	494,369
Receivables, net of allowance for uncollectibles:				
Taxes	—	—	—	41,038
Other receivables	218,545	3,786	—	159,368
Due from federal government	—	—	—	3,172
Other assets	487	—	—	—
Total assets	71,542,143	28,193,029	1,238	1,569,772
LIABILITIES				
Accounts payable and other accrued liabilities	37,772	3,757	—	212,061
Due to cities and towns	—	—	—	95,185
Other liabilities	—	—	—	7,528
Total liabilities	37,772	3,757	—	314,774
NET POSITION				
Restricted for:				
Employees' pension	69,515,988	—	—	—
Employees' post-employment benefits	1,988,383	—	—	—
External investment trust fund participants	—	28,189,272	—	—
Individuals, organizations, and other governments	—	—	1,238	1,254,998
Total net position	\$ 71,504,371	\$ 28,189,272	\$ 1,238	\$ 1,254,998

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, 2022

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS				
Contributions:				
Employer contributions - Commonwealth	\$ 1,971,396	\$ —	\$ —	\$ —
Non-employer contributions - Commonwealth	2,161,592	—	—	—
Employer contributions - other employers	11,454	—	—	—
Employee contributions	1,585,976	—	—	—
ERIP funding contribution - Commonwealth	28,449	—	—	—
Boston teachers' contribution from Commonwealth	179,369	—	—	—
Proceeds from sale of units	—	18,011,354	—	—
Sales tax collections for other governments	—	—	—	498,889
Child support collections	—	—	—	605,065
Local school aid collections	—	—	—	928,489
Municipal health insurance deposit collections	—	—	—	802,331
Court escrow account collections	—	—	—	123,679
ARPA local pass-through collections	—	—	—	664,565
Other additions	236,521	2,338,505	—	347,619
Total contributions	6,174,757	20,349,859	—	3,970,637
Net investment gain/(loss):				
Investment gain/(loss)	(2,331,385)	(116,785)	2	(32,472)
Less: investment expense	(392,752)	(364,798)	—	—
Net investment gain/(loss)	(2,724,137)	(481,583)	2	(32,472)
Total additions	3,450,620	19,868,276	2	3,938,165
DEDUCTIONS				
Administration	33,897	—	—	—
Retirement benefits and refunds	6,677,849	1,355,788	—	—
Payments to State Boston Retirement System	179,369	—	—	—
Cost of units redeemed	—	17,158,950	—	—
Distribution to unit holders	—	20,020	—	—
Sales tax payments to other governments	—	—	—	498,889
Child support payments to individuals	—	—	—	623,816
Local school aid payments	—	—	—	928,489
Municipal health insurance deposit payments	—	—	—	729,235
Court escrow account payments	—	—	—	121,245
ARPA local pass-through payments	—	—	—	664,565
Other deductions	93,669	—	—	296,818
Total deductions	6,984,784	18,534,758	—	3,863,057
Change in net position	(3,534,164)	1,333,518	2	75,108
Net position - beginning, as restated *	75,038,535	26,855,754	1,236	1,179,890
Net position - ending	\$ 71,504,371	\$ 28,189,272	\$ 1,238	\$ 1,254,998

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

* As restated, see note 1T on pages 81-82



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

Statement of Net Position
Discretely Presented Component Units
June 30, 2022

(Amounts in thousands)

	Massachusetts Department of Transportation	Massachusetts Bay Transportation Authority	Commonwealth Health Insurance Connector	Massachusetts Clean Water Trust	Nonmajor Component Units	Total
ASSETS AND DEFERRED OUTFLOWS						
Current assets:						
Cash and cash equivalents	\$ 253,942	\$ 561,070	\$ 98,093	\$ 968,958	\$ 373,569	\$ 2,255,632
Short-term investments	—	163,518	—	197,748	274,718	635,984
Restricted cash and investments	1,603,118	930,222	—	—	421,067	2,954,407
Assets held in trust	—	—	—	19,246	41,472	60,718
Receivables, net of allowance for uncollectibles:						
Federal grants and reimbursement receivable	54,121	28,754	—	40,965	34,393	158,233
Loans	—	—	—	690,204	76,194	766,398
Lease receivables	50,651	7,746	—	—	5,795	64,192
Other receivables	235,717	57,687	8,682	33,621	45,161	380,868
Due from primary government	423,559	248,277	12,996	—	79,475	764,307
Inventory	—	62,125	—	—	136	62,261
Other current assets	11,277	12,573	477	—	17,512	41,839
Total current assets	2,632,385	2,071,972	120,248	1,950,742	1,369,492	8,144,839
Noncurrent assets:						
Cash and cash equivalents - restricted	—	666,087	—	—	40,433	706,520
Long-term investments	—	—	—	444,259	1,128,546	1,572,805
Restricted investments and annuity contracts	—	—	—	—	35,773	35,773
Lease receivables	375,134	145,711	—	—	52,925	573,770
Other receivables, net	26,064	—	—	—	25,818	51,882
Loans receivables, net	—	—	—	3,347,650	583,279	3,930,929
Due from primary government	3,307	—	—	—	4,377	7,684
Non-depreciable capital assets	11,494,367	3,515,120	—	—	252,259	15,261,746
Depreciable capital and right-to-use assets, net	15,234,425	10,938,747	19,493	—	768,560	26,961,225
Other noncurrent assets	1,010	—	—	4,339	13,158	18,507
Total noncurrent assets	27,134,307	15,265,665	19,493	3,796,248	2,905,128	49,120,841
Total assets	29,766,692	17,337,637	139,741	5,746,990	4,274,620	57,265,680
Deferred outflows of resources:						
Change in fair value of interest rate swaps	17,571	1,952	—	—	14,919	34,442
Loss on refunding	57,236	109,769	—	26,759	—	193,764
Pension and OPEB	330,601	438,352	4,034	—	7,747	780,734
Total deferred outflows of resources	405,408	550,073	4,034	26,759	22,666	1,008,940
Total assets and deferred outflows	30,172,100	17,887,710	143,775	5,773,749	4,297,286	58,274,620
LIABILITIES AND DEFERRED INFLOWS						
Current liabilities:						
Accounts payable and other liabilities	569,907	512,722	15,430	23,778	194,218	1,316,055
Accrued payroll	—	70,132	293	—	2,746	73,171
Compensated absences	32,168	—	899	—	3,748	36,815
Accrued interest payable	30,313	98,586	—	48,903	2,400	180,202
Due to primary government	—	—	—	—	1,401	1,401
Unearned revenue	205,564	—	50,954	30,552	113,792	400,862
Lease liability	6,564	6,839	903	—	4,234	18,540
Bonds, notes payable and other obligations	129,591	316,797	—	219,785	55,229	721,402
Total current liabilities	974,107	1,005,076	68,479	323,018	377,768	2,748,448
Noncurrent liabilities:						
Compensated absences	18,256	—	—	—	1,235	19,491
Accrued interest payable	156,549	—	—	—	—	156,549
Due to primary government	—	—	—	—	10,439	10,439
Unearned revenue	3,778	45,649	—	—	297	49,724
Lease liability	46,926	74,864	2,696	—	48,796	173,282
Bonds, notes payable and other obligations	1,672,679	5,553,756	—	2,469,263	534,794	10,230,492
Net pension liability	516,751	1,286,620	—	—	29,573	1,832,944
Net OPEB liability	838,489	2,411,715	11,408	—	4,818	3,266,430
Liability for derivative instruments	54,829	2,201	—	—	—	57,030
Other noncurrent liabilities	39,406	102,035	—	—	167,028	308,469
Total noncurrent liabilities	3,347,663	9,476,840	14,104	2,469,263	796,980	16,104,850
Total liabilities	4,321,770	10,481,916	82,583	2,792,281	1,174,748	18,853,298
Deferred inflows of resources:						
Gain on refundings	—	—	—	3,388	—	3,388
Service concession arrangements	—	—	—	—	267	267
Pension and OPEB	581,847	602,090	4,684	—	15,523	1,204,144
Leases	419,075	121,010	—	—	67,830	607,915
Total deferred inflows of resources	1,000,922	723,100	4,684	3,388	83,620	1,815,714
Total liabilities and deferred inflows	5,322,692	11,205,016	87,267	2,795,669	1,258,368	20,669,012
NET POSITION						
Net investment in capital assets	25,172,000	10,037,135	19,493	—	957,137	36,185,765
Restricted for:						
Other purposes	1,078,215	132,897	—	2,375,750	1,536,104	5,122,966
Unrestricted	(1,400,807)	(3,487,338)	37,015	602,330	545,677	(3,703,123)
Total net position	\$ 24,849,408	\$ 6,682,694	\$ 56,508	\$ 2,978,080	\$ 3,038,918	\$ 37,605,608

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, 2022

(Amounts in thousands)

	Massachusetts Department of Transportation	Massachusetts Bay Transportation Authority	Commonwealth Health Insurance Connector	Massachusetts Clean Water Trust	Nonmajor Component Units	Total
Operating revenues:						
Charges for services	\$ 882,601	\$ 322,292	\$ 685,306	\$ 5,473	\$ 373,320	\$ 2,268,992
Other	—	64,565	85	133,037	76,619	274,306
Total operating revenues	882,601	386,857	685,391	138,510	449,939	2,543,298
Operating expenses:						
Cost of services	2,957,720	858,544	643,088	140,013	273,677	4,873,042
Administration costs	—	890,099	75,913	1,876	180,142	1,148,030
Depreciation & Amortization	713,832	526,776	5,207	—	64,942	1,310,757
Total operating expenses	3,671,552	2,275,419	724,208	141,889	518,761	7,331,829
Operating income/(loss)	(2,788,951)	(1,888,562)	(38,817)	(3,379)	(68,822)	(4,788,531)
Nonoperating revenues/(expenses):						
Operating grants	1,049,310	909,182	74,643	—	217,080	2,250,215
Capital grants	—	1,084,334	—	—	—	1,084,334
Interest income/(loss)	(1,026)	16,546	174	—	(219,741)	(204,047)
Other nonoperating revenue/(expense)	—	1,414,390	(37,724)	—	56,643	1,433,309
Nonoperating revenues/(expenses), net	1,048,284	3,424,452	37,093	—	53,982	4,563,811
Income/(loss) before contributions	(1,740,667)	1,535,890	(1,724)	(3,379)	(14,840)	(224,720)
Capital contributions	2,272,430	—	—	95,603	43,639	2,411,672
Change in net position	531,763	1,535,890	(1,724)	92,224	28,799	2,186,952
Net position - beginning, as restated *	24,317,645	5,146,804	58,232	2,885,856	3,010,119	35,418,656
Net position - ending	\$ 24,849,408	\$ 6,682,694	\$ 56,508	\$ 2,978,080	\$ 3,038,918	\$ 37,605,608

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

* As restated, see note 1T on page 81-82



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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION

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

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

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

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

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

The Pension Reserves Investment Trust Fund (PRIT) is the investment portfolio for the pension assets of the Commonwealth and as such, is presented as a blended component unit. PRIT is managed by the Pension Reserves Investment Management (PRIM) Board. Certain portions of PRIT's net position totaling approximately \$21.590 billion relate to holdings on behalf of cities and towns that participate in the Pool and are reported as an external investment trust within the fiduciary fund type.

The Massachusetts Municipal Depository Trust (MMDT) is an investment pool of the Commonwealth and its political subdivisions. The various local governments and other political subdivisions share of net position is approximately \$6.599 billion at June 30, 2022, 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 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 Bay Transportation Authority (MBTA) finances and operates mass transportation facilities within, and, to a limited extent, outside of its territorial area within the Greater Boston Area of 176 cities and towns and is authorized to enter into agreements for providing mass transportation service by private companies, including railroads. Effective July 29, 2021, the Authority is a component unit of the Commonwealth of Massachusetts. Previously, the Authority was a component unit of MassDOT.

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.

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

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 115-133](#).

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, 2022, 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 FY22 governmental fund balances are shown below (amounts in thousands);

	Nonexpendable Purposes	Restricted Purposes	Committed Purposes	Assigned Purposes	Unassigned Purposes	Totals
General Fund						
General Government	\$ —	\$ —	\$ —	\$ —	\$ (180,019)	\$ (180,019)
Stabilization Fund	—	—	6,937,864	—	—	6,937,864
FY22 Authorizations Reappropriated in FY23	—	—	—	2,542,037	—	2,542,037
Transitional Escrow Fund	—	—	—	—	4,631,768	4,631,768
Subtotals, General Fund	—	—	6,937,864	2,542,037	4,451,749	13,931,650
Lottery Funds						
Investments, Restricted Investments, Annuity Contracts and Lottery Operations	615,882	—	—	547	—	616,429
Massachusetts School Building Authority (MSBA)						
Debt Service	—	831,862	—	—	—	831,862
OPEB	—	2,016	—	—	—	2,016
Grants to Cities, Towns and Local School Districts	—	—	—	1,078,669	—	1,078,669
Subtotals, MSBA	—	833,878	—	1,078,669	—	1,912,547
Federal Grants						
Restricted by Federal Grantors	—	106,292	—	—	—	106,292
Other Governmental Funds						
Environmental	—	—	19,241	—	—	19,241
Regional Greenhouse Gas Auction and Mitigation	—	—	184,656	—	—	184,656
Dam and Seawall Repair	—	—	20,823	—	—	20,823
Public Safety - Enhanced 911 Services	—	—	250,833	—	—	250,833
Public Safety - Other	—	—	28,232	—	—	28,232
Health Care	—	—	1,013,751	—	—	1,013,751
Vaccine Purchase	—	—	84,856	—	—	89,644
Opioid Recovery and Remediation	—	—	89,644	—	—	84,856
Marijuana Regulation	—	—	34,438	—	—	34,438
Social Innovation Financing	—	—	5,879	—	—	5,879
Workforce Training	—	—	67,891	—	—	67,891
Department of Industrial Accidents	—	—	34,153	—	—	34,153
Convention Centers	—	8,393	299,992	—	—	308,385
General Government Capital Projects Fund	—	—	—	—	(1,204,930)	(1,204,930)
Highway Capital Projects Fund	—	—	—	—	(1,027,752)	(1,027,752)
General Government Debt Service	—	22,814	66,460	—	—	89,274
Transportation (GANS*/Commonwealth Transportation Fund)	—	16,657	56,863	—	—	73,520
Debt Service for Unemployment Compensation Special Obligation Bonds	—	96,809	—	—	—	96,809
Gaming Administration	—	—	1,436	—	—	1,436
Gaming -- Community Mitigation	—	—	40,371	—	—	40,371
Race Horse Development	—	—	21,523	—	—	21,523
Housing Preservation	—	—	35,510	—	—	35,510
Expendable Trusts	—	200,934	350,137	146,917	—	697,988
Student Opportunity Act Investment Fund	—	—	350,000	—	—	350,000
Other	—	—	346,913	28,229	(125,466)	249,676
Subtotals, Other Governmental Funds	—	345,607	3,403,602	175,146	(2,358,148)	1,566,207
Totals	\$ 615,882	\$ 1,285,777	\$ 10,341,466	\$ 3,796,399	\$ 2,093,601	\$ 18,133,125

*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 [115](#).

Stabilization Fund Arrangements:

In accordance with Section 2H of Chapter 29 of the Massachusetts General Laws, the Commonwealth maintains a Stabilization ("Rainy Day") Fund. Per Chapter 29, balances in the Stabilization Fund can be expended only when non-routine budget shortfalls occur and upon appropriation by the Legislature and approval by the Governor. Chapter 29 requires that after calculating the Commonwealth's "consolidated net surplus" (the sum of the "undesignated" balances in certain specific state budgeted funds, equal to balances that are neither restricted nor reappropriated for the following fiscal year) any remaining surplus be transferred to the Stabilization Fund. 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 FY22, 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 FY22 with a balance of \$6.938 billion. For the fiscal year ending June 30, 2022, the Stabilization Fund's balance decreased by \$354 thousand from investment income, due to a mark-to-market loss in the value of the Fund's short-term bond fund, increased by approximately \$260 thousand in statutorily mandated deposits of withholding taxes on certain Lottery proceeds, and increased \$24 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 FY22, the surplus of \$4.812 billion was deposited into a newly created budgeted Transitional Escrow Fund which was created in FY2021, whose balance of \$5.654 billion (included prior year appropriation \$1.023 billion) was carried forward for use in FY23.

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, 2022, 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, 2022, 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 36.6%, 38.0% and 2.0% 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, 2022, 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 FY22 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 \$108 million, representing 50% of the amounts expected to be received during FY22. Also, included as a 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. As of June 30, 2022, the Commonwealth has recognized a receivable for opioid settlements entered into to date totaling \$337 million. This amount may increase due to

finalization of additional proposed settlements and/or pending certification of incentives.

“Loans Receivables” - The MSBA has entered into various loan agreements with municipalities at a 2.0% interest rate with principal to be paid in equal installments for varying terms. Currently, the longest repayment schedule has a final payment in FY43. This program is designed to assist a limited number of school districts with unanticipated inflationary construction costs over the district’s original project budget. The loans outstanding as of June 30, 2022 were \$62 million, of which \$6 million is due in FY23. During FY22, the MSBA collected \$6 million of scheduled principal payments.

"Lease Receivables" - The Commonwealth and certain business-type entities act as lessors of various buildings, office space, ground leases, and similar infrastructure. Leases with maximum terms of more than twelve months are recognized as lease receivables and deferred inflow of resources in the applicable columns of the government-wide financial statements. Lease receivables are recorded as the present value of the future lease payments expected to be received from the lessee during the lease term, net of any estimated uncollectible amounts.

F. DUE FROM CITIES AND TOWNS

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

G. CAPITAL AND INTANGIBLE ASSETS

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

Methods used to value capital assets

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

Capitalization policies

All land, non-depreciable land improvements 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.

Intangible right of use assets

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

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, 2022, the liability for prior grant projects is approximately \$7 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, 2022, the liability outstanding for Waiting List projects under the lump sum method is \$16 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, 2022, 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 \$37 million in the governmental funds for reimbursements received, reviewed, and approved for payment by June 30, 2022. Additionally, a liability of \$92 million was recorded for the reimbursements not reviewed or approved for payment prior to June 30, 2022, 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 \$13 million. New Program projects that are not currently recognized as a liability are considered commitments of the MSBA. As of June 30, 2022, the amount of commitments outstanding for the New Program projects is \$2 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, 2022, MSBA had an outstanding liability of \$129 million, and \$2 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 \$636 million.

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

K. COMPENSATED ABSENCES

Compensated absences are recorded as a long-term liability in the Statement of Net Position. For the governmental fund statements, accumulated vacation and sick leave are reported as expenditures and fund liabilities when incurred upon retirement, termination or death. Sick and vacation payments to terminated employees as of June 30, 2022 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 104-105](#).

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 FY22, approximately \$1.353 billion and \$1.190 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, 2022, taxes within the Convention Center districts support approximately \$454 million of outstanding principal and approximately \$178 million of interest on debts related to these Convention Centers. Taxes collected in FY22 were approximately \$154 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 FY22, approximately \$549 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 Lottery Commission purchases annuities and principal-only and interest-only Treasury strips, which are recorded as restricted annuity contracts investments and are included as nonspendable balance in the governmental funds. Prize payable is reported as liability accrual in the Statement of Net Position. Though the annuities are in the Lottery Commission's name in the case of a default, they are solely for the benefit of the prize winner. The Lottery Commission retains the risk related to such annuities.

N. RISK FINANCING

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

O. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows of resources represent a consumption of net assets that applies to future periods. Deferred inflows of resources represent an acquisition of net assets that applies to future periods. Deferred outflows of resources increase net position, similar to assets, and deferred inflows of resources decrease net position, similar to liabilities.

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

“Restricted for retirement of indebtedness” – identifies amounts held by fiscal agents to fund future debt service obligations pertaining to Special Obligation Revenue Bonds authorized under Section 2O 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, scholarships, research, academic support, loans, and capital projects purposes for resources whose use is subject to externally imposed constraints that can be satisfied by specific actions or by the passage of time.

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

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

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, 2022 (amounts in thousands):

State Universities	\$	15,698
Community Colleges		119
Total	\$	<u>15,817</u>

Approximately \$10 million in the carrying value of capital assets associated with these service concession agreements are reported in the business-type activities in these financial statements.

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

In connection with the Commonwealth's fiscal year 2022 audit, extensive testing and reconciliation was conducted of federal funding received during fiscal years 2020 through 2023 with respect to expanded and enhanced unemployment insurance provided by the federal government for individuals impacted by the COVID-19 pandemic. This program was administered by the Commonwealth through the Executive Office of Labor and Workforce Development (EOLWD). Such reconciliation identified overdraws of federal pandemic-related unemployment insurance benefits by the Commonwealth. The Executive Office of Labor and Workforce Development is engaged in discussion with the U.S. Department of Labor on the resolution of the overdraw.

GASB Statement No. 87, *Leases*, effective in fiscal year 2022, establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Limited exceptions to the single approach guidance are provided for short-term leases, defined as lasting a maximum of twelve months at inception, including any options to extend, financed purchases, leases of assets that are investments and certain regulated leases. Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the earliest period presented.

The Commonwealth adopted the requirements of GASB 87 effective July 1, 2021, and has applied the provisions of this standard in these financial statements, including footnote disclosure, see Note 5. The implementation of this standard has no impact on the previously reported net position for governmental activities, and an impact on the previously reported net position for business-type activities and discretely presented component units.

The following details the cumulative effect of the change in accounting principle and the correction of errors related to overdraws of federal pandemic related unemployment insurance benefits and revenue and expense recognition (amounts in thousands):

	Business-type activities				
	Unemployment Compensation Trust Fund	University of Massachusetts	State Universities	Community Colleges	Business-type activities
Net position as of June 30, 2021 as previously reported.....	\$ (420,104)	\$ 2,589,068	\$ 622,550	\$ 809,772	\$ 5,197,653
Correction of an error for overdraws of federal pandemic-related unemployment insurance benefits.....	(1,943,071)	—	—	—	(1,943,071)
Correction of errors related to revenue and expense recognition.....	—	—	(2,610)	(3)	(2,613)
Prior period adjustment due to GASB 87 implementation.....	—	(1,906)	8,581	(203)	6,472
Net position as of July 1, 2021, as adjusted.....	<u>\$ (2,363,175)</u>	<u>\$ 2,587,162</u>	<u>\$ 628,521</u>	<u>\$ 809,566</u>	<u>\$ 3,258,441</u>

	Discretely presented component units			Fiduciary funds	
	Massachusetts Clean Water Trust	Nonmajor Component Units	Aggregate Discretely Presented Component Units	Private- Purpose Trust Funds	Custodial Funds
Net position as of June 30, 2021 as previously reported.....	\$ 2,830,398	\$ 3,008,068	\$ 35,361,147	\$ 1,216	\$ 1,179,910
Correction of an error related to revenue recognition.....	55,458	—	55,458	—	—
Correction of an error related to GASB 84 classification within Fiduciary Funds.....	—	—	—	20	(20)
Prior period adjustment due to GASB 87 implementation.....	—	2,051	2,051	—	—
Net position as of July 1, 2021, as adjusted.....	<u>\$ 2,885,856</u>	<u>\$ 3,010,119</u>	<u>\$ 35,418,656</u>	<u>\$ 1,236</u>	<u>\$ 1,179,890</u>

The following GASB Statements, or paragraphs of GASB Statements, became effective for fiscal year ended June 30, 2022 and had no impact on the governmental activities' net position:

GASB Statement No. 89, *Accounting for Interest Cost incurred before the End of a Construction Period*, effective in FY 2022, requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

GASB Statement No. 92, *Omnibus 2020*, effective in FY 2022, addresses practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 456 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* is effective in FY 2022. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other post-employment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund

financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans.

The Commonwealth is evaluating the potential impact of the recent issues of GASB statements as follows:

GASB Statement No. 91, *Conduit Debt Obligations*, effective in FY 2023, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

GASB Statement No. 93, *Replacement of Interbank Offering Rates*, effective FY2023 as amended, addresses accounting and financial reporting implications that result from the replacement of an IBOR.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective in FY 2023, provides accounting and financial reporting requirements for PPPs and availability payment arrangements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective in FY 2023, provides guidance on the accounting and financial reporting for SBITAs for government end users. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

GASB Statement No. 99, *Omnibus 2022*, addresses the implementation of certain requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 were effective upon issuance.

GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, effective in FY 2024, enhances accounting and financial reporting requirements for accounting changes and error corrections.

GASB Statement No. 101, *Compensated Absences*, effective in FY 2025, updates the recognition and measurement guidance for compensated absences.

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	\$ 595,991	\$ 3,970,130 (1)	\$ 4,566,121	\$ 372,620
MMDT - cash fund	21,235,409	2,427,240 (1)	23,662,649	7,561,632
Restricted cash with fiscal agent	303,519	—	303,519	—
Total	<u>\$ 22,134,919</u>	<u>\$ 6,397,370</u>	<u>\$ 28,532,289</u>	<u>\$ 7,934,252</u>

(1) of which \$573,900 (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, 2022, the amortized cost of annuities was approximately \$88 million. At June 30, 2022, the U.S Treasury Strips have a fair value of approximately \$528 million. Approximately 85.7% of these amounts are held in United States Treasury strips at a custodial bank. No insurance company has an amount of annuities over 6.6% of the overall portfolio.

MSBA Deposits and Investments

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

As of June 30, 2022, the MSBA held the following deposits and investments which are a component of Governmental Activities above (amounts in thousands):

Cash and cash equivalents	\$ 824,449
Restricted investments	1,013,714
Total	<u>\$ 1,838,163</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, 2022, the bank balances of uninsured and uncollateralized deposits exposed to custodial credit risk totaled \$164 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, 2022, 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, 2022, the Cash Portfolio's securities had a weighted average maturity of 27 days and a weighted average life of 61 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, 2022 duration was 2.47 years. At June 30, 2022, investments in the MMDT Short Term Bond Portfolio had a total net position of \$780 million with investment maturities ranging from less than one year to ten years. At June 30, 2022, 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	19.5 %
One to five years	66.4 %
Six to ten years	5.1 %
Cash Equivalents	8.6 %
Total*	<u>99.6 %</u>

*The remaining 0.4% consists of other assets and liabilities - net.

Interest Rate Risk – Higher Education

As of June 30, 2022, the Institutions of Higher Education had debt investments stated at fair value of approximately \$599 million and had investment maturities ranging from less than one year to more than ten years, with 14.1% of the investment's fair values maturing in less than 1 year, 66.2% maturing in one to five years, 13.8% maturing in six to ten years, and 5.9% maturing in more than ten years.

Interest Rate Risk - MSBA

The MSBA's investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses arising from interest rates. MSBA intends to hold its fixed income investments to maturity.

As of June 30, 2022, the MSBA had approximately \$200 million invested in a collateralized guaranteed investment contract and approximately \$412 million invested in U.S. Treasury Bonds. These investments are included in restricted investments on the balance sheet. The guaranteed investment contract matures on July 25, 2022 while the U. S. Treasury Bonds mature from May 2027 to February 2045. These investments represent approximately 73% 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, 2022, these investments had a fair value of approximately \$494 million, with investment maturities ranging from less than one year to more than ten years. Of the total fair value, approximately 30.8% has maturities of less than one year, 47.5% from one to five years, 13.2% from six to ten years and 8.5% 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, 2022, the Cash Portfolio's securities were all rated as First Tier.

At June 30, 2022, the Short Term Bond Portfolio's follows:

Portfolio Composition	Percentage of Total Net Position
AAA	65.8 %
AA	3.6 %
A	8.1 %
BBB	13.4 %
BB	0.1 %
Cash Equivalents	8.6 %
Total*	<u>99.6 %</u>

* The remaining 0.4% consists of other assets and liabilities - net.

Credit Risk – Higher Education

For the Institutions of Higher Education presented in the Business-Type Activities, fair values of debt investments were \$260 million at AAA, \$109 million from AA+ to A- and \$229 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, 2022, the guaranteed investment contracts were not rated; however, the issuer was rated AA+ by Standard & Poor's and Aa3 by Moody's.

Credit Risk – Custodial Funds

The custodial funds had debt investments with a fair value of \$494 million, of which \$318 million were in U.S. Government securities, \$77 million were in money market securities, \$66 million were in state and local government securities, and \$33 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 \$25.8 billion at fair value with an effective weighted average duration range from 1.98 to 14.64 years at June 30, 2022.

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, 2022 and June 30, 2021 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 \$3.091 billion, BBB+ to B- investments with a fair value of approximately \$3.354 billion, CCC+ to D investments with a fair value of approximately \$696 million, nonrated investments with a fair value of approximately \$9.998 billion, and the remaining \$8.823 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, 2022 were approximately \$194 million in cash and short-term investments, \$13.256 billion in equities, \$649 million in fixed income investments, \$732 million in portfolio completion strategies, \$1.887 billion in private equity investments and \$396 million in timberland investments. An additional \$3.291 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, 2022.

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, 2022, PRIT had open foreign exchange contracts with combined net unrealized gain of approximately \$53 million with various delivery dates.

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

Futures Contracts

PRIT 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, 2022 with various expirations from FY23 to FY25. 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, 2022 was approximately \$640 million with a fair

value of \$630 million, yielding an unrealized net loss of approximately \$10 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, 2022, PRIT had contracts in effect with an aggregated notional amount of approximately \$31.551 billion to various investment banks that had maturity dates from FY23 to FY73. The contracts have an aggregate fair value loss of approximately \$91 million. PRIT values these contracts using standard methods and techniques including the discounted cash flow analysis and option pricing models.

PRIT's counterparty exposure was with various major investment companies with ratings ranging from AA- to A- and various other banks with other ratings. Open swap contracts as of June 30, 2022 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
Barclays Bank PLC	A	\$ 65,406	\$ 331	\$ 616,832	\$ 2,285	\$ —	\$ —
BNP Paribas SA	A+	—	—	40,963	(23,534)	—	—
CME Group	AA-	148,902	(6,094)	—	—	—	—
Goldman Sachs & Co	A+	686,689	46,530	2,634,224	(10,925)	—	—
Goldman Sachs International	A+	—	—	97,459	(17,951)	25,524	375
Intercontinental Exchange	A-	—	—	112,104	(3,654)	—	—
JMP Securities LLC	A+	—	—	49,527	(17,979)	—	—
JPMorgan Chase Bank NA	A+	317,506	18,490	54,557	(13,579)	269,137	(18,298)
JPMorgan Securities LLC	A+	24,461,829	(8,060)	62,239	4,951	1,531	(39)
LCH Ltd	AA-	198,982	(2,448)	—	—	90,425	(644)
Morgan Stanley & Co Intl PLC	A+	20,011	451	91,580	(22,181)	415	(29)
Morgan Stanley Capital Services	A+	—	—	203,155	(24,796)	12,500	178
SMBC Capital Markets Inc.	A+	250,000	6,640	—	—	—	—
All others	Various	969,555	1,797	55,537	424	14,328	(3,001)
Totals		<u>\$ 27,118,880</u>	<u>\$ 57,637</u>	<u>\$ 4,018,177</u>	<u>\$ (126,939)</u>	<u>\$ 413,860</u>	<u>\$ (21,458)</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, 2022 (amounts in thousands):

<i>Primary government</i>	Total	Level		
		1	2	3
Debt securities:				
US Treasury and agency securities	\$ 1,156,823	\$ 1,113,883	\$ 42,940	\$ —
Municipal securities	33,487	26,666	6,821	—
Institutional money market funds	750,619	745,032	5,587	—
Corporate debt/bonds	171,503	13,712	157,749	42
Corporate stock	—	—	—	—
Asset backed securities	29,869	—	29,869	—
Registered investment companies	63,136	63,136	—	—
Mortgage backed securities	46,311	—	46,311	—
Other fixed income	123,893	123,371	522	—
Total debt securities	<u>2,375,641</u>	<u>2,085,800</u>	<u>289,799</u>	<u>42</u>
Equity securities	269,528	267,893	—	1,635
Investments measured at the Net Asset Value (NAV):				
Commonfund (pooled investment funds)	468,253			
Private equity	87,506			
Private debt	23,983			
Private real estate	11,178			
Other	3			
Total investments measured at the NAV	<u>590,923</u>			
Other investments at fair value:				
MMDT - bond fund	371,078			
Total other investments at fair value	<u>371,078</u>			
Subtotal investments at fair value	<u>3,607,170</u>	<u>\$ 2,353,693</u>	<u>\$ 289,799</u>	<u>\$ 1,677</u>
Other investments:				
MMDT	295,878			
Annuity contracts	88,190			
Guaranteed investment contracts	200,099			
Certificates of deposit	4,979			
Total other investments	<u>589,146</u>			
Total investments - primary government	<u>\$ 4,196,316</u>			
Derivative instruments:				
Interest rate swaps (liabilities)	<u>\$ 32,577</u>	<u>\$ 515</u>	<u>\$ 32,062</u>	<u>\$ —</u>

Included in the preceding schedule is approximately \$16 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 \$616 million as of June 30, 2022 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	\$ 318,723	\$ 318,723	\$ —	\$ —
Bonds	98,610	32,530	66,080	—
Total debt securities	417,333	351,253	66,080	—
Investments measured at the Net Asset Value (NAV):				
Mutual funds	77,036			
Other investments at fair value:				
MMDT - bond fund	28,743			
Net investment in PRIT	92,423,108			
Total other investments at fair value	92,451,851			
Total investments - fiduciary funds	\$ 92,946,220	\$ 351,253	\$ 66,080	\$ —

3. RECEIVABLES AND TAX ABATEMENTS

A. RECEIVABLES

Taxes, federal reimbursements, loans, leases 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	Leases	Other Receivables	Total
<u>Governmental Activities:</u>						
Gross receivables	\$ 7,400,621	\$ 2,505,648	\$ 73,347	\$ 69,744	\$ 2,207,503	\$ 12,256,863
Less: allowance for uncollectibles	(1,499,689)	(119,756)	—	—	(494,163)	(2,113,608)
Receivables, net allowance for uncollectibles ..	5,900,932	2,385,892	73,347	69,744	1,713,340	10,143,255
Less: current portion	(5,477,987)	(2,314,768)	(6,329)	(1,301)	(1,284,212)	(9,084,597)
Noncurrent receivables	\$ 422,945	\$ 71,124	\$ 67,018	\$ 68,443	\$ 429,128	\$ 1,058,658
<u>Business-Type activities:</u>						
Gross receivables	\$ —	\$ 95,086	\$ 30,582	\$ 1,332,817	\$ 2,586,847	\$ 4,045,332
Less: allowance for uncollectibles	—	(305)	(2,620)	—	(1,604,165)	(1,607,090)
Receivables, net allowance for uncollectibles ..	—	94,781	27,962	1,332,817	982,682	2,438,242
Less: current portion	—	(94,781)	(5,971)	(56,176)	(953,080)	(1,110,008)
Noncurrent receivables	\$ —	\$ —	\$ 21,991	\$ 1,276,641	\$ 29,602	\$ 1,328,234

B. TAX ABATEMENTS

As of June 30, 2022, 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**Credits**

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

Unless stated otherwise, the taxes eligible for abatement using these credits include the corporate excise, financial institutions excise, and insurance premiums excise under M.G.L. chapter 63, and the personal income tax under M.G.L. chapter 62, with tax payments reduced by applying the amount of the credits directly against the relevant calculation of tax liability as determined by the rules governing the particular tax to be abated.

- The Life Sciences Investment Tax Credit is equal to 10% of the cost of qualifying property acquired, constructed, reconstructed or erected during the taxable year and used exclusively in Massachusetts.
- The Life Sciences User Fees Tax Credit is equal to 100% of the user fees paid to the U.S. Food and Drug Administration (USFDA) upon submission of an application to manufacture a human drug in Massachusetts, and may be claimed in the taxable year in which the application for licensure of an establishment to manufacture the drug is approved by the USFDA. To be eligible for the credit, more than 50% of the research and development costs for the drug must have been incurred in Massachusetts.
- The Life Sciences Refundable Jobs Tax Credit is available to life sciences companies that commit to the creation of a minimum of 50 net new permanent full-time positions in Massachusetts. The amount of the credit is determined by the MLSC.
- The Life Sciences Research Tax Credit is equal to 10% of excess qualified research expenses, including expenditures for legally mandated clinical trial activities performed both inside and outside of Massachusetts, and 15% of basic research payments. The Life Sciences Research Tax Credit is not refundable. This credit is only available to taxpayers subject to M.G.L. chapter 63.

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

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

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

The MLSC also administers the Angel Investor Tax Credit. The credit is equal to 20% of the amount of qualifying investments in a qualifying business, and 30% of the amount of qualifying investments made by a taxpayer investor in a qualifying business located in a "Gateway municipality," as defined in M.G.L. c. 23A, § 3A. A taxpayer cannot claim more than \$50,000 of the credit for a single calendar year. The Angel Investor Tax Credit is not refundable and is only available to taxpayers subject to M.G.L. chapter 62. If a taxpayer investor is allowed a credit for an investment in a qualifying business that ceases to have its principal place of business in the Commonwealth within the three taxable years following the taxable year for which the credit was allowed, the taxpayer investor must repay the total credit amount to the Commonwealth. The credit is subject to the aggregate \$30 million annual cap to which other credits in the Life Sciences Tax Incentive Program are subject.

Other Tax Incentives

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

- A certified life sciences company may be deemed a research and development corporation for purposes of

sales and use tax exemptions under M.G.L. chapters 64H and 64I.

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

Film Tax Incentive

M.G.L. c. 62, § 6(l) and M.G.L. c. 63, § 38X provide tax credits to encourage the production in Massachusetts of films, television shows, commercials, and other motion pictures. Entities that fund such productions (known under the statute as “motion picture production companies”) may claim (1) a credit equal to 25% of the total qualifying aggregate payroll for employing persons within the Commonwealth in connection with the filming and production of a motion picture and (2) a credit equal to 25% of their Massachusetts production expenses (not including the qualifying aggregate payroll expenses). Each credit has its own qualification requirements and a taxpayer is allowed to qualify for and claim both credits. The production companies must incur a minimum of \$50,000 in total Massachusetts production expenses during a consecutive twelve-month period to be eligible for the credits. For taxable years beginning on or after January 1, 2022, in addition to meeting other requirements, for a motion picture to qualify for the credit for production expenses, a taxpayer must incur at least 75% of its production expenses in Massachusetts. A 50% threshold applies to prior taxable years. The credits are either transferable or 90% refundable to the motion picture production companies to the extent that the credits exceed the companies’ Massachusetts tax liability. Transferees do not qualify for the 90% refundability option.

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

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

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

The following is the total revenue estimated to be reduced under these programs for fiscal year 2022 (amounts in thousands):

Tax abatement program	Total estimated revenue reduced by
Economic Development Incentive Program (EDIP)	\$ 4,497 ⁽¹⁾
Life Sciences Tax Incentive Program	24,205 ⁽²⁾
Film Tax Incentive Program:	
Film Tax Credit	70,716 ⁽³⁾
Sales Tax Exemption	320 ⁽⁴⁾
Total	\$ 99,738

Sources:

(1) Massachusetts Office of Business Development, credits approved in FY2022.

(2) <https://www.masslifesciences.com/baker-polito-administration-announces-24-2-million-job-creation-incentives-for-36-massachusetts-life-sciences-companies/#:~:text=Today%2C%20the%20Baker-Polito%20Administration%20and%20Massachusetts%20Life%20Sciences.new%20life%20sciences%20industry%20jobs%20in%20the%20Commonwealth,incentives awarded in FY2022.>

(3) Massachusetts Department of Revenue, film tax credits approved during FY2022.

(4) Massachusetts Department of Revenue, FY2023 Tax Expenditure Budget, sales tax exemption approved to motion picture production companies or to accredited film school students during FY2022 (<https://budget.digital.mass.gov/govbudget/fy23/tax-expenditure-budget/>).

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS BETWEEN FUNDS

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

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

Governmental funds:	General	Lotteries	Federal Grants	Other Governmental Funds			Total	
<u>Transfers in:</u>								
Debt service	\$ —	\$ —	\$ —	\$ 2,611,214			\$ 2,611,214	
Transfers in	2,240,093	—	4,054	2,812,798			5,056,945	
Subtotal	2,240,093	—	4,054	5,424,012			7,668,159	
<u>Transfers out:</u>								
Appropriations	(1,656,754)	—	(244)	(7,643)			(1,664,641)	
Transfer of bond proceeds	—	—	—	(206,883)			(206,883)	
Debt service	(1,253,971)	—	—	(1,357,243)			(2,611,214)	
Transfers out	(1,837,221)	(1,214,230)	(171,488)	(1,690,473)			(4,913,412)	
Subtotal	(4,747,946)	(1,214,230)	(171,732)	(3,262,242)			(9,396,150)	
Total governmental funds	\$ (2,507,852)	\$ (1,214,230)	\$ (167,678)	\$ 2,161,770			\$ (1,727,991)	
<u>Proprietary funds:</u>								
	Unemployment Compensation Trust	Family and Employment Security Trust	University of Massachusetts	State Universities	Community Colleges			Total
<u>Transfers in:</u>								
Transfers in from governmental funds	\$ 100,000	\$ —	\$ 812,733	\$ 463,402	\$ 495,389			\$ 1,871,524
<u>Transfers out:</u>								
Transfers out to governmental funds	—	(2,423)	(89,246)	(28,106)	(23,758)			(143,533)
Total proprietary funds	\$ 100,000	\$ (2,423)	\$ 723,487	\$ 435,296	\$ 471,631			\$ 1,727,991
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 \$54 million at year end.

Remaining receivables and payables between funds as of June 30, 2022 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, 2022. 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, 2022 (amounts in thousands):

Receivable Fund	Payable Fund	Amount
Governmental Funds:		
General	Non-major Governmental Funds	\$ 1,569,346
Non-major Governmental Funds	Non-major Governmental Funds	73,159
Total Governmental Funds		\$ 1,642,505

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, 2021 *	Increases	Decreases and Reclassifications	Ending Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 957,406	\$ 15,100	\$ —	\$ 972,506
Construction in process	892,334	326,921	(243,869)	975,386
Total capital assets not being depreciated	1,849,740	342,021	(243,869)	1,947,892
Capital assets being depreciated and amortized:				
Buildings	6,244,379	215,693	(34,651)	6,425,421
Machinery and equipment	1,819,596	68,431	(63,779)	1,824,248
Right-to-use assets	—	1,254,689	—	1,254,689
Infrastructure non - central artery/tunnel project	456,544	—	—	456,544
Total capital assets being depreciated and amortized	8,520,519	1,538,813	(98,430)	9,960,902
Less, accumulated depreciation:				
Buildings	(3,670,397)	(110,050)	4,009	(3,776,438)
Machinery and equipment	(1,350,831)	(87,192)	43,357	(1,394,666)
Infrastructure non - central artery/tunnel project	(295,217)	(8,092)	—	(303,309)
Total accumulated depreciation	(5,316,445)	(205,334)	47,366	(5,474,413)
Less accumulated amortization:				
Right-to-use assets	—	(343,547)	—	(343,547)
Total accumulated amortization	—	(343,547)	—	(343,547)
Total accumulated depreciation and amortization	(5,316,445)	(548,881)	47,366	(5,817,960)
Governmental activities capital assets, net	5,053,814	1,331,953	(294,933)	6,090,834
<i>Business - Type Activities</i>				
Capital assets not being depreciated or amortized:				
Land	230,569	19,962	(1,096)	249,435
Construction in process	435,656	437,180	(255,695)	617,141
Historical treasures	2,136	937	—	3,073
Total capital assets not being depreciated or amortized	668,361	458,079	(256,791)	869,649
Capital assets being depreciated and amortized:				
Buildings	12,145,241	303,865	(30,015)	12,419,091
Machinery and equipment	1,199,910	84,982	(49,086)	1,235,806
Right-to-use assets	1,298,497	54,682	(12,185)	1,340,994
Library collections, not including historical treasures	49,407	87	(7,093)	42,401
Total capital assets being depreciated and amortized	14,693,055	443,616	(98,379)	15,038,292
Less, accumulated depreciation:				
Buildings	(5,061,739)	(419,248)	47,996	(5,432,991)
Machinery and equipment	(993,152)	(38,018)	3,578	(1,027,592)
Library collections, not including historical treasures	(19,488)	(575)	110	(19,953)
Total accumulated depreciation	(6,074,379)	(457,841)	51,684	(6,480,536)
Less, accumulated amortization				
Right-to-use assets	(79,197)	(98,059)	3,251	(174,005)
Total accumulated amortization	(79,197)	(98,059)	3,251	(174,005)
Total accumulated depreciation and amortization	(6,153,576)	(555,900)	54,935	(6,654,541)
Business - type activities capital assets, net	9,207,840	345,795	(300,235)	9,253,400
Total Primary Government capital assets, net	\$ 14,261,654	\$ 1,677,748	\$ (595,168)	\$ 15,344,234

* As restated, see note 1T on page 81-82 - Business - type activities

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

Function	Depreciation	Amortization
General government	\$ 91,229	\$ 43,062
Judiciary	24,426	69,265
Energy and environmental affairs	—	17,745
Health and human services	21,839	135,052
Early elementary and secondary education	2,700	13,095
Public safety and homeland security	62,357	39,330
Housing and economic development	799	18,358
Labor and workforce development	1,984	7,640
Total, governmental activities	<u>\$ 205,334</u>	<u>\$ 343,547</u>
University of Massachusetts	\$ 300,240	\$ 30,475
State universities	106,961	57,892
Community colleges	50,640	9,692
Total, business-type activities	<u>\$ 457,841</u>	<u>\$ 98,059</u>

6. SHORT-TERM FINANCING AND CREDIT AGREEMENTS

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

A. GENERAL FUND

In order to manage cash flows through the COVID-19 pandemic, the Commonwealth obtained a line of credit in the aggregate principal amount of \$1.750 billion from a syndicate of banks. As of February 17, 2021, the line of credit was reduced to the principal amount of \$500 million. 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, 2022, the Commonwealth did not draw on the line of credit.

B. CREDIT FACILITIES

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. Effective July 28, 2022, the Commonwealth executed \$200 million of directly placed bond anticipation notes with RBC under this agreement to refund the Series 2014D-2 Bonds, which had a mandatory tender date of August 1, 2022.

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, 2022, the Commonwealth had issued two types of long-term debt obligations: general obligation bonds and special obligation bonds. General obligation bonds, which account for the large majority of outstanding Commonwealth bonds, are backed by the full faith and credit of the Commonwealth. Special obligation bonds, however, are bonds secured by all or a portion of a specific revenue source that are pledged to bondholders and are not general obligations of the Commonwealth. For this type of securities, bondholders rely on pledged revenue only for repayment of principal and interest.

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

Type of Bond	Amount Outstanding
General obligation bonds - public offering, net proceeds.....	\$ 27,426,823
General obligation bonds - direct placement, net proceeds.....	300,000
Special obligation bonds (including GANs) - public offering, net proceeds.....	5,047,506
Outstanding Commonwealth bonds, net proceeds.....	32,774,329
MSBA bonds, - public offering, net proceeds.....	6,323,688
Total governmental activities, net proceeds.....	39,098,017
Less:	
Unamortized premiums on general obligation bonds - public offering*.....	(2,819,392)
Unamortized premiums on special obligation bonds.....	(619,531)
Unamortized premiums on MSBA bonds.....	(331,992)
Total governmental activities, principal.....	\$ 35,327,102

* - As of June 30, 2022 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, 2022, there were three different special obligation bond programs with bonds outstanding.

The following is a table of GO bonds principal outstanding as of June 30, 2022, (amounts in thousands):

General Obligation Bonds	Principal Outstanding	Percent of Total GO
Fixed rate bonds.....	\$ 23,941,174	96.1 %
Variable rate bonds.....	966,257	3.9 %
Total.....	<u>\$ 24,907,431</u>	<u>100.0 %</u>

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

Variable Rate GO Bonds	Principal Outstanding	Percent of Total GO
LIBOR index bonds.....	\$ 132,395	0.5 %
Direct purchase bonds.....	300,000	1.2 %
Multi-Modal.....	377,180	1.6 %
College opportunity bonds.....	156,682	0.6 %
Total.....	<u>\$ 966,257</u>	<u>3.9 %</u>

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

	Principal Outstanding	Percent of Total GO
Hedged variable rate GO bonds	\$ 224,635	0.9 %
Unhedged variable rate GO bonds...	741,622	3.0 %
Total variable rate GO bonds	<u>\$ 966,257</u>	<u>3.9 %</u>

The following is a table of SO bond principal, by rate structure, outstanding as of June 30, 2022, (amounts in thousands):

Special Obligation Bonds	Principal Outstanding	Percent of Total SO
Fixed rate bonds	\$ 4,427,975	100.0 %
Total	<u>\$ 4,427,975</u>	<u>100.0 %</u>

All of the variable rate special obligation bonds are hedged as of June 30, 2022.

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	\$ 453,675
Special obligation revenue bonds, net proceeds:	
CTF Accelerated bridge program	1,739,217
CTF Rail enhancement program	2,251,865
Total revenue bonds, net proceeds	3,991,082
Special obligation GANS, net proceeds:	
Federal highway grant anticipation notes and accelerated bridge program	602,749
Total special obligation bonds, net proceeds	5,047,506
Less: unamortized premiums	(619,531)
Outstanding special obligation principal	<u>\$ 4,427,975</u>

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

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, 2022, the Commonwealth had approximately \$157 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, 2022, approximately 96.1% of the Commonwealth's outstanding GO debt is in the form of fixed-rate bonds. The remaining 3.9% of outstanding GO debt is in the form of variable rate bonds – bonds whose rate of interest fluctuate based on market or market index changes. The outstanding GO variable rate debt consists of several different variable rate structures. These structures include floating rate notes in various interest rate modes, direct purchase agreements in various interest rate modes, and multi-modal bonds currently in the Term Mode.

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, 2022, 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.

Effective July 28, 2022, the Commonwealth executed \$200 million of directly placed bond anticipation notes with RBC under its note purchase agreement to refund the Series 2014D-2 Bonds, which had a mandatory tender date of August 1, 2022.

The remaining outstanding GO variable-rate debt pays interest to bondholders based on certain indices. For example, as of June 30, 2022, the Commonwealth had \$132 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 0.5%, and 1.6% of total outstanding general obligation indebtedness, respectively.

To fund the FY22 capital budget and prior capital spending, the Commonwealth borrowed by issuing \$1.743 billion in new money long-term bonds; \$1.393 billion of which was general obligation debt and \$350 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, \$525 million in refunding bonds were issued in two separate transactions, which were executed as current refundings; all of which were executed for savings. The cash and present value savings of the refunding transactions are immaterial to these financial statements.

MSBA Debt

As of June 30, 2022, the MSBA had outstanding approximately \$6.324 billion of Dedicated Sales Tax bonds, which includes approximately \$332 million of unamortized premiums for the purpose of funding school construction and renovation projects. Coupons on the bonds range from approximately 0.290% to 5.715% and each series is payable semiannually with the latest maturity occurring in FY51. A portion of the interest on the Dedicated Sales Tax Bonds is reimbursed by the federal government. Of the \$5.992 billion of debt outstanding as of June 30, 2022, \$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 FY22, the federal government continued automatic budget cuts imposed through sequestration required pursuant to the Budget Control Act of 2011. The sequestration rate for FY22 was 5.7%. Subsidy payments were reduced by approximately \$1 million due to sequestration during FY2022.

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 FY22, the Commonwealth issued approximately \$350 million under the Rail Enhancement Program (REP). These bonds mature from FY23 to FY52 and are secured by the 24 cents per gallon gasoline tax, the full 24 cents per gallon of special fuels taxes (comprised primarily of taxes on diesel fuel), and the full 19.1% of the average price per gallon tax on liquefied natural gas and all Registry of Motor Vehicle fees deposited into the CTF. As of June 30, 2022, approximately \$1.538 billion and \$1.958 billion in principal was outstanding on the Accelerated Bridge Program (ABP) and REP bonds, respectively, and approximately \$899 million and \$1.909 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, 2022 bonds secured by these pledged funds has been paid off. Principal and interest paid during FY22 amounted to approximately \$28 million and \$1 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, 2022, the balance of the capital reserve fund was \$53 million which is equal to the maximum annual debt service. As of June 30, 2022, taxes within the Convention Center districts support approximately \$454 million of outstanding principal and approximately \$178 million of

interest on debts related to these Convention Centers. Taxes collected in FY22 were approximately \$154 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 \$171 million as of June 30, 2022.

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 FY22. As of June 30, 2022, total principal remaining to be paid is approximately \$478 million. Maturities are from FY23 through FY27. Debt service paid during FY22 was approximately \$135 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, 2022, the expected interest rate subsidy to be received through final maturity of all of the bonds issued as part of this program totaled \$468 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 \$966 million, approximately \$225 million was hedged via floating-to-fixed interest rate swap agreement.

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, 2022, the Commonwealth's interest rate swap was floating-to-fixed rate agreement and was deemed an effective hedge pursuant to GASB Statement No. 53.

Terms of the Interest Rate Swap Agreements

The variable rate bonds and their related swap agreements mature in 2033. The swaps' total notional value of approximately \$225 million effectively matches the par amount of the related variable-rate bonds.

Under the swap agreements, the Commonwealth pays the relevant counterparties fixed rates 4.515% 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 the outstanding swap agreement, the Commonwealth receives an interest rate based on changes to LIBOR. The variable rate payment to bondholders is slightly different. The payments received from the swap counterparty as a result of the refinancing of variable rate bonds.

Credit Risk of the Interest Rate Swap Agreements

As of June 30, 2022, 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	2022	2021	Change in Fair Value			
<i>General Obligation Bonds:</i>											
Series 2016C, portion of Series 2016B	224,635	4/2/2009	4/2/2009	4.515%	67% 3-Month LIBOR	\$ (32,062)	\$ (59,137)	\$ 27,075	6/15/2033	Barclays Bank PLC	A/A1/A+
Subtotal	224,635					(32,062)	(59,137)	27,075			
Total	\$ 224,635					\$ (32,062)	\$ (59,137)	\$ 27,075			

Fair value of the Interest Rate Swap Agreements

The aggregate fair value balance of interest rate swaps at June 30, 2022 was negative \$32 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, 2022 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 FY22, 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.

For the outstanding swap agreement, 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 \$225 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.

The federal Adjustable Interest Rate (LIBOR) Act (LIBOR Act) was signed into law on March 15, 2022 and provides a means for transitioning legacy LIBOR contracts (such as swaps) that lack insufficient fallback provisions for the permanent cessation of LIBOR. The LIBOR Act provides a safe harbor from litigation for calculation agents to transition these contracts to a new replacement rate. The LIBOR Act directs the Federal Reserve Board to promulgate regulations to carry out the LIBOR Act's mandate. The Federal Reserve Board released proposed LIBOR transition regulations for public comment on July 19, 2022. The Federal Reserve Board is recommending the same transition mechanics on interest rate swaps that were previously recommended by International Swaps and Derivatives Association (ISDA) and the Alternative Reference Rates Committee (ARRC).

At the time that LIBOR is deemed non-representative or permanently discontinued (currently expected to be after June 30, 2023), LIBOR would automatically convert to a daily compounded SOFR rate plus a spread depending on the term of the existing LIBOR agreement. For the Commonwealth's existing swap agreement with Barclays Bank, 3-month LIBOR would automatically convert to SOFR plus 26.161 basis points. Therefore, for the current swap agreement which is based on 67% of 3-month LIBOR, the swap rate would convert to SOFR plus 17.528 basis points. The spread adjustment of 26.161 basis points was determined by ISDA, in consultation with various market participants, based on the 5-year median difference between 3-month LIBOR and SOFR. Since the beginning of calendar 2021, all new LIBOR-based swaps now incorporate the SOFR-based fallback for LIBOR, although different LIBOR tenors have different applicable spreads.

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, 2022 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, 2022. 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 the outstanding Route 3 Swap 3M LIBOR with a variable-rate of 0.7% bonds hedged by interest rate swap agreements and projected future net settlement payments on interest rate swap agreements at June 30, 2022 are provided below (amounts in thousands):

Fiscal Year Ending June 30	Variable-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2023	\$ 15,985,000	\$ 1,034,923	\$ 8,746,486	\$ 25,766,409
2024	16,750,000	956,734	8,085,683	25,792,417
2025	17,555,000	874,794	7,393,186	25,822,980
2026	18,400,000	788,914	6,667,383	25,856,297
2027	19,275,000	698,926	5,906,858	25,880,784
2028-2033	136,670,000	2,047,561	17,304,632	156,022,193
Total	<u>\$ 224,635,000</u>	<u>\$ 6,401,852</u>	<u>\$ 54,104,228</u>	<u>\$ 285,141,080</u>

Business - Type Activities – Swapped Debt

The business-type activities have various swaps. At June 30, 2022, the fair value liability of the outstanding interest rate swaps was \$1 million.

Component Unit – Swapped Debt

At June 30, 2022, the majority of interest rate swaps outstanding are held by MassDOT, which in aggregate have a negative fair value of approximately \$55 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, 2022 is as follows (amounts in thousands):

Purpose	Principal Outstanding	Fiscal Year Maturities	Authorized and Unissued
GANs	\$ 478,235	2023 - 2027	\$ —
Capital projects:			
General	14,376,649	2023 - 2052	17,554,640
Highway	13,547,444	2023 - 2052	20,635,679
Local aid	479,403	2023 - 2042	11,105
Other	453,675	2023 - 2034	—
Subtotal	<u>28,857,171</u>		<u>38,201,424</u>
Subtotal - governmental activities debt (exclusive of MSBA)	29,335,406		<u>\$ 38,201,424</u>
MSBA debt	<u>5,991,695</u>		
Governmental activities debt	<u>\$ 35,327,101</u>		

Interest rates on the Commonwealth's outstanding debt at the end of FY22 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, 2022 are as follows (amounts in thousands):

	Governmental Funds (excluding MSBA)	MSBA	Total Governmental Funds Bonded Debt	Authorized and Unissued
Balance July 1, 2021	\$ 29,048,457	\$ 6,104,240	\$ 35,152,697	\$ 38,964,564
Plus: Increases in bonds authorized	—	—	—	950,000
Less: Authorizations deauthorized	—	—	—	—
General and special obligation bonds:				
Proceeds, defined as principal, plus premium,				
less discount	2,642,198	341,535	2,983,733	(1,713,140)
Less: Premium/discount	(368,472)	(15)	(368,487)	—
Less: Principal on refunded bonds	(592,655)	(297,335)	(889,990)	—
Less: Bonds retired	(1,394,122)	(156,730)	(1,550,852)	—
Outstanding principal June 30, 2022	<u>\$ 29,335,406</u>	<u>\$ 5,991,695</u>	<u>\$ 35,327,101</u>	<u>\$ 38,201,424</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, 2022, 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					
2023	\$ 1,310,761	\$ 1,244,816	\$ —	\$ 9,000	\$ 1,310,761	\$ 1,253,816	\$ 168,995	\$ 222,115	\$ (22,833)	\$ 1,994,302	\$ 229,714
2024	1,282,921	1,177,980	—	9,000	1,282,921	1,186,980	285,065	215,678	(22,833)	220,142	189,308
2025	1,302,900	1,116,822	—	9,000	1,302,900	1,125,822	266,305	208,222	(22,833)	225,260	181,822
2026	1,272,691	1,057,023	—	9,000	1,272,691	1,066,023	183,865	201,981	(22,833)	225,431	173,664
2027	1,183,251	998,233	20,000	8,900	1,203,251	1,007,133	346,225	197,566	(22,833)	228,491	165,628
2028 - 2032	5,800,625	4,185,796	100,000	35,500	5,900,625	4,221,296	1,135,225	845,724	(51,874)	1,181,036	678,174
2033 - 2037	4,611,820	2,994,637	90,000	20,550	4,701,820	3,015,187	1,317,500	626,634	(27,408)	1,028,231	452,234
2038 - 2042	4,953,217	1,997,462	60,000	10,200	5,013,217	2,007,662	1,355,240	329,310	(4,803)	918,047	241,036
2043 - 2047	4,694,715	1,028,469	30,000	2,550	4,724,715	1,031,019	725,910	127,206	—	493,567	97,084
2048 - 2052	2,622,505	246,472	—	—	2,622,505	246,472	207,365	14,527	—	221,702	28,198
2053 - 2057	—	—	—	—	—	—	—	—	—	23,669	592
Total long - term debt	29,035,406	16,047,710	300,000	113,700	29,335,406	16,161,410	5,991,695	2,988,963	(198,250)	6,759,878	2,437,454
Less: current portion	(1,310,761)	(1,244,816)	—	(9,000)	(1,310,761)	(1,253,816)	(168,995)	(222,115)	22,833	(1,994,302)	(229,714)
Long - term debt	<u>\$ 27,724,645</u>	<u>\$ 14,802,894</u>	<u>\$ 300,000</u>	<u>\$104,700</u>	<u>\$ 28,024,645</u>	<u>\$ 14,907,594</u>	<u>\$ 5,822,700</u>	<u>\$ 2,766,848</u>	<u>\$ (175,417)</u>	<u>\$ 4,765,576</u>	<u>\$ 2,207,740</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, 2022, approximately \$539 million of bonds outstanding from advance refunding activities is considered defeased.

Business - Type Activities

The Massachusetts State College Building Authority (MSCBA) defeased various bonds by issuing refunding bonds and placing the proceeds in irrevocable trusts to provide for all future debt service payments on the defeased bonds. The trust assets and the liabilities of the defeased bonds are not included in the business type activity financial statements. As of June 30, 2022, approximately \$332 million of bonds outstanding from advanced refunding transactions are considered defeased for MSCBA.

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 FY22 was approximately \$27.805 billion. Outstanding debt subject to the limit at June 30, 2022 was approximately \$23.878 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):

	<u>Principal Outstanding</u>
Statutory debt June 30, 2022	\$ 29,335,406
Less amounts excluded:	
Central artery project bonds	(691,378)
Accelerated bridge program	(2,015,839)
MBTA forward funding	(207)
SMART bonds	(337,411)
Convention center bonds	(453,675)
Rail enhancement program bonds	<u>(1,958,461)</u>
Outstanding direct debt June 30, 2022	<u>\$ 23,878,435</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 financed purchases. Debt of the Massachusetts School Building Authority and of the Massachusetts Bay Transportation Authority that is supported by the portion of the sales tax legally dedicated to such entities is not included for purposes of this analysis, as the Commonwealth is not liable for such debt; similarly, the sales tax revenues legally dedicated to such entities are not included in the budgeted revenue projections.

In addition to keeping debt service at a maximum of 8% of budgeted revenues, the debt management policy limits future growth in annual bond issuance (the "bond cap") to not more than \$125 million through fiscal 2022. 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):

	<u>Fiscal 2022</u>
Bond cap as approved by the Governor	\$ 2,654,999
Total annual debt service obligations	3,248,922
Statutory basis budgeted fund revenues	70,313,848
Debt service as % of budgeted revenues	4.6%

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	\$ 754,147	\$ 760,580	\$ (754,147)	\$ 760,580	\$ 531,539
Claims and judgments	33,271	48,539	(14,092)	67,718	67,518
Prizes payable	755,378	6,172	(145,668)	615,882	116,542
School construction grants payable	179,299	618,233	(645,119)	152,413	134,480
Environmental remediation liability	595,275	20,693	(134,355)	481,613	6,968
Workers' compensation	260,504	70,227	(58,840)	271,891	36,651
Arbitrage rebate - MSBA	3,682	—	(2,125)	1,557	—
Group insurance claims	136,525	1,863,413	(1,846,554)	153,384	150,023
Cost of living adjustment	105,000	—	(15,000)	90,000	—
Net pension liability	46,159,763	2,523,668	(14,311,399)	34,372,032	—
Net OPEB liability	18,434,733	178,725	(4,154,423)	14,459,035	—
Total other long-term obligations	67,417,577	6,090,250	(22,081,722)	51,426,105	1,043,721
Liability for derivative instruments	88,793	32,062	(88,793)	32,062	—
Bonded debt:					
Bonds and notes payable - non MSBA ⁽¹⁾	29,048,457	2,273,726	(1,986,777)	29,335,406	1,310,761
Unamortized bond and note premiums - non MSBA	3,180,856	368,473	(110,406)	3,438,923	137,647
MSBA bonds and notes payable excluding premiums	6,104,240	342,152	(454,696)	5,991,696	168,995
Unamortized bond and note premiums - MSBA	404,145	648	(72,801)	331,992	27,028
MSBA other liabilities	1,062	—	(1,062)	—	—
Other financing arrangements:					
Lease liability	14,260	1,122,521	(190,737)	946,044	181,112
Total bonded debt and other financing arrangements	38,753,020	4,107,520	(2,816,479)	40,044,061	1,825,543
Long-term liabilities, governmental activities	\$ 106,259,390	\$ 10,229,832	\$ (24,986,994)	\$ 91,502,228	\$ 2,869,264

(1) \$5,405 of accreted interest on college opportunity bonds that are included in the total principal outstanding as of June 30, 2022.

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	\$ 230,788	\$ 115,948	\$ (105,740)	\$ 240,996	\$ 176,309
Workers' compensation	36,695	6,218	(4,204)	38,709	5,872
Environmental remediation liability	—	1,567	—	1,567	1,567
Net pension liability	982,015	2,340	(549,742)	434,613	—
Net OPEB liability	1,259,744	7,104	(508,061)	758,787	—
Total other long-term obligations	2,509,242	133,177	(1,167,747)	1,474,672	183,748
Liability for derivative instruments	1,204	—	(689)	515	—
Bonded Debt:					
Bonds and notes payable, including MSCBA	4,576,515	826,902	(411,554)	4,991,863	226,287
Federal unemployment insurance borrowing	2,268,015	—	(500,000)	1,768,015	1,768,015
Overdraws of federal pandemic-related unemployment insurance benefits	1,943,071	547,731	—	2,490,802	—
Other financing arrangements:					
Lease liability	1,273,431	51,610	(67,397)	1,257,644	66,175
Total bonded debt and other financing arrangements	10,061,032	1,426,243	(978,951)	10,508,324	2,060,477
Long-term liabilities, business - type activities	\$ 12,571,478	\$ 1,559,420	\$ (2,147,387)	\$ 11,983,511	\$ 2,244,225

* As restated, see note 1T on page 81-82

Discretely Presented Component Units – The change in bonds and notes outstanding at June 30, 2022, 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	2.87 - 5.50%	2023 - 2039	\$ 1,866,018	\$ 5,909	\$ (69,657)	\$ 1,802,270	\$ 129,591
MBTA	0.00 - 5.87%	2023 - 2053	5,834,867	1,087,564	(1,051,878)	5,870,553	316,797
MCWT	2.00 - 5.75%	2023 - 2047	2,931,745	—	(242,697)	2,689,048	219,785
Nonmajor component units	1.00 - 6.20%	2023 - 2052	628,405	94,460	(132,842)	590,023	55,229
Total bonds and notes payable			11,261,035	1,187,933	(1,497,074)	10,951,894	721,402
Compensated absences, net			59,880	710	(4,284)	56,306	36,815
Lease liability			51,058	98,261	42,503	191,822	18,540
Net pension liability			2,299,007	330,700	(796,763)	1,832,944	—
Net OPEB liability			3,200,799	381,742	(316,111)	3,266,430	—
Total long term liabilities			\$ 16,871,779	\$ 1,999,346	\$ (2,571,729)	\$ 16,299,396	\$ 776,757

* As restated, see note 1T on page 81-82

The net pension liability of the discretely presented component units of \$1.833 billion includes \$1.287 billion related to the MBTA, \$24 million related to the RTAs and \$522 million related to entities that participate in SERS. See the MBTA and MassDOT financial statements for further information regarding the MBTA and RTA pension plans respectively and see pages [114-125](#) 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, 2022. 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:	
Public Safety Training Fund	\$ (270)
Community Preservation Trust Fund	(8,662)
Government Land Bank Fund	(35,033)
Massachusetts Coronavirus Relief Fund	(64,505)
General Capital Projects Fund	(1,204,930)
Highway Capital Projects Fund	(1,027,752)
Government Land Bank Capital Projects Fund	(500)
Federal Highway Construction Program Capital Projects Fund	(16,496)
	<u>\$ (2,358,148)</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, 2022, 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	68,280	69,727
Vested terminated employees entitled to benefits but not yet receiving them	4,909	—
Non-Vested terminated entitled only to a refund of their accumulated total deductions	26,149	—
Subtotal	99,338	69,727
Current members	85,999	98,926
Total	<u>185,337</u>	<u>168,653</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 of Group 1 will have their withholding rate reduced by 3%.

B. INVESTMENTS

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

The following was the PRIT Fund asset allocation as of June 30, 2022:

Asset Class	Target Allocation
Global Equity	38.0 %
Core Fixed Income	15.0 %
Private Equity	15.0 %
Portfolio Completion Strategies	10.0 %
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 FY2022 were (3.65)% and (3.69)% 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, 2022 are as follows (amounts in thousands):

	SERS	MTRS
Total pension liability	\$ 48,041,000	\$ 61,273,000
Plan fiduciary net position	(34,131,126)	(35,384,862)
Net pension liability	<u>\$ 13,909,874</u>	<u>\$ 25,888,138</u>
Fiduciary net position as a percentage of the total pension liability	71.0%	57.7%

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

Actuarial assumptions. The total pension liability, for both SERS and MTRS, was determined by an actuarial valuation as of January 1, 2022 rolled forward to June 30, 2022, using the following actuarial assumptions:

- The actuarial assumptions included: (a) 2.5% inflation rate (b) 7.00% investment rate of return; (c) 3.5% interest rate credited to the annuity savings fund; and (d) 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, 2022 (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	7.3%
Global Equity	4.2%
Value Added Fixed Income	3.7%
Timberland/Natural Resources	3.9%
Real Estate	3.3%
Portfolio Completion Strategies	2.7%
Core Fixed Income	0.5%

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.....	\$ 19,184,883	\$ 13,909,874	\$ 9,446,450
MTRS net pension liability.....	32,734,080	25,888,138	20,094,302

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 \$10.437 billion, \$22.707 billion, and \$3.461 billion, respectively. The net pension liabilities for SERS and MTRS were determined by an actuarial valuation as of January 1, 2021 and rolled forward to June 30, 2021. The BRS net pension liability was determined by an actuarial valuation as of January 1, 2020 and rolled forward to December 31, 2021. 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, 2021	94.2%	\$ 9,834,175
Massachusetts Teachers' Retirement System.....	June 30, 2021	100.0%	22,706,876
Boston Retirement System - Teachers.....	December 31, 2021	65.5%	2,265,594
Total net pension liability.....			<u>\$ 34,806,645</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, 2021	5.0%	<u>\$ 522,353</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 \$2.500 billion and the discretely presented component units recognized approximately \$154 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.....	\$ 670,436	\$ —	\$ 1,877,366	\$ —	\$ 133,066	\$ —	\$ 58,160	\$ 8,221
Changes in proportion	276,881	309,588	—	—	—	—	40,399	9,919
Net difference between projected and actual earnings on pension plan investments	—	3,855,567	—	4,201,387	—	249,862	—	388,242
Differences between expected and actual experience	339,338	711,987	399,866	466,673	—	117,279	33,391	57,571
Payments made after the measurement date	1,319,050	—	2,104,604	—	—	—	119,715	—
Totals	<u>\$ 2,605,705</u>	<u>\$ 4,877,142</u>	<u>\$ 4,381,836</u>	<u>\$ 4,668,060</u>	<u>\$ 133,066</u>	<u>\$ 367,141</u>	<u>\$ 251,665</u>	<u>\$ 463,953</u>

The \$1.319 billion for SERS, the \$2.105 billion for MTRS and \$120 million for the discretely presented component unit reported as deferred outflows of resources are the contributions made subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the next fiscal year. Other amounts reported above as deferred outflows of resources and deferred inflows of 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	
2023	\$ (699,274)	\$ (342,073)	\$ (37,392)	\$ (53,429)
2024	(671,929)	(377,863)	(95,998)	(111,835)
2025	(900,402)	(646,546)	(53,819)	(86,462)
2026	(1,312,342)	(1,051,724)	(58,230)	(79,003)
2027	(6,540)	26,909	11,364	(1,274)
Thereafter	—	469	—	—
Totals	<u>\$ (3,590,487)</u>	<u>\$ (2,390,828)</u>	<u>\$ (234,075)</u>	<u>\$ (332,003)</u>

The SERS and MTRS total pension liabilities were based on 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) 3.50% 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 2020 for post-retirement mortality.

MTRS:

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

4. Mortality rates were as follows:

SERS:

- Pre-retirement - reflects RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2020, set forward 1 year for females.
- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2020, 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-2020 (gender distinct).
- Post-retirement - reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
- Disability - assumed to be in accordance with the Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).

The BRS-Teachers total pension liability was based on an actuarial valuation as of January 1, 2020 rolled forward to December 31, 2021 using the following actuarial assumptions:

1. The actuarial assumptions included (a) 7.00% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase on the first \$15,000 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-2021.
 - Disabled - reflects Pub-2010 Teacher, Healthy Retiree and Contingent Survivor Headcount-Weighted Mortality Tables projected generationally using Scale MP-2021.

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, 2021:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Global Equity	39.00%	4.80%
Core Fixed Income	15.00%	0.30%
Private Equity	13.00%	7.80%
Portfolio Completion Strategies	11.00%	2.90%
Real Estate	10.00%	3.70%
Value Added Fixed Income	8.00%	3.90%
Timberland/Natural Resources	4.00%	4.30%
Total	100.00%	

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

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

The discount rate used to measure the pension liabilities was 7.00% for SERS and MTRS as of the June 30, 2021 measurement date and 7.00% for BRS-Teachers as of the December 31, 2021 measurement date.

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
SERS net pension liability	\$ 15,052,659	\$ 9,834,175	\$ 5,544,990
MTRS net pension liability	29,687,706	22,706,876	16,882,184
	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
BRS-Teachers net pension liability	\$ 2,809,713	\$ 2,265,594	\$ 1,815,799

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, 2022 (amounts in thousands):

	Pension Trust Funds		
	State Employees' PERS	Teachers' PERS	Total
ASSETS			
Cash and cash equivalents	\$ 168,024	\$ 171,271	\$ 339,295
Net investment in PRIT at fair value	33,874,443	35,120,964	68,995,407
Other receivables	118,699	99,846	218,545
Other assets	11	476	487
Total assets	34,161,177	35,392,557	69,553,734
LIABILITIES			
Accounts payable	30,051	7,695	37,746
Net position available for pension	\$ 34,131,126	\$ 35,384,862	\$ 69,515,988
ADDITIONS			
Contributions:			
Employer contributions - Commonwealth and MassDOT	\$ 1,310,596	\$ —	\$ 1,310,596
Non-employer contributions - Commonwealth	56,988	2,104,604	2,161,592
Employer and non-employer contributions - other	11,454	—	11,454
Employee contributions	693,853	892,123	1,585,976
ERIP funding contribution - Commonwealth	28,449	—	28,449
Boston teachers' contributions from Commonwealth	—	179,369	179,369
Other additions	138,957	97,389	236,346
Total contributions	2,240,297	3,273,485	5,513,782
Net investment gain/(loss):			
Investment gain/(loss)	(1,109,355)	(1,159,269)	(2,268,624)
Less: investment expense	(188,109)	(194,278)	(382,387)
Net investment gain/(loss)	(1,297,464)	(1,353,547)	(2,651,011)
Total additions	942,833	1,919,938	2,862,771
DEDUCTIONS			
Administration	14,461	19,196	33,657
Retirement benefits and refunds	2,801,900	3,365,783	6,167,683
Payments to State Boston Retirement System	—	179,369	179,369
Other deductions	34,817	58,852	93,669
Total deductions	2,851,178	3,623,200	6,474,378
Change in net position	(1,908,345)	(1,703,262)	(3,611,607)
Net position available for pension at beginning of year	36,039,471	37,088,124	73,127,595
Net position available for pension at end of year	\$ 34,131,126	\$ 35,384,862	\$ 69,515,988

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, 2022 were as follows (amounts in thousands):

	SERS	MTRS	Purpose
Annuity Savings Fund.....	\$ 7,180,641	\$ 9,759,465	Active members' contribution balance
Annuity Reserve Fund.....	1,933,592	1,230,046	Retired members' contribution account
Special Military Service Fund ...	34	344	Members' contribution account while on military leave
Pension Reserve Fund.....	25,016,859	24,395,007	Amounts appropriated to fund future retirement benefits
Total.....	<u>\$ 34,131,126</u>	<u>\$ 35,384,862</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, 2022 the date of the most recent actuarial valuation, plan membership consisted of the following:

	SRBT
Inactive plan members or beneficiaries currently receiving benefit payments.....	86,318
Inactive plan members entitled to but not yet receiving benefit payments.....	4,266
Active plan members.....	68,318
Total.....	<u>158,902</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, 2022 and as of the valuation date (January 1, 2022), 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 FY22 totaled approximately \$510 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 FY22, 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 FY22 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, 2022, 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 2022 was (3.85)%. 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, 2022 are as follows (amounts in thousands):

	SRBT
Total OPEB liability.....	\$ 15,340,605
Plan fiduciary net position.....	(1,988,383)
Net OPEB liability.....	<u>\$ 13,352,222</u>
Fiduciary net position as a percentage of the total OPEB liability.....	13.0%

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, 2022 rolled forward to June 30, 2022, 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 2022_f4. The short-term trend assumptions were based on a review of the plan's historical trend rates during fiscal years 2021-2022, 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 2023 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
2022.....	5.00%	7.60%
2023.....	6.80%	9.11%
2024.....	6.79%	8.82%
2025.....	4.99%	6.72%
2026.....	4.99%	6.43%
2031.....		4.97%
2041.....		4.78%
2051.....		4.62%
2061.....		4.53%
2071.....		4.15%
2075+.....		3.94%

Getzen long run growth factors assumptions:

- Inflation: 2.5%
 - Real GDP Growth: 1.4%
 - Excess Medical Growth: 1.0%
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.....	62.0%	—%
HMO.....	10.0%	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 4.30%. This rate was based on a blend of the Bond Buyer Index rate 3.54% as of the measurement date and the long-term expected rate of return. The plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. Based on the stated assumptions and the projection of cash flows, the Plan's Fiduciary Net Position and future contributions were not sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on SRBT investments was applied to projected benefit payments through year 2042 and the municipal bond rate was applied to all remaining future years to determine the Total OPEB Liability.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the OPEB plan's net OPEB liability calculated using the discount rate of 4.30%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 3.30% or 1-percentage-point higher 5.30% than the current rate (amounts in thousands):

	1% Decrease 3.30%	Current Discount Rate 4.30%	1% Increase 5.30%
Net OPEB liability	\$ 15,576,808	\$ 13,352,222	\$ 11,524,887

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 4.0%-6.6%	Current Healthcare Cost Trend Rate 5.0%-7.6%	1% Increase 6.0%-8.6%
Net OPEB liability	\$ 11,192,984	\$ 13,352,222	\$ 16,085,558

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

The Commonwealth's net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021.

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

	Net OPEB Liability	
Primary government	\$ 15,217,822	(A)
Discretely presented component unit	3,266,430	(B)
Total net OPEB liability	<u>\$ 18,484,252</u>	

(A) - Of this amount \$260 (thousand) relates to business-type activities not participating in the Commonwealth's OPEB plan.

(B) - Of this amount \$2,484,526 (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, 2021, the measurement date, the Commonwealth (primary government) and the discretely presented component units recognized OPEB expense of approximately \$101 million and \$100 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	\$ 672,964	\$ 718,618	\$ 64,457	\$ 18,802
Differences between expected and actual experience	388,611	2,679,201	32,273	480,251
Change of assumptions	1,278,916	2,999,224	352,500	232,599
Net difference between projected and actual earnings on OPEB plan investments	—	184,831	—	8,539
Payments made after the measurement date	637,189	—	79,839	—
Totals	<u>\$ 2,977,680</u>	<u>\$ 6,581,874</u>	<u>\$ 529,069</u>	<u>\$ 740,191</u>

The \$637 million and \$80 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
2023	\$ (1,155,438)	\$ (101,411)
2024	(843,642)	(81,207)
2025	(824,374)	(51,361)
2026	(750,889)	(40,213)
2027	(665,444)	(16,810)
Thereafter	(1,597)	42
Total	<u>\$ (4,241,384)</u>	<u>\$ (290,960)</u>

Actuarial Assumptions

The total OPEB liability based on the actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021 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 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%	

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-2020 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, 2021 was 2.77%. This rate was based on a blend of the Bond Buyer Index rate of 2.16% as of the measurement date and the long-term expected rate of return on plan investments of 7.00%. 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 was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2021.

Investments

The long-term expected rate of return as of June 30, 2021 was 7.00%. Investment assets of the Plan are held by the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2021 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 %	0.3 %
Private Equity	13.0 %	7.8 %
Portfolio Completion Strategies	11.0 %	2.9 %
Real Estate	10.0 %	3.7 %
Value Added Fixed Income	8.0 %	3.9 %
Timber/Natural Resources	4.0 %	4.3 %
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, 2021 (amounts in thousands):

	Increase/(Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2020.....	\$ 22,105,511	\$ 1,414,312	\$ 20,691,199
Changes for the year:			
Service cost.....	992,669	—	992,669
Interest.....	521,143	—	521,143
Differences between expected and actual experience.....	(2,926,517)	—	(2,926,517)
Changes of assumptions.....	(2,297,649)	—	(2,297,649)
Contributions-employer.....	—	569,989	(569,989)
Net investment income.....	—	411,438	(411,438)
Benefit payments.....	(484,752)	(484,752)	—
Administrative expense.....	—	(247)	247
Other additions.....	—	200	(200)
Net changes.....	(4,195,106)	496,628	(4,691,734)
Balances at June 30, 2021.....	<u>\$ 17,910,405</u>	<u>\$ 1,910,940</u>	<u>\$ 15,999,465</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 1.77%	Current Discount Rate 2.77%	1% Increase 3.77%
Commonwealth Net OPEB liability.....	<u>\$ 18,078,343</u>	<u>\$ 15,217,561</u>	<u>\$ 12,913,258</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 129 of this report (amounts in thousands):

	1% Decrease 3.4%-6.3%	Current Rate 4.4%-7.3%	1% Increase 5.4%-8.3%
Commonwealth Net OPEB liability.....	<u>\$ 12,460,053</u>	<u>\$ 15,217,561</u>	<u>\$ 18,811,519</u>

E. STATEMENT OF NET POSITION AND CHANGES IN NET POSITION

The following table displays the Statement of Net Position and Statement of Changes in Net Position for the State Retirees' Benefit Trust as of June 30, 2022 (amounts in thousands):

	OPEB Trust Fund
	State Retiree Benefits
ASSETS	
Cash and cash equivalents	\$ 151,542
Net investment in PRIT at fair value	1,836,867
Total assets	1,988,409
LIABILITIES	
Accounts payable	26
Net position available for other post-employment benefits	\$ 1,988,383
ADDITIONS	
Contributions:	
Employer contributions - Commonwealth	\$ 660,800
Other additions	175
Total contributions	660,975
Net investment gain/(loss):	
Investment gain/(loss)	(62,761)
Less: investment expense	(10,365)
Net investment gain/(loss)	(73,126)
Total additions	587,849
DEDUCTIONS	
Administration	240
Retirement benefits and refunds	510,166
Total deductions	510,406
Change in net position	77,443
Net position available for other post-employment benefits at beginning of year	1,910,940
Net position available for other post-employment benefits at end of year	\$ 1,988,383

11. LEASES**Primary Government - as Lessee**

The Commonwealth has entered into various right to use leases for land, buildings, and equipment, infrastructure, facilities, and improvements. These agreements contain provisions indicating that continuation is subject to appropriation by the Legislature. One of the lease agreements calls for both fixed and variable (based on changes in index rates) payments; the latter of which are not included in the initial measurement of the lease liability. These variable payments totaled \$2,963,553 and were recognized as expense during the year ended June 30, 2022.

The Institutions of Higher Education lease real property and equipment under numerous right to use lease agreements for varying terms. The following schedule summarizes future minimum payments under non-cancelable leases for governmental activities and for the Institutions of Higher Education – reported as a business-type activity, for the fiscal year ended June 30, 2022 (amounts in thousands):

Fiscal Year Ended June 30	Governmental Activities				Governmental Activities Total	Business - Type Activities		Business - Type Activities Total
	Principal	Interest	MSBA Principal	MSBA Interest		Principal	Interest	
2023	\$ 180,025	\$ 7,025	\$ 1,087	\$ 104	\$ 188,241	\$ 66,175	\$ 48,905	\$ 115,080
2024	153,237	6,327	1,151	64	160,779	63,107	46,082	109,189
2025	124,811	5,563	1,216	24	131,614	62,658	43,666	106,324
2026	91,101	4,902	—	—	96,003	63,035	41,072	104,107
2027	79,259	4,293	—	—	83,552	63,805	38,246	102,051
2028 - 2032	189,706	15,085	—	—	204,791	328,314	139,272	467,586
2033 - 2037	27,801	11,142	—	—	38,943	311,458	80,460	391,918
2038 - 2042	29,750	8,232	—	—	37,982	229,887	30,495	260,382
2043 - 2047	31,312	5,192	—	—	36,504	56,482	5,622	62,104
2048 - 2052	33,393	1,886	—	—	35,279	12,723	615	13,338
2053 - 2057	443	186	—	—	629	—	—	—
2058 - 2062	487	143	—	—	630	—	—	—
2063 - 2067	535	94	—	—	629	—	—	—
2068 - 2072	589	41	—	—	630	—	—	—
2073 - 2077	141	1	—	—	142	—	—	—
Total lease obligations	942,590	70,112	3,454	192	1,016,348	1,257,644	474,435	1,732,079
Less: current portion	(180,025)	(7,025)	(1,087)	(104)	(188,241)	(66,175)	(48,905)	(115,080)
Long-term lease obligations	<u>\$ 762,565</u>	<u>\$ 63,087</u>	<u>\$ 2,367</u>	<u>\$ 88</u>	<u>\$ 828,107</u>	<u>\$ 1,191,469</u>	<u>\$ 425,530</u>	<u>\$ 1,616,999</u>

Right-to-use assets as of June 30, 2022 (amounts in thousands):

Asset type:	Primary Government	
	Governmental Activities	Business - Type Activities
Buildings	\$ 1,212,230	\$ 1,326,046
Machinery and equipment	42,459	14,948
Total assets	1,254,689	1,340,994
Less: accumulated depreciation	(343,547)	(174,005)
Total	<u>\$ 911,142</u>	<u>\$ 1,166,989</u>

Primary Government - as Lessor

The Commonwealth acts as Lessor on a ground lease associated with re-development of the Saltonstall Building in Boston. For the year ended June 30, 2022, the Commonwealth recognized lease revenue of \$4 million and interest revenue of \$1 million.

The Institutions of Higher Education acts as lessor of real property and equipment under numerous agreements for varying terms. The following schedule summarizes future minimum payments under non-cancelable leases for governmental activities and for the Institutions of Higher Education – reported as a business-type activity, for the fiscal year ended June 30, 2022 (amounts in thousands):

Fiscal Year Ended June 30	Governmental Activities			Business - Type Activities		
	Principal	Interest	Governmental Activities Total	Principal	Interest	Business - Type Activities Total
2023	\$ 1,301	\$ 1,404	\$ 2,705	\$ 56,176	\$ 48,051	\$ 104,227
2024	1,325	1,386	2,711	53,940	45,560	99,500
2025	2,212	1,341	3,553	59,315	43,939	103,254
2026	1,382	1,298	2,680	61,151	42,144	103,295
2027	1,410	1,274	2,684	64,091	40,337	104,428
2028 - 2032	9,301	5,856	15,157	348,704	147,324	496,028
2033 - 2037	10,895	4,837	15,732	350,601	83,945	434,546
2038 - 2042	12,728	3,615	16,343	244,740	32,807	277,547
2043 - 2047	14,075	2,255	16,330	61,060	8,337	69,397
2048 - 2052	15,115	752	15,867	33,039	3,766	36,805
Total lease receivable	69,744	24,018	93,762	1,332,817	496,210	1,829,027
Less: current portion	(1,301)	(1,404)	(2,705)	(56,176)	(48,051)	(104,227)
Long-term lease receivable	<u>\$ 68,443</u>	<u>\$ 22,614</u>	<u>\$ 91,057</u>	<u>\$ 1,276,641</u>	<u>\$ 448,159</u>	<u>\$ 1,724,800</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, 2022 is estimated to be \$272 million of which approximately \$37 million is expected to be paid during FY23.

Changes in the Commonwealth's liability relating to workers' compensation claims in FY22 and FY21 were (amounts in thousands):

	FY22	FY21
Claims liability, beginning of year	\$ 260,504	\$ 264,870
Increase in liability estimate	70,227	53,742
Payments and decreases in liability estimate	(58,840)	(58,108)
Claims liability, end of year	<u>\$ 271,891</u>	<u>\$ 260,504</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 FY22 and FY21 were (amounts in thousands):

	FY22	FY21
Claims liability, beginning of year	\$ 136,525	\$ 140,627
Increase in liability estimate	1,863,413	1,716,620
Payments and decreases in liability estimate	(1,846,554)	(1,720,722)
Claims liability, end of year	<u>\$ 153,384</u>	<u>\$ 136,525</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 FY22 and FY21 (amounts in thousands):

	FY22	FY21
Unpaid claims, beginning of year	\$ 33,271	\$ 34,117
Incurred claims	48,539	12,567
Claim payments and reductions	(14,092)	(13,413)
Unpaid claims end of year	<u>\$ 67,718</u>	<u>\$ 33,271</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 FY22, the Commonwealth had the following activity related to environmental remediation (amounts in thousands):

	Governmental Activities	Business-Type Activities	Government-Wide Total
Environmental remediation liability, beginning of year.....	\$ 595,275	\$ —	\$ 595,275
Expected additional future outlays, changes in liability estimates	(106,510)	1,567	(104,943)
FY22 outlays for environmental remediation	(7,152)	—	(7,152)
Environmental remediation liability, end of year.....	<u>\$ 481,613</u>	<u>\$ 1,567</u>	<u>\$ 483,180</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 2022, there was a decrease of approximately \$15 million in the liability for COLAs granted to participants in retirement systems of cities, towns and counties.

As of June 30, 2022, the Commonwealth's liability for COLA was approximately \$90 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.

[Section 9 of Chapter 200A of the Massachusetts General Laws](#), part of the Commonwealth's Abandoned Property Law, requires deposit of certain unclaimed assets into a managed Fiduciary Fund. These unclaimed assets are to be remitted to the General Fund each June 30, where it is included as miscellaneous revenue. Amounts remitted during FY22 totaled approximately \$103 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.

Tatum et al. v. Commonwealth of Massachusetts (Human Resources Division), Suffolk Superior Court. A class of Black and Hispanic police officers sued the Commonwealth, alleging that the Human Resource Division's police promotional exam is discriminatory towards minorities. Specifically, plaintiffs allege that the exams had a disparate racial impact in violation of G.L. c. 151B. Plaintiffs first sued the Human Resources Division ("HRD") in federal court, but HRD was dismissed as a party. The plaintiffs initiated this action in state Superior Court in 2009. The state-court lawsuit was originally dismissed, but plaintiffs appealed, and the Supreme Judicial Court held, in a case of first impression, that the Commonwealth does not have sovereign immunity from disparate-impact claims asserted under the interference provision of G.L. c. 151B, § 4(4A). The Supreme Judicial Court also set forth the elements that establish a prima facie case of interference under G.L. c. 151B. On remand, the Superior Court certified a class, and the issue of class certification, as well as issue preclusion based on the decision in the parallel federal lawsuit, were appealed, but HRD did not prevail on appeal.

The parties participated in a bifurcated trial. The liability phase was tried in Superior Court during two weeks in June and July 2022. On October 27, 2022, the Court (Wilkins, J.) issued a decision as to liability and concluded that the Commonwealth is liable for interference under G.L. c. 151B, § 4(4A) with respect to statewide exams that the HRD administered in 2005, 2006, 2007, 2008, 2010, and 2012, as well as exams that were administered in Boston in 2005 and 2008. The parties agreed to settle the case before they tried the issue of damages. While the parties are still negotiating specific language for the settlement, they have agreed to settle the case for \$40,000,000. HRD has also agreed to make changes to the sergeant's police promotional exam going forward. The Court approved the preliminary settlement on March 31, 2023, and a hearing for final approval will take place on May 10, 2023. The settlement payment is subject to appropriation from the Legislature. \$40 million is recorded as accrued liability under the General Fund.

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, 2022, totaling approximately \$110 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.

The University of Massachusetts Building Authority is authorized by its enabling act to issue bonds with the unconditional guarantee of the Commonwealth. 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 total principal amounts of notes and bonds of the University of Massachusetts Building Authority. During FY 2021, the University retired its remaining Commonwealth guaranteed debt. As of June 30, 2022, the University of Massachusetts Building Authority does not have any outstanding Commonwealth guaranteed debt.

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 FY22, the Commonwealth received approximately \$247 million, or 67.9% of the estimated amounts shown in the MSA. Amounts received in FY22 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, 2022, the Commonwealth owes nothing under the jury award. Whether the Commonwealth will in the future be required to pay any sum on private counsel's claim will depend on the actual payments received by the Commonwealth under the MSA through 2025, as well as on the amounts the attorneys receive through the arbitration payments.

C. OPIOID SETTLEMENT

In 2022, the Commonwealth, along with 50 other states and territories, signed on to opioid legal agreements with certain manufacturers and distributors to resolve legal claims for their role in the opioid crisis. As a result of these agreements, the Commonwealth has recognized a receivable for \$337 million as of June 30, 2022, of which \$272 million is considered long-term and remaining \$65 million as short-term receivable. As of June 30, 2022, \$25 million has been received in the Opioid Recovery and Remediation Trust Fund established pursuant to [Massachusetts General Law Chapter 10, Section 35000](#).

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

D. OTHER CONSTRUCTION COMMITMENTS

At June 30, 2022, the Commonwealth had commitments of approximately \$785 million related to ongoing construction projects.

E. CONTRACTUAL ASSISTANCE TO AUTHORITIES

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

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

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

F. MSBA

The MSBA has estimated the amount of outstanding New Program commitments at June 30, 2022 to be \$2.0 billion.

G SOCIAL IMPACT BONDS

In January 2014 (and amended in November 2016 and April 2020), 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 avoid re-offending. The Commonwealth is obligated to make success payments totaling \$28 million, in the aggregate, through fiscal year 2024 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 year 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 year 2023. The Commonwealth entered into a fourth contract in July 2018 (and amended in October 2021 and August 2022) to support unemployed or underemployed veterans with post-traumatic stress disorder in attaining competitive and compatible employment. The contract obligates the Commonwealth to make up to \$6 million in success payments, in the aggregate, through fiscal year 2024. As the amount required to be paid as of June 30, 2022 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.

H. PENSIONS

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

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

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

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

The Internal Revenue Service issued an initial request for additional information on April 28, 2020 and a further request for additional information on June 23, 2020. The Commonwealth, the MSERS and MTRS submitted responses to such requests on June 3, 2020 and July 31, 2020, respectively. After further discussions with the IRS,

on August 20, 2020, the Commonwealth withdrew its prior request for a closing agreement. This matter remains pending.

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

The Commonwealth has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Commonwealth is such that exclusion would cause the Commonwealth's financial statements to be misleading or incomplete. As required by GAAP, these financial statements present the Commonwealth of Massachusetts (the primary government) and its component units. The Commonwealth has included 41 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, 2022 fiscal year end) (entities marked with an * are not legally separate from the Commonwealth but have separately audited financial statements). Entities that are marked with a § also were not audited in accordance with *Governmental Auditing Standards* as promulgated by the Comptroller General of the United States.

Entities Audited by CliftonLarsonAllen (CLA):

The Massachusetts Clean Water Trust

Entities Audited by Other Auditors:

The Pension Reserves Investment Trust Fund (PRIT)

*The Massachusetts State Lottery Commission

The Massachusetts Department of Transportation (MassDOT)

Massachusetts Bay Transportation Authority (MBTA)

Commonwealth Health Insurance Connector Authority

*§The Massachusetts Municipal Depository Trust (MMDT)

*The University of Massachusetts System

University of Massachusetts Foundation, Inc.

The Massachusetts School Building Authority (MSBA)

*State Universities:

Bridgewater State University

Fitchburg State University

Framingham State University

Massachusetts College of Art

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 August 15, 2022, the MSBA called the remaining principal on the 2012 A and 2012 B Refunding bonds. The principal reductions of \$198.3 million (2012 A) and \$4.0 million (2012 B) were funded by the proceeds, including interest, of the matured guaranteed investment contract. The guaranteed investment contract matured on July 25, 2022. By calling the bonds, the MSBA has eliminated scheduled future interest payments by \$15.5 million.

On September 30, 2022, the Commonwealth issued approximately \$7 million in General Obligation (GO) Bonds, Consolidated Loan of 2022 Series A (College Opportunity Bonds). These bonds carry an interest rate of 0.50%. The first principal payment is due on August 1, 2027 with final maturity on August 1, 2042.

On October 27, 2022, the Commonwealth issued approximately \$435 million in GO Refunding Bonds 2022, Series A. The bonds were issued to refund, on a current basis, approximately \$480 million of various GO bonds and carries interest rates of 5.00% with final maturity on October 1, 2031. The refunding resulted in reduced debt service of approximately \$16 million and a present value savings of approximately \$13 million over the life of the bonds.

On October 27, 2022, the Commonwealth issued \$902 million in GO Bonds, Consolidated Loan of 2022, Series C. These bonds carry interest rate of 5.00% to 5.25%. The first principal payment is due on October 1, 2032 with final maturity on October 1, 2052.

On December 8, 2022, the Commonwealth issued \$200 million in GO Bonds, Consolidated Loan of 2022, Series D. These bonds carry a 5.00% interest rate. The first principal payment is due on November 1, 2028 with final maturity on November 1, 2033.

On December 8, 2022, the Commonwealth issued \$500 million in GO Bonds, Consolidated Loan of 2022, Series E. These bonds carry a 5.00% interest rate. The first principal payment is due on November 1, 2042 with final maturity on November 1, 2052.

On November 9, 2022, MassDOT refunded \$371,380 of the Metropolitan Highway System (MHS) 2019 Subordinated Series A Bonds and issued \$371,380 in MHS Revenue Refunding Bonds, Variable Rate Demand Obligations, 2022 Series A-1, A-2 and Series A-3. Interest payments are payable semi-annually on July 1 and January 1, commencing January 1, 2023. Principal payments are payable annually starting on July 1 of 2030. The Bonds mature on July 1, 2039.

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

Required Supplementary Information Other Than Management's Discussion and Analysis

(Unaudited)

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

*Schedule of Revenues, Expenditures and Changes in Fund Balances – Statutory Basis – Budget and Actual –
Budgeted Major Governmental Funds - Federal Covid-19 Response Fund*

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

*Explanation of Differences Between Revenues, Expenditures and Other Financing Sources/(Uses) for the
Federal Covid-19 Response 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, 2022

(Amounts in thousands)

	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 30,530,500	\$ 30,530,500	\$ 36,973,103	\$ 6,442,603
Assessments	434,064	434,064	403,600	(30,464)
Federal grants and reimbursements	14,107,003	14,107,003	15,767,898	1,660,895
Tobacco settlement revenue	254,645	254,645	246,997	(7,648)
Departmental	3,255,690	3,255,690	4,130,036	874,346
Miscellaneous	450,260	450,260	383,549	(66,711)
Total revenues	49,032,162	49,032,162	57,905,183	8,873,021
Other financing sources:				
Fringe benefit cost recovery	495,629	495,629	613,577	117,948
Lottery reimbursements	114,526	114,526	122,189	7,663
Lottery distributions	1,124,183	1,124,183	1,079,306	(44,877)
Operating transfers in	209,512	209,512	267,486	57,974
Stabilization transfer	1,168,562	1,168,562	2,311,539	1,142,977
Transfer for transitional escrow	—	—	4,812,071	4,812,071
Total other financing sources	3,112,412	3,112,412	9,206,168	6,093,756
Total revenues and other financing sources	52,144,574	52,144,574	67,111,351	14,966,777
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Legislature	127,247	127,362	76,093	51,269
Judiciary	1,135,688	1,145,124	1,090,795	54,329
Inspector General	6,902	6,902	6,387	515
Governor and Lieutenant Governor	8,659	9,861	7,811	2,050
Secretary of the Commonwealth	46,640	52,282	49,992	2,290
Treasurer and Receiver-General	2,394,942	296,867	221,659	75,208
Auditor of the Commonwealth	21,621	21,541	21,366	175
Attorney General	61,173	61,862	58,546	3,316
Ethics Commission	2,686	2,753	2,691	62
District Attorney	152,381	151,972	150,329	1,643
Office of Campaign & Political Finance	1,874	1,874	1,786	88
Sheriff's Departments	655,757	737,490	662,825	74,665
Disabled Persons Protection Commission	10,330	10,831	8,660	2,171
Commission on the Status of Women	487	987	501	486
Board of Library Commissioners	36,532	36,532	36,366	166
Comptroller	66,546	66,747	25,457	41,290
Administration and Finance	3,980,052	4,543,531	2,662,362	1,881,169
Energy and Environmental Affairs	323,017	489,541	413,244	76,297
Health and Human Services	7,697,323	8,723,724	8,205,993	517,731
Executive Office of Technology Services and Security	207,682	209,645	160,107	49,538
Massachusetts Department of Transportation	—	3,724	1,970	1,754
Office of the Child Advocate	4,270	3,995	2,930	1,065
Commission Against Discrimination	8,430	8,430	6,870	1,560
Executive Office of Education	3,291,951	3,437,473	3,220,212	217,261
Center for Health Information and Analysis	31,432	31,202	31,179	23
Public Safety and Homeland Security	1,414,478	1,424,219	1,235,106	189,113
Massachusetts Peace Officer Standards and Training	4,727	1,740	1,740	—
Housing and Economic Development	831,341	1,001,346	817,521	183,825
Labor and Workforce Development	125,049	143,696	107,440	36,256
Direct local aid	6,643,501	6,643,893	6,641,961	1,932
Medicaid	18,986,703	19,847,962	19,845,596	2,366
Post employment benefits	—	4,421,469	4,421,423	46
Debt service:				
Principal retirement	36,988	667,361	654,452	12,909
Interest and fiscal charges	—	612,054	599,520	12,534
Total expenditures	48,316,409	54,946,012	51,450,890	3,495,122
Other financing uses:				
Fringe benefit cost assessment	—	—	7,934	(7,934)
Operating transfers out	—	1,075,075	1,087,271	(12,196)
Medical assistance transfer	503,295	751,458	751,458	—
Stabilization transfer	—	2,272,593	2,272,593	—
Transfer for transitional escrow	—	—	4,578,822	(4,578,822)
Other fund deficit support	—	—	7,978	(7,978)
Total other financing uses	503,295	4,099,126	8,706,056	(4,606,930)
Total expenditures and other financing uses	48,819,704	59,045,138	60,156,946	(1,111,808)
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ 3,324,870	\$ (6,900,564)	6,954,405	\$ 13,854,969
Fund balances/(deficits) at beginning of year			7,157,265	
Fund balances/(deficits) at end of year			<u>\$ 14,111,670</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.

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

Budgeted Major Governmental Funds - Federal Covid-19 Response Fund

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—
Federal grants and reimbursements	—	—	—	—
Tobacco settlement revenue	—	—	—	—
Departmental	—	—	—	—
Miscellaneous	—	—	—	—
Total revenues	—	—	—	—
Other financing sources:				
Fringe benefit cost recovery	—	—	—	—
Lottery reimbursements	—	—	—	—
Lottery distributions	—	—	—	—
Operating transfers in	—	—	—	—
Stabilization transfer	—	—	—	—
Transfer for transitional escrow	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	—	—	—	—
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Legislature	—	—	—	—
Judiciary	—	—	—	—
Inspector General	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—
Secretary of the Commonwealth	—	—	—	—
Treasurer and Receiver-General	—	—	—	—
Auditor of the Commonwealth	—	—	—	—
Attorney General	—	—	—	—
Ethics Commission	—	—	—	—
District Attorney	—	—	—	—
Office of Campaign & Political Finance	—	—	—	—
Sheriff's Departments	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—
Commission on the Status of Women	—	—	—	—
Board of Library Commissioners	—	—	—	—
Comptroller	—	—	—	—
Administration and Finance	—	3,347,674	—	3,347,674
Energy and Environmental Affairs	—	—	—	—
Health and Human Services	—	26,000	—	26,000
Executive Office of Technology Services and Security	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—
Office of the Child Advocate	—	—	—	—
Commission Against Discrimination	—	—	—	—
Executive Office of Education	—	16,000	10,000	6,000
Center for Health Information and Analysis	—	—	—	—
Public Safety and Homeland Security	—	—	—	—
Massachusetts Peace Officer Standards and Training	—	—	—	—
Housing and Economic Development	—	10,000	—	10,000
Labor and Workforce Development	—	18,126	5,202	12,924
Direct local aid	—	—	—	—
Medicaid	—	—	—	—
Post employment benefits	—	—	—	—
Debt service:				
Principal retirement	—	—	—	—
Interest and fiscal charges	—	—	—	—
Total expenditures	—	3,417,800	15,202	3,402,598
Other financing uses:				
Fringe benefit cost assessment	—	—	—	—
Operating transfers out	—	1,381,299	1,381,299	—
Medical assistance transfer	—	—	—	—
Stabilization transfer	—	—	—	—
Transfer for transitional escrow	—	—	—	—
Other fund deficit support	—	—	—	—
Total other financing uses	—	1,381,299	1,381,299	—
Total expenditures and other financing uses	—	4,799,099	1,396,501	3,402,598
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ —	\$ (4,799,099)	(1,396,501)	\$ 3,402,598
Fund balances/(deficits) at beginning of year			4,891,987	
Fund balances/(deficits) at end of year			<u>\$ 3,495,486</u>	

**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	\$ 57,905,183
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:	
Tax receivable, net	1,378,051
Tax refunds and abatements payable, net	(3,401,727)
Federal reimbursements and other receivables	(481,338)
Reclassifications:	
Higher education revenue is reclassified for GAAP reporting	(115,419)
Inflows from component units and other miscellaneous financing sources	108,662
Certain revenue is reclassified to fiduciary funds for GAAP reporting	(9,843)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 55,383,569</u>
OTHER FINANCING SOURCES	
Actual amounts (budgetary basis) "other financing sources" from the budgetary comparison schedule	\$ 9,206,168
Adjustments and Reclassifications:	
Higher education revenue is reclassified for GAAP reporting	—
Proceeds of capital lease on GAAP basis	—
Consolidation of transfers between funds	(6,857,434)
Inflows from component units and other miscellaneous financing sources	(108,641)
Total other financing sources as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 2,240,093</u>
EXPENDITURES	
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedule	\$ 51,450,890
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:	
Medicaid payments	112,970
Compensated absences and other accrued liabilities	102,698
Reclassifications:	
Capital lease additions are additions to expenditures for GAAP purposes on a fund perspective	—
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	(1,253,971)
Certain expenditures are reclassified to Other Financing Uses for fund splits	(7,689)
Higher education expenditures are reclassified for GAAP reporting	(1,772,173)
Expenditures to component units reported on a GAAP basis	63,497
Certain expenditures are reclassified to fiduciary funds for GAAP reporting	(9,843)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 48,686,379</u>
OTHER FINANCING USES	
Actual amounts (budgetary basis) "other financing uses" from the budgetary comparison schedule	\$ 8,706,056
Adjustments and Reclassifications:	
Consolidation of transfers between funds	(6,857,434)
Budgetary higher education amounts are reclassified to transfers under the modified accrual basis	1,656,756
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	1,253,971
Transfers to component units reported on a GAAP basis	(19,092)
Certain expenditures are reclassified to Other Financing Uses for fund splits	7,689
Total other financing uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 4,747,946</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 Federal Covid-19 Response Fund on a Budgetary Basis and GAAP Basis (in thousands):**

REVENUES

Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$	—
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:		
Tax receivable, net		—
Tax refunds and abatements payable, net		—
Federal reimbursements and other receivables		15,203
Reclassifications:		
Higher education revenue is reclassified for GAAP reporting		—
Inflows from component units and other miscellaneous financing sources		—
Certain revenue is reclassified to fiduciary funds for GAAP reporting		—
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$	15,203

OTHER FINANCING SOURCES

Actual amounts (budgetary basis) "other financing sources" from the budgetary comparison schedule	\$	—
Adjustments and Reclassifications:		
Higher education revenue is reclassified for GAAP reporting		—
Proceeds of capital lease on GAAP basis		—
Consolidation of transfers between funds		—
Inflows from component units and other miscellaneous financing sources		—
Total other financing sources as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$	—

EXPENDITURES

Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedule	\$	15,202
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:		
Medicaid payments		—
Compensated absences and other accrued liabilities		—
Reclassifications:		
Capital lease additions are additions to expenditures for GAAP purposes on a fund perspective		—
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		—
Reversal of prior year budget to GAAP adjustment		—
Higher education expenditures are reclassified for GAAP reporting		—
Expenditures to component units reported on a GAAP basis		—
Certain expenditures are reclassified to fiduciary funds for GAAP reporting		—
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$	15,202

OTHER FINANCING USES

Actual amounts (budgetary basis) "other financing uses" from the budgetary comparison schedule	\$	1,381,299
Adjustments and Reclassifications:		
Consolidation of transfers between funds		—
Operating Transfer out are reclassified to Federal revenue under the modified accrual basis		(1,381,299)
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		—
Transfers to component units reported on a GAAP basis		—
Total other financing uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$	—

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 FY22 (amounts in thousands):

	Revenues	Expenditures
General Appropriation Act, Chapter 24 of the Acts of 2021:		
Direct appropriations	\$ 50,061,800	\$ 47,647,325
Estimated revenues, transfers, retained revenue appropriations, and appropriations carried forward from FY2021	—	2,514,431
Total original budget	50,061,800	50,161,756
Supplemental Acts of 2021:		
Chapter 102	—	3,478,744
Supplemental Acts of 2022:		
Chapter 22	—	76,000
Chapter 42	—	1,920,772
Chapter 103	—	56,000
Chapter 268	—	3,510,287
Total budgeted revenues and expenditures per Legislative action	—	9,041,804
Plus: Pension contributions and revenue authorized in the General Appropriation Act, and other transfers of revenue and spending	4,552,188	7,328,123
Budgeted revenues and expenditures as reported	<u>\$ 54,613,988</u>	<u>\$ 66,531,683</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)

	2022	2021	2020*	2019
Total pension liability, July 1	\$ 46,476,000	\$ 45,725,000	\$ 43,398,000	\$ 41,225,000
Service cost	981,998	968,648	963,828	897,600
Interest	3,223,993	3,243,594	3,124,187	2,965,890
Change in benefit terms	—	—	—	—
Differences between expected and actual experience	160,909	(904,845)	336,183	303,066
Changes of assumptions	—	101,000	442,000	434,000
Benefit payments, including refunds of member contributions	(2,801,900)	(2,657,397)	(2,539,198)	(2,427,556)
Net change in total pension liability	1,565,000	751,000	2,327,000	2,173,000
Total pension liability, June 30 (a)	<u>\$ 48,041,000</u>	<u>\$ 46,476,000</u>	<u>\$ 45,725,000</u>	<u>\$ 43,398,000</u>
Plan fiduciary net position, July 1	\$ 36,039,471	\$ 28,567,300	\$ 28,763,796	\$ 27,995,021
Contributions:				
Employers - Commonwealth and MassDOT	1,310,596	1,105,838	1,003,828	919,545
Non-employer contributions - Commonwealth	56,988	41,963	38,381	37,359
Employer and non-employer contributions - other	11,454	13,352	9,718	10,191
ERIP funding contribution - Commonwealth	28,449	28,449	28,724	28,724
Plan members	693,853	652,911	659,015	632,730
Other additions	138,957	90,879	90,944	104,765
Total contributions	2,240,297	1,933,392	1,830,610	1,733,314
Net investment income (loss)	(1,297,464)	8,232,417	567,319	1,543,398
Benefit payments, including refunds of member contributions	(2,801,900)	(2,657,397)	(2,539,198)	(2,427,556)
Administrative expense	(14,461)	(21,685)	(18,089)	(15,853)
Other changes	(34,817)	(14,556)	(37,138)	(64,528)
Net change in plan fiduciary net position	(1,908,345)	7,472,171	(196,496)	768,775
Plan fiduciary net position, June 30 (b)	<u>\$ 34,131,126</u>	<u>\$ 36,039,471</u>	<u>\$ 28,567,300</u>	<u>\$ 28,763,796</u>
Plan net pension liability - June 30 (a) - (b)	<u>\$ 13,909,874</u>	<u>\$ 10,436,529</u>	<u>\$ 17,157,700</u>	<u>\$ 14,634,204</u>
Plan fiduciary net position as a percentage of the total pension liability	71.0%	77.5%	62.5%	66.3%
Covered payroll (as of the actuarial valuation date)	\$ 6,651,010	\$ 6,544,575	\$ 6,354,473	\$ 6,354,473
Net pension liability as a percentage of covered employee payroll	209.1%	159.5%	270.0%	230.3%

* - 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.

2018	2017	2016	2015	2014
\$ 39,107,000	\$ 37,760,000	\$ 35,425,414	\$ 31,355,000	\$ 29,988,000
856,200	855,440	813,975	700,012	631,634
2,852,239	2,813,374	2,638,929	2,411,551	2,405,204
—	10,000	400,000	230,302	—
102,008	(428,232)	589,009	275,000	—
622,000	304,000	—	2,330,000	102,000
(2,314,447)	(2,207,582)	(2,107,327)	(1,876,451)	(1,771,838)
2,118,000	1,347,000	2,334,586	4,070,414	1,367,000
<u>\$ 41,225,000</u>	<u>\$ 39,107,000</u>	<u>\$ 37,760,000</u>	<u>\$ 35,425,414</u>	<u>\$ 31,355,000</u>
\$ 26,282,232	\$ 23,971,156	\$ 24,042,585	\$ 23,930,895	\$ 21,084,958
842,864	716,266	660,818	601,931	550,483
33,310	28,455	21,830	18,040	21,293
9,564	7,999	16,642	15,808	6,048
28,724	29,093	29,093	—	—
600,705	604,772	591,948	549,493	501,106
118,124	232,548	397,077	92,503	68,967
1,633,291	1,619,133	1,717,408	1,277,775	1,147,897
2,460,748	2,987,632	422,938	800,886	3,551,012
(2,314,447)	(2,207,582)	(2,107,327)	(1,876,451)	(1,771,838)
(16,369)	(30,030)	(20,624)	(15,966)	(12,705)
(50,434)	(58,077)	(83,824)	(74,554)	(68,429)
1,712,789	2,311,076	(71,429)	111,690	2,845,937
<u>\$ 27,995,021</u>	<u>\$ 26,282,232</u>	<u>\$ 23,971,156</u>	<u>\$ 24,042,585</u>	<u>\$ 23,930,895</u>
<u>\$ 13,229,979</u>	<u>\$ 12,824,768</u>	<u>\$ 13,788,844</u>	<u>\$ 11,382,829</u>	<u>\$ 7,424,105</u>
67.9%	67.2%	63.5%	67.9%	76.3%
\$ 6,155,194	\$ 5,927,012	\$ 5,792,288	\$ 5,591,911	\$ 5,344,510
214.9%	216.4%	238.1%	203.6%	138.9%

NOTES TO THE SERS SCHEDULE

FY2022 Changes in Actuarial Assumptions

No changes.

FY2021 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

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

Change in mortality

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

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

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

FY2020 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

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

FY2019 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

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

FY2018 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

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

NOTES TO THE SERS SCHEDULE

Change in mortality

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

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

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

FY2017 Changes in Actuarial Assumptions

Changes of Benefit Terms:

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

Changes of Assumptions:

Change in mortality

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

- Pre-retirement - was changed to RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016 set forward 1 year for females from RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct).
- Post-retirement - was changed to RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016 set forward 1 year for females from RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct).
- Disabled members - is assumed to be in accordance with the RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2015 (gender distinct), and is unchanged from the prior valuation.

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

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.

NOTES TO THE SERS SCHEDULE

Change in mortality

The following mortality assumption changes were made in the January 1, 2015 Actuarial Valuation:

- Pre-retirement - was changed to RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct) from RP-2000 Employees table projected 22 years with Scale AA.
- Post-retirement - was changed to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct) from RP-2000 Healthy Annuitant table projected 17 years with Scale AA.
- Disabled members - was changed to be assumed to be in accordance with RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct) from RP-2000 Healthy Annuitant table projected 7 years with Scale AA set forward 3 years for males.

These changes resulted in an increase to the total pension liability of approximately \$1.397 billion.

FY2014 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in Experience

An updated experience study was issued on February 27, 2014 and encompassed the period January 1, 2006 to December 31, 2011. The study reviewed salary increases and rates of retirement, disability, turnover, and mortality. This study adjusted the mortality assumption which resulted in an increase to the total pension liability of approximately \$102 million.

See Independent Auditors' Report



**Schedule of Changes in the Massachusetts Teachers' Retirement
System (MTRS) Net Pension Liability and Related Ratios**

(Amounts in thousands, except for percentages)

	2022	2021	2020 *	2019	2018
Total pension liability, July 1	\$ 59,795,000	\$ 57,862,841	\$ 54,751,000	\$ 52,503,000	\$ 50,024,000
Service cost	1,084,503	1,085,414	1,019,331	949,262	901,234
Interest	4,143,763	4,097,558	3,927,724	3,763,191	3,633,027
Differences between expected and actual experience	(384,483)	(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	(3,365,783)	(3,279,491)	(3,189,813)	(3,092,363)	(2,992,578)
Net change in total pension liability	1,478,000	1,932,159	3,111,841	2,248,000	2,479,000
Total pension liability, June 30 (a)	<u>\$ 61,273,000</u>	<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	\$ 37,088,124	\$ 29,317,997	\$ 29,536,980	\$ 28,791,711	\$ 27,138,609
Contributions:					
Non-employer	2,104,604	1,748,483	1,553,433	1,443,710	1,314,783
Plan members	892,123	833,236	821,105	782,431	755,688
Other additions	276,758	254,903	233,222	234,532	231,734
Total contributions	3,273,485	2,836,622	2,607,760	2,460,673	2,302,205
Net investment income (loss)	(1,353,547)	8,455,507	581,648	1,584,770	2,542,576
Benefit payments, including refunds of plan member contributions	(3,365,783)	(3,279,491)	(3,189,813)	(3,092,363)	(2,992,578)
Administrative expense	(19,196)	(21,783)	(22,391)	(18,324)	(19,528)
Other changes	(238,221)	(220,728)	(196,187)	(189,487)	(179,573)
Net change in plan fiduciary net position	(1,703,262)	7,770,127	(218,983)	745,269	1,653,102
Plan fiduciary net position, June 30 (b)	<u>\$ 35,384,862</u>	<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>\$ 25,888,138</u>	<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	57.7%	62.0%	50.7%	53.9%	54.8%
Covered payroll (as of actuarial valuation date)	\$ 7,704,176	\$ 7,670,306	\$ 7,074,960	\$ 7,074,960	\$ 6,829,012
Net pension liability as a percentage of covered employee payroll	336.0%	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

FY2022 Changes in Actuarial Assumptions

No changes.

FY2021 Changes in Actuarial Assumptions

Changes of assumptions:

Change in the investment rate of return

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

Change in mortality

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

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

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

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:

NOTES TO THE MTRS SCHEDULE

Change in the investment rate of return

The Commonwealth revised its discount rate to 7.25% from 7.35%. This change resulted in an increase to the total pension liability of approximately \$577 million.

FY2018 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

The Commonwealth revised its discount rate to 7.35% from 7.50%. This change resulted in an increase to the total pension liability of approximately \$845 million.

FY2017 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in mortality

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

- Pre-retirement - was changed to RP-2014 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct) from RP-2014 Employees table projected generationally with Scale BB).
- 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)

	2022	2021	2020	2019	2018
Total OPEB liability, July 1	\$ 17,910,405	\$ 22,105,511	\$ 19,662,106	\$ 19,761,333	\$ 18,480,936
Service cost	774,039	992,669	785,689	806,023	792,135
Interest	510,542	521,143	732,808	796,880	691,630
Differences between expected and actual experience	(16,054)	(2,926,517)	(600,057)	715,192	218,891
Changes of assumptions	(3,328,161)	(2,297,649)	2,050,139	(1,935,139)	21,504
Benefit payments, including refunds of member contributions	(510,166)	(484,752)	(525,174)	(482,183)	(443,763)
Net change in total pension liability	(2,569,800)	(4,195,106)	2,443,405	(99,227)	1,280,397
Total OPEB liability, June 30 (a)	<u>\$ 15,340,605</u>	<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	\$ 1,910,940	\$ 1,414,312	\$ 1,368,548	\$ 1,187,569	\$ 996,407
Contributions:					
Employer	660,800	569,989	547,611	594,916	542,896
Other additions	175	200	122	188	133
Total contributions	660,975	570,189	547,733	595,104	543,029
Net investment income (loss)	(73,126)	411,438	23,380	68,229	93,308
Benefit payments, including refunds of plan member contributions	(510,166)	(484,752)	(525,174)	(482,183)	(443,763)
Administrative expenses	(240)	(247)	(175)	(171)	(150)
Other changes	—	—	—	—	(1,262)
Net change in plan fiduciary net position	77,443	496,628	45,764	180,979	191,162
Plan fiduciary net position, June 30 (b)	<u>\$ 1,988,383</u>	<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>\$ 13,352,222</u>	<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	13.0%	10.7%	6.4%	7.0%	6.0%
Covered payroll *	\$ 5,772,086	\$ 5,594,324	\$ 5,625,684	\$ 5,491,214	\$ 5,296,859
Net OPEB liability as a percentage of covered employee payroll	231.3%	286.0%	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
	784
	<hr/> 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

FY2022 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in discount rate

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

Change in per capita claims costs

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

Change in healthcare trend rates

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

Change in demographic and benefit

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

FY2021 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in discount rate

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

Change in mortality projection scale

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

Change in per capita claims costs

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

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

Change in healthcare trend rates

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

Change in demographic and benefit

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

NOTES TO THE SRBT SCHEDULE

FY2020 Changes in Actuarial Assumptions

Change in discount rate

The discount rate was decreased to 2.28% (based on a blend of the Bond Buyer Index rate 2.21%) as of the measurement date and the expected rate of return on assets of 7.15%) as required by GASB Statement No. 74. This decrease in the discount rate resulted in an increase in the total OPEB liability of approximately \$4.272 billion.

Change in excise tax

The excise tax was removed. This resulted in a decrease in the total OPEB liability of approximately \$502 million.

Change in per capita claims costs

Per capita claims costs were updated based on changes in the underlying claims and benefit provisions. This change resulted in a decrease in the total OPEB liability of approximately \$1.749 billion.

Change in medical trend rates

The medical trend rates were updated based on the SOA-Getzen trend rate model version 2020_b, the impact of the discontinuation of the ACA Health Insurer Fee and Excise Tax. The short-term assumptions were based on a review of the Commonwealth's historical trend rates during fiscal years 2019 and 2020, along with industry surveys, separately for non-Medicare and Medicare benefits. This change resulted in an increase in the total OPEB liability of approximately \$706 million.

Change in salary scale

The salary scale assumption was updated from a constant 4% assumption to rates that vary by years of service and group classification, consistent with SERS. This change resulted in a decrease in the total OPEB liability of approximately \$441 million.

Change in future retirees' plan participation rates

The proportion of future retirees cover a spouse was reduced from 80% to 60%. This resulted in a decrease in the total OPEB liability of approximately \$1.117 billion.

35% of employees currently opting out of active employee health coverage are assumed to enroll in retiree coverage. An 8% load was applied to the active liability to estimate the impact of its population. This resulted in an increase in the total OPEB liability of approximately \$531 million.

Change in medical plan election rates

Retirees and spouses (if covered) are assumed to be non-Medicare eligible prior to age 65 and Medicare eligible at age 65, unless their spouse is over age 65 and non-Medicare eligible. This resulted in an increase in the total OPEB liability of approximately \$350 million.

FY2019 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in base OPEB rates for medical and prescriptions

Annually, a recalibration of the underlying healthcare costs is performed using healthcare cost experience from the GIC and developing new per person annual costs under the different health plan options. The expectation is that the new rates will be equal to the prior year rates plus one year of healthcare trend (medical inflation).

This resulted in a decrease to the total OPEB liability of approximately \$1.638 billion.

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.

NOTES TO THE SRBT SCHEDULE

Change in medical plan election rates

The pre age 65 medical plan election percentages were updated to better reflect plan experience and resulted in a decrease to the total OPEB liability of approximately \$90 million.

Change in future retirees' plan participation rates

Plan participation rate for future retirees was changed from 80% to 85% to better reflect recent plan experience and increased the OPEB liability approximately \$62 million.

Change in discount rate

The discount rate was decreased to 3.69% (based on a blend of the Bond Buyer Index rate (3.51%) as of the measurement date and the expected rate of return on assets) as required by GASB Statement No. 74. This decrease in the discount rate resulted in an increase in the total OPEB liability of approximately \$798 million.

FY2018 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in base OPEB rates for medical and prescriptions

Annually, a recalibration of the underlying healthcare costs is performed using healthcare cost experience from the GIC and developing new per person annual costs under the different health plan options. The expectation is that the new rates will be equal to the prior year rates plus one year of healthcare trend (medical inflation).

This resulted in an increase to the total OPEB liability of approximately \$937 million.

Change in trend on future costs

The healthcare trend rate decreased from 8.5% in FY2017 to 8.0% in FY2018, which impacts the high cost excise tax. This resulted in an increase to the total OPEB liability of approximately \$88 million.

Change in mortality

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

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

This change resulted in a decrease to the total OPEB liability of approximately \$2 million.

Change in discount rate

The discount rate was increased to 3.95% (based on a blend of the Bond Buyer Index rate (3.87%) as of the measurement date and the expected rate of return on assets) as required by GASB Statement No. 74. This increase in the discount rate resulted in a decrease to the total OPEB liability of approximately \$1.001 billion.

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								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense - SERS	(3.65)%	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	(3.69)%	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	(3.85)%	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	2022 (measurement date June 30, 2021)	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	94.2%	94.3%	94.7%	94.6%	94.5%
Proportionate share of the net pension liability	\$ 9,834,175	\$ 16,180,809	\$ 13,856,209	\$ 12,520,028	\$ 12,122,363
Plan net position as a percentage of the total pension liability	71.0%	62.5%	66.3%	67.9%	67.2%
Covered payroll	\$ 5,734,862	\$ 5,778,859	\$ 5,641,512	\$ 5,440,103	\$ 5,397,203
Net pension liability as a percentage of covered payroll	171.5%	280.0%	245.6%	230.1%	224.6%

Contributions	Fiscal Year Ending June 30					
	2022	2021	2020	2019	2018	2017
Statutorily required contribution	\$ 1,367,584	\$ 1,147,801	\$ 1,042,209	\$ 956,904	\$ 876,174	\$ 744,721
Contributions in relation to the statutorily required contribution	1,367,584	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>	<u>\$ —</u>
Covered payroll	\$ 5,921,315	\$ 5,734,862	\$ 5,778,859	\$ 5,641,512	\$ 5,440,103	\$ 5,397,203
Contributions as a percentage of covered payroll	23.1%	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	2022 (measurement date June 30, 2021)	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%	100.0%
Proportionate share of the net pension liability	\$ 22,706,876	\$ 28,544,844	\$ 25,214,020	\$ 23,711,289	\$ 22,885,391
Plan net position as a percentage of the total pension liability	62.0%	50.7%	53.9%	54.8%	54.3%

Contributions	Fiscal Year Ending June 30					
	2022	2021	2020	2019	2018	2017
Statutorily required contribution	\$ 2,104,604	\$ 1,748,483	\$ 1,553,433	\$ 1,443,710	\$ 1,314,783	\$ 1,235,515
Contributions in relation to the statutorily required contribution	2,104,604	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>	<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	2022 (measurement date December 31, 2021)	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.....	65.5%	60.8%	56.5%	55.6%	60.5%	55.9%
Proportionate share of the net pension liability	\$ 2,265,594	\$ 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.....	73.3%	67.6%	61.9%	58.3%	62.7%	58.4%

Contributions	Fiscal Year Ending December 31					
	2021	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 179,369	\$ 162,976	\$ 157,041	\$ 143,146	\$ 131,298	\$ 132,477
Contributions in relation to the statutorily required contribution.....	179,369	162,976	157,041	143,146	131,298	132,477
Annual contribution deficiency/(excess).....	<u>\$ —</u>	<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)
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54.5%	53.7%
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\$ 2,402,267	\$ 2,066,546
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55.8%	59.6%
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2015	2014	2013
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\$ 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 FY2022 was determined as part of the January 1, 2022 actuarial valuation using the entry age normal cost method.
2. The actuarial assumptions included (a) 7.00% 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, 2022 is 90% of the market value.
6. Normal costs are amortized using level percentage of payroll.
7. The remaining amortization period for the unfunded pension liability at January 1, 2022 was 14 years to FY36.

BRS-Teachers:

The actuarially determined contributions were calculated as of December 31, 2020. The funding requirements are established for the employers' fiscal year ended June 30, 2021 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	16 years remaining as of January 1, 2020 for Boston Teachers
Asset valuation method	Sum of actuarial value at beginning of year, contributions and investment earnings based on the actuarial interest assumption less benefit payments and operating expenses plus 20% of market value at end of year in excess of that sum, plus additional adjustment toward market value as necessary so that final actuarial value is within 20% of market value.
Inflation	3.25%
Salary increases	Based on years of service, ranging from 7.50% at zero years of service decreasing to 4.00% after 20 years of services for Boston Teachers
Investment rate of return	7.00% for Boston Teachers

See Independent Auditors' Report

Schedule of Employer Contributions - OPEB
Commonwealth of Massachusetts
 Last 10 Years
 (amounts in thousands)

Contributions	Fiscal Year Ending June 30					
	2022	2021	2020	2019	2018	2017
Statutorily required contribution.....	\$ 637,189	\$ 546,664	\$ 526,494	\$ 572,434	\$ 520,703	\$ 419,932
Contributions in relation to the statutorily required contribution.....	637,189	546,664	526,494	572,434	520,703	419,932
Annual contribution deficiency/(excess).....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll*.....	\$ 5,772,086	\$ 5,594,324	\$ 5,625,684	\$ 5,491,214	\$ 5,296,859	\$ 5,259,298
Contributions as a percentage of covered payroll.....	11.0%	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 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budgetary Basis – Budget and Actual – Combined General Fund

Combining Balance Sheet – Other Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Other Governmental Funds

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budgetary Basis – Budget and Actual – Other Budgeted Nonmajor Governmental Funds

Combining Budget to GAAP Reconciliation – Other Budgeted Nonmajor Governmental Funds

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

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

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

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

Combining Statement of Fiduciary Net Position - Custodial Funds

Combining Statement of Changes in Fiduciary Net Position - Custodial Funds

Combining Statement of Net Position – Nonmajor Discretely Presented Component Units

Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Discretely Presented Component Units

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

Combined General Fund

Fiscal Year Ended June 30, 2022

(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	\$ 30,530,500	\$ 30,530,500	\$ 36,972,843	\$ 6,442,343	\$ —	\$ —	\$ 260	\$ 260
Assessments	434,064	434,064	403,600	(30,464)	—	—	—	—
Federal grants and reimbursements	14,107,003	14,107,003	15,767,898	1,660,895	—	—	—	—
Tobacco settlement revenue	254,645	254,645	246,997	(7,648)	—	—	—	—
Departmental	3,255,690	3,255,690	3,633,702	378,012	—	—	—	—
Miscellaneous	435,492	435,492	383,903	(51,589)	14,768	14,768	(354)	(15,122)
Total revenues	49,017,394	49,017,394	57,408,943	8,391,549	14,768	14,768	(94)	(14,862)
Other financing sources:								
Fringe benefit cost recovery	495,629	495,629	613,577	117,948	—	—	—	—
Lottery reimbursements	114,526	114,526	122,189	7,663	—	—	—	—
Lottery distributions	1,124,183	1,124,183	1,079,306	(44,877)	—	—	—	—
Operating transfers in	209,512	209,512	267,486	57,974	—	—	—	—
Stabilization transfer	—	—	—	—	1,168,562	1,168,562	2,311,539	1,142,977
Transfer for transitional escrow	—	—	—	—	—	—	—	—
Total other financing sources	1,943,850	1,943,850	2,082,558	138,708	1,168,562	1,168,562	2,311,539	1,142,977
Total revenues and other financing sources	50,961,244	50,961,244	59,491,501	8,530,257	1,183,330	1,183,330	2,311,445	1,128,115
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Legislature	127,247	127,212	76,093	51,119	—	—	—	—
Judiciary	1,135,688	1,135,124	1,090,380	44,744	—	—	—	—
Inspector General	6,902	6,902	6,387	515	—	—	—	—
Governor and Lieutenant Governor	8,659	9,861	7,811	2,050	—	—	—	—
Secretary of the Commonwealth	46,624	52,266	49,992	2,274	—	—	—	—
Treasurer and Receiver-General	2,394,942	291,295	216,090	75,205	—	—	—	—
Auditor of the Commonwealth	21,621	21,541	21,366	175	—	—	—	—
Attorney General	61,173	61,857	58,542	3,315	—	—	—	—
Ethics Commission	2,686	2,753	2,691	62	—	—	—	—
District Attorney	152,381	151,972	150,329	1,643	—	—	—	—
Office of Campaign & Political Finance	1,874	1,874	1,786	88	—	—	—	—
Sheriff's Departments	655,757	737,490	662,825	74,665	—	—	—	—
Disabled Persons Protection Commission	10,330	10,831	8,660	2,171	—	—	—	—
Commission on the Status of Women	487	987	501	486	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—	—	—
Board of Library Commissioners	36,532	36,532	36,366	166	—	—	—	—
Comptroller	9,645	9,781	9,731	50	—	—	—	—
Administration and finance	3,783,267	3,520,187	2,484,376	1,035,811	—	—	—	—
Energy and environmental affairs	319,867	329,573	311,331	18,242	—	—	—	—
Health and human services	7,539,608	8,394,530	7,933,404	461,126	—	—	—	—
Executive Office of Technology Services and Security	51,641	53,604	51,668	1,936	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—	—
Office of the Child Advocate	4,270	3,995	2,930	1,065	—	—	—	—
Commission Against Discrimination	8,430	8,430	6,870	1,560	—	—	—	—
Executive Office of Education	3,290,091	3,361,013	3,213,798	147,215	—	—	—	—
Center for Health Information and Analysis	31,432	31,202	31,179	23	—	—	—	—
Public safety and homeland security	1,336,760	1,344,061	1,179,630	164,431	—	—	—	—
Massachusetts Peace Officer Standards and Training	4,727	1,740	1,740	—	—	—	—	—
Housing and economic development	823,657	879,725	755,686	124,039	—	—	—	—
Labor and workforce development	125,049	129,666	106,971	22,695	—	—	—	—
Direct local aid	6,643,501	6,643,893	6,641,961	1,932	—	—	—	—
Medicaid	18,986,703	19,847,962	19,845,596	2,366	—	—	—	—
Post employment benefits	—	4,421,469	4,421,423	46	—	—	—	—
Debt service:								
Principal retirement	—	630,373	617,464	12,909	—	—	—	—
Interest and fiscal charges	—	612,054	599,520	12,534	—	—	—	—
Total expenditures	47,621,551	52,871,775	50,605,097	2,266,678	—	—	—	—
Other financing uses:								
Fringe benefit cost assessment	—	—	7,786	(7,786)	—	—	—	—
Operating transfers out	—	811,405	823,601	(12,196)	—	—	—	—
Medical assistance transfer	503,295	751,458	751,458	—	—	—	—	—
Stabilization transfer	—	2,272,593	2,272,593	—	—	—	—	—
Transfer for transitional escrow	—	—	4,578,822	(4,578,822)	—	—	—	—
Other fund deficit support	—	—	7,978	(7,978)	—	—	—	—
Total other financing uses	503,295	3,835,456	8,442,238	(4,606,782)	—	—	—	—
Total expenditures and other financing uses	48,124,846	56,707,231	59,047,335	(2,340,104)	—	—	—	—
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ 2,836,398	\$ (5,745,987)	444,166	\$ 6,190,153	\$ 1,183,330	\$ 1,183,330	2,311,445	\$ 1,128,115
Fund balances/(deficits) at beginning of year	—	—	1,057,174	—	—	—	4,626,419	—
Fund balances/(deficits) at end of year	—	—	<u>\$ 1,501,340</u>	—	—	—	<u>\$ 6,937,864</u>	—

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
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 30,530,500	\$ 30,530,500	\$ 36,973,103	\$ 6,442,603
—	—	—	—	—	—	—	—	434,064	434,064	403,600	(30,464)
—	—	—	—	—	—	—	—	14,107,003	14,107,003	15,767,898	1,660,895
—	—	—	—	—	—	—	—	254,645	254,645	246,997	(7,648)
—	—	496,334	496,334	—	—	—	—	3,255,690	3,255,690	4,130,036	874,346
—	—	—	—	—	—	—	—	450,260	450,260	383,549	(66,711)
—	—	496,334	496,334	—	—	—	—	49,032,162	49,032,162	57,905,183	8,873,021
—	—	—	—	—	—	—	—	495,629	495,629	613,577	117,948
—	—	—	—	—	—	—	—	114,526	114,526	122,189	7,663
—	—	—	—	—	—	—	—	1,124,183	1,124,183	1,079,306	(44,877)
—	—	—	—	—	—	—	—	209,512	209,512	267,486	57,974
—	—	—	—	—	—	—	—	1,168,562	1,168,562	2,311,539	1,142,977
—	—	—	—	—	—	4,812,071	4,812,071	—	—	4,812,071	4,812,071
—	—	—	—	—	—	4,812,071	4,812,071	3,112,412	3,112,412	9,206,168	6,093,756
—	—	496,334	496,334	—	—	4,812,071	4,812,071	52,144,574	52,144,574	67,111,351	14,966,777
—	—	—	—	—	150	—	150	127,247	127,362	76,093	51,269
—	—	—	—	—	10,000	415	9,585	1,135,688	1,145,124	1,090,795	54,329
—	—	—	—	—	—	—	—	6,902	6,902	6,387	515
—	—	—	—	—	—	—	—	8,659	9,861	7,811	2,050
16	16	—	16	—	—	—	—	46,640	52,282	49,992	2,290
—	—	—	—	—	5,572	5,569	3	2,394,942	296,867	221,659	75,208
—	—	—	—	—	—	—	—	21,621	21,541	21,366	175
—	5	4	1	—	—	—	—	61,173	61,862	58,546	3,316
—	—	—	—	—	—	—	—	2,686	2,753	2,691	62
—	—	—	—	—	—	—	—	152,381	151,972	150,329	1,643
—	—	—	—	—	—	—	—	1,874	1,874	1,786	88
—	—	—	—	—	—	—	—	655,757	737,490	662,825	74,665
—	—	—	—	—	—	—	—	10,330	10,831	8,660	2,171
—	—	—	—	—	—	—	—	487	987	501	486
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	36,532	36,532	36,366	166
56,901	56,966	15,726	41,240	—	—	—	—	66,546	66,747	25,457	41,290
196,785	196,818	143,174	53,644	—	826,526	34,812	791,714	3,980,052	4,543,531	2,662,362	1,881,169
3,150	3,226	2,890	336	—	156,742	99,023	57,719	323,017	489,541	413,244	76,297
157,715	159,086	122,561	36,525	—	170,108	150,028	20,080	7,697,323	8,723,724	8,205,993	517,731
156,041	156,041	108,439	47,602	—	—	—	—	207,682	209,645	160,107	49,538
—	—	—	—	—	3,724	1,970	1,754	—	3,724	1,970	1,754
—	—	—	—	—	—	—	—	4,270	3,995	2,930	1,065
—	—	—	—	—	—	—	—	8,430	8,430	6,870	1,560
1,860	1,860	65	1,795	—	74,600	6,349	68,251	3,291,951	3,437,473	3,220,212	217,261
—	—	—	—	—	—	—	—	31,432	31,202	31,179	23
77,718	77,718	53,877	23,841	—	2,440	1,599	841	1,414,478	1,424,219	1,235,106	189,113
—	—	—	—	—	—	—	—	4,727	1,740	1,740	—
7,684	7,684	1,957	5,727	—	113,937	59,878	54,059	831,341	1,001,346	817,521	183,825
—	—	—	—	—	14,030	469	13,561	125,049	143,696	107,440	36,256
—	—	—	—	—	—	—	—	6,643,501	6,643,893	6,641,961	1,932
—	—	—	—	—	—	—	—	18,986,703	19,847,962	19,845,596	2,366
—	—	—	—	—	—	—	—	—	4,421,469	4,421,423	46
36,988	36,988	36,988	—	—	—	—	—	36,988	667,361	654,452	12,909
—	—	—	—	—	—	—	—	—	612,054	599,520	12,534
694,858	696,408	485,681	210,727	—	1,377,829	360,112	1,017,717	48,316,409	54,946,012	51,450,890	3,495,122
—	—	—	—	—	—	148	(148)	—	—	7,934	(7,934)
—	6,020	6,020	—	—	257,650	257,650	—	—	1,075,075	1,087,271	(12,196)
—	—	—	—	—	—	—	—	503,295	751,458	751,458	—
—	—	—	—	—	—	—	—	—	2,272,593	2,272,593	—
—	—	—	—	—	—	—	—	—	—	4,578,822	(4,578,822)
—	—	—	—	—	—	—	—	—	—	7,978	(7,978)
—	6,020	6,020	—	—	257,650	257,798	(148)	503,295	4,099,126	8,706,056	(4,606,930)
694,858	702,428	491,701	210,727	—	1,635,479	617,910	1,017,569	48,819,704	59,045,138	60,156,946	(1,111,808)
<u>\$ (694,858)</u>	<u>\$ (702,428)</u>	4,633	<u>\$ 707,061</u>	<u>\$ —</u>	<u>\$ (1,635,479)</u>	4,194,161	<u>\$ 5,829,640</u>	<u>\$ 3,324,870</u>	<u>\$ (6,900,564)</u>	6,954,405	<u>\$ 13,854,969</u>
		13,348				1,460,324				7,157,265	
		<u>\$ 17,981</u>				<u>\$ 5,654,485</u>				<u>\$ 14,111,670</u>	

Combining Balance Sheet

Other Governmental Funds

June 30, 2022

(Amounts in thousands)

	Special Revenue					
	Commonwealth Transportation	Universal Health Care	Environmental	Student Opportunity Act Investment	Gaming Control	Gaming Revenue
ASSETS						
Cash and cash equivalents	\$ 112,565	\$ 1,080,425	\$ 20,551	\$ 350,000	\$ 3,639	\$ —
Restricted cash with fiscal agent	16,657	—	—	—	—	—
Receivables, net of allowance for uncollectibles:						
Taxes	60,802	6,158	78	—	—	3
Due from federal government	—	12,396	900	—	—	—
Loans receivable	—	—	—	—	—	—
Other receivables	6,823	34,493	187	—	—	—
Due from other funds	—	—	—	—	—	—
Total assets	\$ 196,847	\$ 1,133,472	\$ 21,716	\$ 350,000	\$ 3,639	\$ 3
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 607	\$ 73,297	\$ 2,051	\$ —	\$ 1,903	\$ —
Accrued payroll	—	157	424	—	303	—
Tax refunds and abatements payable	104	—	—	—	—	—
Due to other funds	—	—	—	—	—	—
Due to component units	122,616	12,996	—	—	—	—
Unearned revenue	—	—	—	—	—	—
Other accrued liabilities	—	13,137	—	—	—	—
Total liabilities	123,327	99,587	2,475	—	2,206	—
Deferred inflows of resources	—	47,519	—	—	—	—
Total liabilities and deferred inflows of resources	123,327	147,106	2,475	—	2,206	—
Fund balances:						
Restricted	16,657	—	—	—	—	—
Committed	56,863	986,366	19,241	350,000	1,433	3
Assigned	—	—	—	—	—	—
Unassigned (deficits)	—	—	—	—	—	—
Fund balances (deficits)	73,520	986,366	19,241	350,000	1,433	3
Total liabilities and fund balances	\$ 196,847	\$ 1,133,472	\$ 21,716	\$ 350,000	\$ 3,639	\$ 3

See Independent Auditors' Report

Special Revenue

MBTA State & Local Contribution	Community Preservation Trust	Debt and Long-Term Liability Reduction Trust	Vaccine Purchase Trust	Enhanced 911	Health Information Technology Trust	Regional Greenhouse Gas Initiative (RGGI) Auction Trust	Workforce Training Trust	Department of Industrial Accidents
\$ 122,942	\$ 77,974	\$ 66,460	\$ 113,622	\$ 268,991	\$ 6,996	\$ 187,239	\$ 78,308	\$ 10,288
—	—	—	—	—	—	—	—	—
58,389	1,841	—	—	—	—	—	5,514	—
—	—	—	—	—	8,314	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	103	—	—	23,989
—	—	—	—	—	—	—	—	—
\$ 181,331	\$ 79,815	\$ 66,460	\$ 113,622	\$ 268,991	\$ 15,413	\$ 187,239	\$ 83,822	\$ 34,277
\$ —	\$ 88,477	\$ —	\$ 28,764	\$ 17,811	\$ 7,336	\$ 2,523	\$ 15,775	\$ 124
—	—	—	2	347	161	60	1	—
585	—	—	—	—	—	—	155	—
—	—	—	—	—	—	—	—	—
180,746	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
181,331	88,477	—	28,766	18,158	7,497	2,583	15,931	124
—	—	—	—	—	—	—	—	—
181,331	88,477	—	28,766	18,158	7,497	2,583	15,931	124
—	—	—	—	—	—	—	—	—
—	—	66,460	84,856	250,833	7,916	184,656	67,891	34,153
—	—	—	—	—	—	—	—	—
—	(8,662)	—	—	—	—	—	—	—
—	(8,662)	66,460	84,856	250,833	7,916	184,656	67,891	34,153
\$ 181,331	\$ 79,815	\$ 66,460	\$ 113,622	\$ 268,991	\$ 15,413	\$ 187,239	\$ 83,822	\$ 34,277

continued

Combining Balance Sheet

Other Governmental Funds

June 30, 2022

(Amounts in thousands)

	Special Revenue					
	Convention and Exhibition Center	Grant Anticipation Note Trust	Special Contribution Unemployment Compensation Trust	Expendable Trust	Other	Debt Service
ASSETS						
Cash and cash equivalents	\$ 65,638	\$ 7,365	\$ 67,499	\$ 713,728	\$ 674,007	\$ 16,276
Restricted cash with fiscal agent	224,447	62,416	—	—	—	—
Receivables, net of allowance for uncollectibles:						
Taxes	9,907	—	—	—	7,242	—
Due from federal government	—	73,159	—	316	14,085	6,538
Loans receivable	—	—	—	—	11,551	—
Other receivables	—	—	29,310	44,438	338,135	—
Due from other funds	—	—	—	—	—	—
Total assets	\$ 299,992	\$ 142,940	\$ 96,809	\$ 758,482	\$1,045,020	\$ 22,814
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ —	\$ —	\$ —	\$ 57,408	\$ 25,219	\$ —
Accrued payroll	—	—	—	1,284	1,652	—
Tax refunds and abatements payable	—	—	—	—	—	—
Due to other funds	—	73,159	—	—	64,550	—
Due to component units	—	—	—	—	10,000	—
Unearned revenue	—	—	—	1,802	157,418	—
Other accrued liabilities	—	—	—	—	—	—
Total liabilities	—	73,159	—	60,494	258,839	—
Deferred inflows of resources	—	—	—	—	284,739	—
Total liabilities and deferred inflows of resources	—	73,159	—	60,494	543,578	—
Fund balances:						
Restricted	—	—	96,809	200,934	—	22,814
Committed	299,992	69,781	—	350,137	573,021	—
Assigned	—	—	—	146,917	28,229	—
Unassigned (deficits)	—	—	—	—	(99,808)	—
Fund balances (deficits)	299,992	69,781	96,809	697,988	501,442	22,814
Total liabilities and fund balances	\$ 299,992	\$ 142,940	\$ 96,809	\$ 758,482	\$1,045,020	\$ 22,814

See Independent Auditors' Report

Capital Projects

General Capital Projects	Convention and Exhibition Center	Highway Capital Projects	Federal Highway Construction Program	Other	Total
\$ —	\$ 8,393	—	\$ —	\$ —	\$ 4,052,905
—	—	—	—	—	303,519
—	—	—	—	—	149,934
32,115	—	—	—	—	147,823
—	—	—	—	—	11,551
—	—	—	—	—	477,478
—	—	—	73,159	—	73,159
\$ 32,115	\$ 8,393	\$ —	\$ 73,159	\$ —	\$ 5,216,369
\$ 434,846	\$ —	\$ —	\$ —	\$ —	\$ 756,138
2,409	—	—	—	—	6,800
—	—	—	—	—	844
799,728	—	696,192	8,375	500	1,642,505
62	—	331,560	81,280	—	739,260
—	—	—	—	—	159,220
—	—	—	—	—	13,137
1,237,045	—	1,027,752	89,655	500	3,317,904
—	—	—	—	—	332,258
1,237,045	—	1,027,752	89,655	500	3,650,162
—	8,393	—	—	—	345,607
—	—	—	—	—	3,403,602
—	—	—	—	—	175,146
(1,204,930)	—	(1,027,752)	(16,496)	(500)	(2,358,148)
(1,204,930)	8,393	(1,027,752)	(16,496)	(500)	1,566,207
\$ 32,115	\$ 8,393	\$ —	\$ 73,159	\$ —	\$ 5,216,369

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Other Governmental Funds

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Special Revenue					
	Commonwealth Transportation	Universal Health Care	Environmental	Student Opportunity Act Investment	Gaming Control	Gaming Revenue
REVENUES						
Taxes	\$ 1,454,196	\$ 122,733	\$ 927	\$ —	\$ —	\$ 300,060
Assessments	26,276	626,620	—	—	—	—
Federal grants and reimbursements	—	368,340	10,526	—	—	—
Departmental	634,197	285,685	40,528	—	31,938	—
Miscellaneous	239	365	43	—	1	—
Total revenues	2,114,908	1,403,743	52,024	—	31,939	300,060
OTHER FINANCING SOURCES						
Bonds premium	—	—	—	—	—	—
Issuance of general and special obligation bonds	—	—	—	—	—	—
Issuance of current refunding bonds	—	—	—	—	—	—
Transfers in for debt service	—	—	—	—	—	—
Transfers in	68,148	988,862	1,404	350,000	—	—
Total other financing sources	68,148	988,862	1,404	350,000	—	—
Total revenues and other financing sources	2,183,056	2,392,605	53,428	350,000	31,939	300,060
EXPENDITURES						
Current:						
Judiciary	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	51	—
Attorney General	—	—	2	—	1,648	—
District Attorney	—	—	—	—	—	—
Sheriff's Departments	—	—	—	—	—	—
Massachusetts Gaming Commission	—	5,951	—	—	25,015	—
Comptroller	—	—	—	—	—	—
Administration and Finance	125,000	2,849	11,855	—	—	—
Energy and Environmental Affairs	—	—	15,720	—	—	—
Health and Human Services	—	21,519	—	—	—	—
Executive Office of Technology Services	—	—	—	—	—	—
Massachusetts Department of Transportation	844,056	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—
Center for Health and Information Analysis	—	—	—	—	—	—
Public Safety and Homeland Security	—	—	—	—	20	—
Housing and Economic Development	—	—	—	—	—	—
Labor and Workforce development	—	—	—	—	—	—
Medicaid	—	1,919,371	—	—	—	—
Post employment benefits	11,953	—	—	—	—	—
Direct local aid	—	—	—	—	—	—
Capital outlay:						
Capital acquisition and construction	—	—	—	—	—	—
Debt service	—	—	—	—	—	—
Principal on current refundings	—	—	—	—	—	—
Total expenditures	981,009	1,949,690	27,577	—	26,734	—
OTHER FINANCING USES						
Transfers out	31,160	64,795	25,527	—	5,742	300,057
Transfers of appropriations	—	—	—	—	—	—
Transfers of bond proceeds	—	—	—	—	—	—
Transfers out for debt service	1,168,711	—	—	—	—	—
Total other financing uses	1,199,871	64,795	25,527	—	5,742	300,057
Total expenditures and other financing uses	2,180,880	2,014,485	53,104	—	32,476	300,057
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	2,176	378,120	324	350,000	(537)	3
Fund balances/(deficits) at beginning of year, as restated	71,344	608,246	18,917	—	1,970	—
Fund balances/(deficits) at end of year	\$ 73,520	\$ 986,366	\$ 19,241	\$ 350,000	\$ 1,433	\$ 3

See Independent Auditors' Report

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Other Governmental Funds

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Special Revenue					Debt Service
	Convention and Exhibition Center	Grant Anticipation Note Trust	Special Contribution Unemployment Compensation Trust	Expendable Trust	Other	
REVENUES						
Taxes	\$ 153,721	\$ —	\$ —	\$ —	\$ 199,889	\$ —
Assessments	—	—	96,809	67,655	29,185	—
Federal grants and reimbursements	—	628,414	—	9,292	1,310,035	38,190
Departmental	—	—	—	36,532	195,993	—
Miscellaneous	215	232	—	444,005	13,274	—
Total revenues	153,936	628,646	96,809	557,484	1,748,376	38,190
OTHER FINANCING SOURCES						
Bonds premium	—	—	—	—	—	85,440
Issuance of general and special obligation bonds	—	—	—	—	—	—
Issuance of current refunding bonds	—	—	—	—	—	525,485
Transfers in for debt service	—	—	—	—	—	2,611,214
Transfers in	—	28,461	—	45,067	572,071	—
Total other financing sources	—	28,461	—	45,067	572,071	3,222,139
Total revenues and other financing sources	153,936	657,107	96,809	602,551	2,320,447	3,260,329
EXPENDITURES						
Current:						
Judiciary	—	—	—	286	—	—
Inspector General	—	—	—	15	—	—
Governor and Lieutenant Governor	—	—	—	—	55	—
Secretary of the Commonwealth	—	—	—	—	8,583	—
Treasurer and Receiver-General	—	—	—	172,409	5,739	863
Attorney General	—	—	—	4,418	285	—
District Attorney	—	—	—	5,952	142	—
Sheriff's Departments	—	—	—	3,124	806	—
Massachusetts Gaming Commission	—	—	—	—	25,066	—
Comptroller	—	—	—	468	1,527	—
Administration and Finance	—	—	—	65,419	802,612	—
Energy and Environmental Affairs	—	—	—	64,448	31,728	—
Health and Human Services	—	—	—	25,173	382,067	—
Executive Office of Technology Services	—	—	—	489	4,316	—
Massachusetts Department of Transportation	—	—	—	—	2,191	—
Cannabis Control Commission	—	—	—	—	13,816	—
Executive Office of Education	—	—	—	25,178	34,692	—
Center for Health and Information Analysis	—	—	—	14	—	—
Public Safety and Homeland Security	—	—	—	3,594	218,239	—
Housing and Economic Development	—	—	—	33,818	94,916	—
Labor and Workforce development	—	—	—	55,921	32,886	—
Medicaid	—	—	—	—	10,933	—
Post employment benefits	—	—	—	—	—	—
Direct local aid	—	—	—	—	100,816	—
Capital outlay:						
Capital acquisition and construction	—	—	—	—	—	—
Debt service	—	—	—	—	—	2,638,616
Principal on current refundings	—	—	—	—	—	610,306
Total expenditures	—	—	—	460,726	1,771,415	3,249,785
OTHER FINANCING USES						
Transfers out	—	541,944	—	137,402	375,412	—
Transfers of appropriations	—	—	—	—	7,571	—
Transfers of bond proceeds	—	—	—	—	—	—
Transfers out for debt service	52,350	133,012	—	—	3,169	—
Total other financing uses	52,350	674,956	—	137,402	386,152	—
Total expenditures and other financing uses	52,350	674,956	—	598,128	2,157,567	3,249,785
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	101,586	(17,849)	96,809	4,423	162,880	10,544
Fund balances/(deficits) at beginning of year, as restated	198,406	87,630	—	693,565	338,562	12,270
Fund balances/(deficits) at end of year	\$ 299,992	\$ 69,781	\$ 96,809	\$ 697,988	\$ 501,442	\$ 22,814

See Independent Auditors' Report

Capital Projects					
General Capital Projects	Convention and Exhibition Center	Highway Capital Projects	Federal Highway Construction Program	Other	Total
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,677,130
—	—	—	—	—	1,181,800
114,295	—	—	—	—	2,518,720
—	—	—	684	—	1,518,107
—	—	100	—	—	458,822
114,295	—	100	684	—	9,354,579
170,096	—	112,936	—	—	368,473
885,642	—	857,194	—	—	1,742,836
—	—	—	—	—	525,485
—	—	—	—	—	2,611,214
—	—	—	685,935	—	2,812,798
1,055,739	—	970,130	685,935	—	8,060,806
1,170,034	—	970,230	686,619	—	17,415,385
—	—	—	—	—	286
—	—	—	—	—	15
—	—	—	—	—	55
—	—	—	—	—	8,583
4,141	—	4,521	—	—	1,720,012
—	—	—	—	—	6,353
—	—	—	—	—	6,094
—	—	—	—	—	10,722
—	—	—	—	—	56,032
—	—	—	—	—	1,995
—	—	—	—	—	1,104,928
—	—	—	—	—	138,477
—	—	—	—	—	524,624
—	—	—	—	—	10,010
42,750	—	1,425,499	685,367	—	2,999,863
—	—	—	—	—	13,816
—	—	—	—	—	59,870
—	—	—	—	—	14
—	—	—	—	—	335,664
—	—	—	—	—	128,734
—	—	—	—	—	109,936
—	—	—	—	—	1,982,219
—	—	—	—	—	11,953
—	—	—	—	—	100,816
1,414,277	—	5,912	179	—	1,420,368
—	—	—	—	—	2,638,616
—	—	—	—	—	610,306
1,461,168	—	1,435,932	685,546	—	14,000,361
19,121	—	143,992	13,716	—	1,690,473
—	—	—	—	—	7,643
206,883	—	—	—	—	206,883
—	—	—	—	—	1,357,243
226,004	—	143,992	13,716	—	3,262,242
1,687,172	—	1,579,924	699,262	—	17,262,604
(517,138)	—	(609,694)	(12,643)	—	152,782
(687,792)	8,393	(418,058)	(3,853)	(500)	1,413,425
\$(1,204,930)	\$ 8,393	\$(1,027,752)	\$ (16,496)	\$ (500)	\$ 1,566,207

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual
Other Budgeted Nonmajor Governmental Funds
 Fiscal Year Ended June 30, 2022
 (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	\$ 1,421,900	\$ 1,421,900	\$ 1,456,475	\$ 34,575	\$ 1,000	\$ 1,000	\$ 930	\$ (70)
Assessments	24,358	24,358	26,324	1,966	—	—	—	—
Federal grants and reimbursements	—	—	—	—	8,000	8,000	10,855	2,855
Departmental	658,191	658,191	634,160	(24,031)	8,113	8,113	8,597	484
Miscellaneous	—	—	239	239	62	62	43	(19)
Total revenues	<u>2,104,449</u>	<u>2,104,449</u>	<u>2,117,198</u>	<u>12,749</u>	<u>17,175</u>	<u>17,175</u>	<u>20,425</u>	<u>3,250</u>
Other financing sources:								
Operating transfers in	31,407	31,407	59,764	28,357	214	214	1,404	1,190
Other fund deficit support	—	—	8,384	8,384	—	—	—	—
Total other financing sources	<u>31,407</u>	<u>31,407</u>	<u>68,148</u>	<u>36,741</u>	<u>214</u>	<u>214</u>	<u>1,404</u>	<u>1,190</u>
Total revenues and other financing sources	<u>2,135,856</u>	<u>2,135,856</u>	<u>2,185,346</u>	<u>49,490</u>	<u>17,389</u>	<u>17,389</u>	<u>21,829</u>	<u>4,440</u>
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Judiciary	—	—	—	—	—	—	—	—
Treasurer and Receiver-General	377,257	—	—	—	—	—	—	—
Attorney General	—	—	—	—	7	12	2	10
Sheriffs' Department	—	—	—	—	—	—	—	—
Administration and Finance	125,000	—	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	18,438	18,333	14,692	3,641
Health and Human services	—	—	—	—	—	—	—	—
Massachusetts Department of Transportation	127,145	239,103	127,145	111,958	—	—	—	—
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	—	11,953	11,953	—	—	—	—	—
Debt service:								
Principal retirement	—	642,524	607,332	35,192	—	—	—	—
Interest and fiscal charges	—	570,262	561,379	8,883	—	—	—	—
Total expenditures	<u>629,402</u>	<u>1,463,842</u>	<u>1,307,809</u>	<u>156,033</u>	<u>18,445</u>	<u>18,345</u>	<u>14,694</u>	<u>3,651</u>
Other financing uses:								
Fringe benefit cost assessment	—	—	—	—	—	—	3,464	(3,464)
Operating transfers out	508,315	764,475	764,475	—	—	—	—	—
Transfer for transitional escrow	—	—	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—	—	—
Total other financing uses	<u>508,315</u>	<u>764,475</u>	<u>764,475</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,464</u>	<u>(3,464)</u>
Total expenditures and other financing uses	<u>1,137,717</u>	<u>2,228,317</u>	<u>2,072,284</u>	<u>156,033</u>	<u>18,445</u>	<u>18,345</u>	<u>18,158</u>	<u>187</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 998,139</u>	<u>\$ (92,461)</u>	113,062	<u>\$ 205,523</u>	<u>\$ (1,056)</u>	<u>\$ (956)</u>	3,671	<u>\$ 4,627</u>
Fund balances at beginning of year			15,553				10,010	
Fund balances at end of year			<u>\$ 128,615</u>				<u>\$ 13,681</u>	

See Independent Auditors' Report

Marine Recreational Fisheries Development Fund				Underground Storage Tank Petroleum Product Cleanup Fund				Public Safety Trust Fund			
Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
1,897	1,897	1,906	9	30,000	30,000	30,000	—	1,050	1,050	724	(326)
—	—	—	—	—	—	—	—	—	—	—	—
1,897	1,897	1,906	9	30,000	30,000	30,000	—	1,050	1,050	724	(326)
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
1,897	1,897	1,906	9	30,000	30,000	30,000	—	1,050	1,050	724	(326)
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	15,487	15,578	11,856	3,722	—	—	—	—
1,803	1,843	1,028	815	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	1,223	1,022	201
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
1,803	1,843	1,028	815	15,487	15,578	11,856	3,722	—	1,223	1,022	201
—	—	222	(222)	—	—	525	(525)	—	—	158	(158)
—	—	—	—	—	21,315	21,315	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	222	(222)	—	21,315	21,840	(525)	—	—	158	(158)
1,803	1,843	1,250	593	15,487	36,893	33,696	3,197	—	1,223	1,180	43
<u>\$ 94</u>	<u>\$ 54</u>	656	<u>\$ 602</u>	<u>\$ 14,513</u>	<u>\$ (6,893)</u>	(3,696)	<u>\$ 3,197</u>	<u>\$ 1,050</u>	<u>\$ (173)</u>	(456)	<u>\$ (283)</u>
		3,738				3,696				387	
		<u>\$ 4,394</u>				<u>\$ —</u>				<u>\$ (69)</u>	

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual
Other Budgeted Nonmajor Governmental Funds
 Fiscal Year Ended June 30, 2022
 (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	8,589	8,589	10,938	2,349	87,579	87,579	105,596	18,017
Other fund deficit support	—	—	—	—	—	—	—	—
Total other financing sources	8,589	8,589	10,938	2,349	87,579	87,579	105,596	18,017
Total revenues and other financing sources	8,589	8,589	10,938	2,349	87,579	87,579	105,596	18,017
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	5,000	8,585	8,585	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—	—
Direct local aid	—	—	—	—	87,609	87,609	87,609	—
Post employment benefits	—	—	—	—	—	—	—	—
Debt service:								
Principal retirement	—	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—
Total expenditures	5,000	8,585	8,585	—	87,609	87,609	87,609	—
Other financing uses:								
Fringe benefit cost assessment	—	—	—	—	—	—	—	—
Operating transfers out	—	—	—	—	—	—	—	—
Transfer for transitional escrow	—	—	4,845	(4,845)	—	—	17,956	(17,956)
Other fund deficit support	—	—	8	(8)	—	—	31	(31)
Total other financing uses	—	—	4,853	(4,853)	—	—	17,987	(17,987)
Total expenditures and other financing uses	5,000	8,585	13,438	(4,853)	87,609	87,609	105,596	(17,987)
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 3,589</u>	<u>\$ 4</u>	<u>(2,500)</u>	<u>\$ (2,504)</u>	<u>\$ (30)</u>	<u>\$ (30)</u>	<u>—</u>	<u>\$ 30</u>
Fund balances at beginning of year			2,500				—	
Fund balances at end of year			<u>\$ —</u>				<u>\$ —</u>	

See Independent Auditors' Report

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual
Other Budgeted Nonmajor Governmental Funds
 Fiscal Year Ended June 30, 2022
 (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	\$ 124,700	\$ 124,700	\$ 156,669	\$ 31,969	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—	—	—
Departmental	17,497	17,497	27,213	9,716	—	—	—	—
Miscellaneous	2	2	1	(1)	—	—	—	—
Total revenues	<u>142,199</u>	<u>142,199</u>	<u>183,883</u>	<u>41,684</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other financing sources:								
Operating transfers in	—	—	—	—	—	—	12,500	12,500
Other fund deficit support	—	—	—	—	—	—	—	—
Total other financing sources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,500</u>	<u>12,500</u>
Total revenues and other financing sources	<u>142,199</u>	<u>142,199</u>	<u>183,883</u>	<u>41,684</u>	<u>—</u>	<u>—</u>	<u>12,500</u>	<u>12,500</u>
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Judiciary	—	—	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—	—
Sheriffs' Department	—	406	406	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—	—
Energy and Environmental Affairs	2,566	2,588	2,153	435	—	—	—	—
Health and Human services	—	92,282	76,342	15,940	27,499	27,499	5,033	22,466
Massachusetts Department of Transportation	—	—	—	—	—	—	—	—
Cannabis Control Commission	15,718	15,718	13,816	1,902	—	—	—	—
Executive Office of Education	—	26,996	18,546	8,450	—	1,000	953	47
Public Safety and Homeland Security	—	4,330	4,267	63	—	—	—	—
Housing and Economic Development	—	32,932	28,924	4,008	—	—	—	—
Labor and Workforce Development	—	7,690	7,690	—	—	—	—	—
Direct local aid	—	—	—	—	—	—	—	—
Post employment benefits	—	—	—	—	—	—	—	—
Debt service:								
Principal retirement	—	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—
Total expenditures	<u>18,284</u>	<u>182,942</u>	<u>152,144</u>	<u>30,798</u>	<u>27,499</u>	<u>28,499</u>	<u>5,986</u>	<u>22,513</u>
Other financing uses:								
Fringe benefit cost assessment	—	—	5,012	(5,012)	—	—	—	—
Operating transfers out	—	—	—	—	—	—	—	—
Transfer for transitional escrow	—	—	1,155	(1,155)	—	—	—	—
Other fund deficit support	—	—	2	(2)	—	—	—	—
Total other financing uses	<u>—</u>	<u>—</u>	<u>6,169</u>	<u>(6,169)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures and other financing uses	<u>18,284</u>	<u>182,942</u>	<u>158,313</u>	<u>24,629</u>	<u>27,499</u>	<u>28,499</u>	<u>5,986</u>	<u>22,513</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 123,915</u>	<u>\$ (40,743)</u>	25,570	<u>\$ 66,313</u>	<u>\$ (27,499)</u>	<u>\$ (28,499)</u>	6,514	<u>\$ 35,013</u>
Fund balances at beginning of year			2,100				11,891	
Fund balances at end of year			<u>\$ 27,670</u>				<u>\$ 18,405</u>	

See Independent Auditors' Report

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual

Other Budgeted Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Total			
	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 1,547,600	\$ 1,547,600	\$ 1,614,074	\$ 66,474
Assessments	24,358	24,358	26,324	1,966
Federal grants and reimbursements	8,000	8,000	10,855	2,855
Departmental	716,748	716,748	702,600	(14,148)
Miscellaneous	64	64	285	221
Total revenues	2,296,770	2,296,770	2,354,138	57,368
Other financing sources:				
Operating transfers in	172,644	172,644	839,975	667,331
Other fund deficit support	—	—	8,384	8,384
Total other financing sources	172,644	172,644	848,359	675,715
Total revenues and other financing sources	2,469,414	2,469,414	3,202,497	733,083
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Judiciary	—	—	—	—
Treasurer and Receiver-General	377,257	—	—	—
Attorney General	7	12	2	10
Sheriffs' Department	—	406	406	—
Administration and Finance	140,487	65,578	11,856	53,722
Energy and Environmental Affairs	22,807	22,764	17,873	4,891
Health and Human services	27,499	119,781	81,375	38,406
Massachusetts Department of Transportation	127,145	239,103	127,145	111,958
Cannabis Control Commission	15,718	15,718	13,816	1,902
Executive Office of Education	—	45,779	36,860	8,919
Public Safety and Homeland Security	—	5,553	5,289	264
Housing and Economic Development	5,000	41,517	37,509	4,008
Labor and Workforce Development	—	16,884	11,188	5,696
Direct local aid	100,817	100,817	100,817	—
Post employment benefits	—	11,953	11,953	—
Debt service:				
Principal retirement	—	642,524	607,332	35,192
Interest and fiscal charges	—	570,262	561,379	8,883
Total expenditures	816,737	1,898,651	1,624,800	273,851
Other financing uses:				
Fringe benefit cost assessment	—	—	12,072	(12,072)
Operating transfers out	525,315	788,791	788,791	—
Transfer for transitional escrow	—	—	233,251	(233,251)
Other fund deficit support	—	—	405	(405)
Total other financing uses	525,315	788,791	1,034,519	(245,728)
Total expenditures and other financing uses	1,342,052	2,687,442	2,659,319	28,123
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 1,127,362</u>	<u>\$ (218,028)</u>	543,178	<u>\$ 761,206</u>
Fund balances at beginning of year			49,925	
Fund balances at end of year			<u>\$ 593,103</u>	



Combining Budget to GAAP Reconciliation
Other Budgeted Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Commonwealth Transportation Fund	Inland Fisheries and Game Fund	Marine Recreational Fisheries Development Fund	Underground Storage Tank Petroleum Product Cleanup Fund
Total actual revenues - budgetary basis (pages 190-196)	\$ 2,117,198	\$ 20,425	\$ 1,906	\$ 30,000
Adjustments:				
Taxes receivable, net	(2,194)	(3)	—	—
Tax refunds and abatements payable, net	(85)	—	—	—
Federal grants receivables, net	—	(329)	—	—
Departmental and other receivables, net	(11)	25	—	—
Total actual revenues - GAAP basis (pages 186-189)	<u>\$ 2,114,908</u>	<u>\$ 20,118</u>	<u>\$ 1,906</u>	<u>\$ 30,000</u>
Total actual other financing sources - budgetary basis (pages 190-196)	\$ 68,148	\$ 1,404	\$ —	\$ —
Adjustments:				
Miscellaneous adjustments	—	—	—	—
Total actual other financing sources - GAAP basis (pages 186-189)	<u>\$ 68,148</u>	<u>\$ 1,404</u>	<u>\$ —</u>	<u>\$ —</u>
Total actual expenditures- budgetary basis (pages 190-196)	\$ 1,307,809	\$ 14,694	\$ 1,028	\$ 11,856
Adjustment:				
Due to component units accrual, net	108,596	—	—	—
Miscellaneous adjustments	—	—	—	(1)
Reclassification:				
Compensated absences	—	—	—	—
MassDOT transfers out is reclassified to expenditures	733,315	—	—	—
Higher education expenditures are reclassified to transfers out	—	—	—	—
Debt service principal and interest payments are reclassified to transfers out to the debt service fund	(1,168,711)	—	—	—
Total actual expenditures - GAAP basis (pages 186-189)	<u>\$ 981,009</u>	<u>\$ 14,694</u>	<u>\$ 1,028</u>	<u>\$ 11,855</u>
Total actual other financing uses - budgetary basis (pages 190-196)	\$ 764,475	\$ 3,464	\$ 222	\$ 21,840
Adjustment:				
Miscellaneous adjustments	—	—	—	1
Reclassification:				
MassDOT transfers out is reclassified to expenditures	(733,315)	—	—	—
Higher education expenditures are reclassified to transfers out	—	—	—	—
Debt service principal and interest payments are reclassified to transfers out to the debt service fund	1,168,711	—	—	—
Total actual other financing uses - GAAP basis (pages 186-189)	<u>\$ 1,199,871</u>	<u>\$ 3,464</u>	<u>\$ 222</u>	<u>\$ 21,841</u>

* On a GAAP basis, the activities for the Public Safety Trust fund, the Local Capital Projects fund, the Gaming Local Aid fund, the Education Fund, the Gaming Economic Development Fund, the Marijuana Regulation Fund, the Behavioral Health Outreach, Access and Support Trust fund, the Broadband Innovation Fund, and the Behavioral Health Trust Fund are combined in the other special revenue funds in the combined statement of revenues, expenditures and changes in fund balance. The revenues, other financing sources, expenditures and other financing uses of the other special revenue funds are \$1,748,376; \$572,071; \$1,771,415 and \$386,152, respectively (all amounts in thousands).

See Independent Auditors' Report

Public Safety Trust Fund*	Local Capital Projects Fund*	Gaming Local Aid Fund*	Education Fund*	Gaming Economic Development Fund*	Marijuana Regulation Fund*	Behavioral Health Outreach, Access and Support Trust Fund*	Student Opportunity Act Investment Fund	Broadband Innovation Fund*	Behavioral Health Trust Fund*	Totals
\$ 724	\$ —	\$ —	\$ —	\$ 2	\$ 183,883	\$ —	\$ —	\$ —	\$ —	\$ 2,354,138
—	—	—	—	—	213	—	—	—	—	(1,984)
—	—	—	—	—	—	—	—	—	—	(85)
—	—	—	—	—	—	—	—	—	—	(329)
—	—	—	—	—	—	—	—	—	—	14
—	—	—	—	—	—	—	—	—	—	—
<u>\$ 724</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ 184,096</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,351,754</u>
\$ —	\$ 10,938	\$ 105,596	\$ 34,031	\$ 23,092	\$ —	\$ 12,500	\$ 350,000	\$ 50,000	\$ 192,650	848,359
—	—	—	—	—	—	—	—	(50,000)	—	(50,000)
<u>\$ —</u>	<u>\$ 10,938</u>	<u>\$ 105,596</u>	<u>\$ 34,031</u>	<u>\$ 23,092</u>	<u>\$ —</u>	<u>\$ 12,500</u>	<u>\$ 350,000</u>	<u>\$ —</u>	<u>\$ 192,650</u>	<u>\$ 798,359</u>
\$ 1,022	\$ 8,585	\$ 87,609	\$ 20,351	\$ 13,716	\$ 152,144	\$ 5,986	\$ —	\$ —	\$ —	1,624,800
—	—	—	—	—	—	—	—	—	—	108,596
—	—	(1)	—	—	—	—	—	—	—	(2)
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	733,315
—	—	—	(7,143)	—	—	—	—	—	—	(7,143)
—	—	—	—	—	—	—	—	—	—	(1,168,711)
<u>\$ 1,022</u>	<u>\$ 8,585</u>	<u>\$ 87,608</u>	<u>\$ 13,208</u>	<u>\$ 13,716</u>	<u>\$ 152,144</u>	<u>\$ 5,986</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,290,855</u>
\$ 158	\$ 4,853	\$ 17,987	\$ 13,680	\$ 9,021	\$ 6,169	\$ —	\$ —	\$ —	\$ 192,650	1,034,519
—	—	—	—	—	—	—	—	—	—	1
—	—	—	—	—	—	—	—	—	—	(733,315)
—	—	—	7,143	—	—	—	—	—	—	7,143
—	—	—	—	—	—	—	—	—	—	1,168,711
<u>\$ 158</u>	<u>\$ 4,853</u>	<u>\$ 17,987</u>	<u>\$ 20,823</u>	<u>\$ 9,021</u>	<u>\$ 6,169</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 192,650</u>	<u>\$ 1,477,059</u>

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

Pension and OPEB Trust Funds

June 30, 2022

(Amounts in thousands)

	Pension Trust Funds		OPEB Trust Fund	Total
	State Employees' PERS	Teacher's PERS	State Retiree Benefits	
ASSETS				
Cash and cash equivalents	\$ 168,024	\$ 171,271	\$ 151,542	\$ 490,837
Net investment in PRIT at fair value	33,874,443	35,120,964	1,836,867	70,832,274
Other receivables	118,699	99,846	—	218,545
Other assets	11	476	—	487
Total assets	34,161,177	35,392,557	1,988,409	71,542,143
LIABILITIES				
Accounts payable	30,051	7,695	26	37,772
Net position available for pension and post-employment benefits	\$ 34,131,126	\$ 35,384,862	\$ 1,988,383	\$ 71,504,371

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, 2022

(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	\$ 1,310,596	\$ —	\$ 660,800	\$ 1,971,396
Non-employer contributions - Commonwealth	56,988	2,104,604	—	2,161,592
Employer and non-employer contributions - other	11,454	—	—	11,454
ERIP funding contribution - Commonwealth	28,449	—	—	28,449
Employee contributions	693,853	892,123	—	1,585,976
Boston teachers' contribution from Commonwealth	—	179,369	—	179,369
Other additions	138,957	97,389	175	236,521
Total contributions	2,240,297	3,273,485	660,975	6,174,757
Net investment gain/(loss):				
Investment gain/(loss)	(1,109,355)	(1,159,269)	(62,761)	(2,331,385)
Less: investment expense	(188,109)	(194,278)	(10,365)	(392,752)
Net Investment gain/(loss)	(1,297,464)	(1,353,547)	(73,126)	(2,724,137)
Total additions	942,833	1,919,938	587,849	3,450,620
DEDUCTIONS				
Administration	14,461	19,196	240	33,897
Retirement benefits and refunds	2,801,900	3,365,783	510,166	6,677,849
Payments to State Boston Retirement System	—	179,369	—	179,369
Other deductions	34,817	58,852	—	93,669
Total deductions	2,851,178	3,623,200	510,406	6,984,784
Change in net position	(1,908,345)	(1,703,262)	77,443	(3,534,164)
Net position available for pension and post-employment benefits at beginning of year	36,039,471	37,088,124	1,910,940	75,038,535
Net position available for pension and post-employment benefits at end of year	\$ 34,131,126	\$ 35,384,862	\$ 1,988,383	\$ 71,504,371

See Independent Auditors' Report

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

June 30, 2022

(Amounts in thousands)

	Massachusetts Municipal Depository Trust	Pension Reserves Investment Trust	Total
ASSETS			
Cash and cash equivalents	\$ 6,570,352	\$ —	\$ 6,570,352
Short-term investments	28,743	—	28,743
Net investment in PRIT at fair value	—	21,590,148	21,590,148
Receivables, net of allowance for uncollectibles:			
Other receivables	3,786	—	3,786
Total assets	6,602,881	21,590,148	28,193,029
LIABILITIES			
Accounts payable	3,757	—	3,757
Net position held in trust for pool/pension participants	\$ 6,599,124	\$ 21,590,148	\$ 28,189,272

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, 2022
(Amounts in thousands)

	Massachusetts Municipal Depository Trust	Pension Reserves Investment Trust	Total
ADDITIONS			
Contributions:			
Other participant contributions	\$ —	\$ 2,338,505	\$ 2,338,505
Proceeds from sale of units	18,011,354	—	18,011,354
Total contributions	18,011,354	2,338,505	20,349,859
Net investment gain/(loss):			
Investment gain/(loss)	19,867	(136,652)	(116,785)
Less: investment expense	(1,749)	(363,049)	(364,798)
Net Investment gain/(loss)	18,118	(499,701)	(481,583)
Total additions	18,029,472	1,838,804	19,868,276
DEDUCTIONS			
Cost of units redeemed	17,158,950	—	17,158,950
Distributions to unit holders from net interest income	20,020	—	20,020
Retirement benefits and refunds	1	1,355,787	1,355,788
Total deductions	17,178,971	1,355,787	18,534,758
Change in net position	850,501	483,017	1,333,518
Net position held in trust for pool/participants at beginning of year	5,748,623	21,107,131	26,855,754
Net position held in trust for pool/participants at end of year	\$ 6,599,124	\$ 21,590,148	\$ 28,189,272

See Independent Auditors' Report

Combining Statement of Fiduciary Net Position

Custodial Funds

June 30, 2022

(Amounts in thousands)

	Central Agency Funds	Court Escrow and Client Accounts	Child Support Enforcement	Statutory Bonds and Deposits	Total Custodial Funds
ASSETS					
Cash and cash equivalents	\$ 484,491	\$ 166,210	\$ 39,651	\$ 181,473	\$ 871,825
Investments and restricted investments	—	—	—	494,369	494,369
Receivables, net of allowance for uncollectibles:					
Taxes	41,038	—	—	—	41,038
Other receivables	—	—	159,368	—	159,368
Due from federal government	1,168	—	2,004	—	3,172
TOTAL ASSETS	<u>526,697</u>	<u>166,210</u>	<u>201,023</u>	<u>675,842</u>	<u>1,569,772</u>
LIABILITIES					
Accounts payable	202,428	130	3,851	5,652	212,061
Due to cities and towns	95,185	—	—	—	95,185
Other liabilities	7,528	—	—	—	7,528
TOTAL LIABILITIES	<u>305,141</u>	<u>130</u>	<u>3,851</u>	<u>5,652</u>	<u>314,774</u>
NET POSITION					
Restricted for:					
Individuals, organizations and other governments	<u>\$ 221,556</u>	<u>\$ 166,080</u>	<u>\$ 197,172</u>	<u>\$ 670,190</u>	<u>\$ 1,254,998</u>

See Independent Auditors' Report

Combining Statement of Changes in Fiduciary Net Position
Custodial Funds

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Central Agency Funds	Court Escrow and Client Accounts	Child Support Enforcement	Statutory Bonds and Deposits	Total Custodial Funds
ADDITIONS					
Sales tax collections for other governments	\$ 498,889	\$ —	\$ —	\$ —	\$ 498,889
Child support collections	—	—	605,065	—	605,065
Local school aid collections	928,489	—	—	—	928,489
Municipal health insurance deposit collections	—	—	—	802,331	802,331
Court escrow account collections	—	123,679	—	—	123,679
ARPA local pass-through collections	664,565	—	—	—	664,565
Other additions	266,689	80,407	523	—	347,619
Investment income:					
Interest, dividends and other investment income	100	155	64	(32,791)	(32,472)
Net investment income	100	155	64	(32,791)	(32,472)
TOTAL ADDITIONS	\$ 2,358,732	\$ 204,241	\$ 605,652	\$ 769,540	\$ 3,938,165
DEDUCTIONS					
Sales tax payments to other governments	498,889	—	—	—	498,889
Child support payments to individuals	—	—	623,816	—	623,816
Local school aid payments	928,489	—	—	—	928,489
Municipal health insurance deposit payments	—	—	—	729,235	729,235
Court escrow account payments	—	121,245	—	—	121,245
ARPA local pass-through payments	664,565	—	—	—	664,565
Other deductions	216,761	80,057	—	—	296,818
TOTAL DEDUCTIONS	\$ 2,308,704	\$ 201,302	\$ 623,816	\$ 729,235	\$ 3,863,057
Change in fiduciary net position	50,028	2,939	(18,164)	40,305	75,108
Net position - beginning	171,528	163,141	215,336	629,885	1,179,890
Net position - ending	\$ 221,556	\$ 166,080	\$ 197,172	\$ 670,190	\$ 1,254,998

See Independent Auditors' Report

Combining Statement of Net Position
Nonmajor Discretely Presented Component Units
June 30, 2022
(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	\$ 25,033	\$ 24,901	\$ 33,885	\$ 4,828	\$ 149,048	\$ 98,063	\$ 37,811	\$ 373,569
Short-term investments	—	80,671	114,920	—	24,752	8,156	46,219	274,718
Restricted cash and investments	686	134,774	134,018	25,305	—	122,152	4,132	421,067
Assets held in trust	41,472	—	—	—	—	—	—	41,472
Receivables, net of allowance for uncollectibles:								
Federal grants and reimbursements	—	—	—	633	—	33,760	—	34,393
Loans	496	11,677	3,434	—	40,304	20,283	—	76,194
Lease receivable	1,579	1,325	24	555	—	—	2,312	5,795
Other receivables	8,503	8,720	5,850	5	2,522	7,450	12,111	45,161
Due from primary government	14,859	1,689	—	11,047	—	51,880	—	79,475
Inventory	—	—	—	—	—	55	81	136
Other current assets	2,735	8,701	402	486	—	1,061	4,127	17,512
Total current assets	95,363	272,458	292,533	42,859	216,626	342,860	106,793	1,369,492
Noncurrent assets:								
Cash and cash equivalents - restricted	—	29,367	—	11,066	—	—	—	40,433
Long-term investments	—	47,605	—	—	—	—	1,080,941	1,128,546
Endowment investments	—	—	—	—	—	—	—	35,773
Lease receivables	1,579	9,322	—	2,641	—	—	39,383	52,925
Other receivables, net	12,237	406	—	—	—	3,540	9,635	25,818
Loans receivables, net	15,507	90,851	—	—	452,998	23,923	—	583,279
Due from affiliate	—	—	—	—	—	—	4,377	4,377
Non-depreciable capital assets	210,834	9,364	7,250	485	—	—	24,326	252,259
Depreciable capital assets, net	384,101	81,797	152,143	44,817	7,178	37,679	60,845	768,560
Other noncurrent assets	—	6,414	—	111	2,080	3,293	1,260	13,158
Total noncurrent assets	624,258	275,126	159,393	59,120	462,256	68,435	1,256,540	2,905,128
Total assets	719,621	547,584	451,926	101,979	678,882	411,295	1,363,333	4,274,620
Deferred outflows of resources:								
Change in fair value of interest rate swaps	—	—	—	—	14,919	—	—	14,919
Pension and OPEB	7,747	—	—	—	—	—	—	7,747
Total deferred outflows of resources	7,747	—	—	—	14,919	—	—	22,666
Total assets and deferred outflows	727,368	547,584	451,926	101,979	693,801	411,295	1,363,333	4,297,286
LIABILITIES AND DEFERRED INFLOWS								
Current liabilities:								
Accounts payable and other liabilities	12,824	12,470	5,914	12,951	3,232	116,287	30,540	194,218
Accrued payroll	—	—	—	125	1,787	834	—	2,746
Compensated absences	1,066	1,482	237	177	—	786	—	3,748
Accrued interest payable	—	193	—	—	2,207	—	—	2,400
Due to primary government	—	618	—	—	—	—	783	1,401
Unearned revenue	10,021	34,760	15,215	7,419	—	34,315	12,062	113,792
Lease liability	14	1,281	683	598	497	820	341	4,234
Bonds, notes payable and other obligations	—	485	—	—	35,058	18,715	971	55,229
Total current liabilities	23,925	51,289	22,049	21,270	42,781	171,757	44,697	377,768
Noncurrent liabilities:								
Compensated absences	517	—	—	336	—	382	—	1,235
Accrued interest payable	—	—	—	—	—	—	—	—
Lease liability	2	2,429	19,653	1,427	7,209	5,895	12,181	48,796
Due to primary government	—	10,439	—	—	—	—	—	10,439
Unearned revenue	124	—	—	—	—	173	—	297
Bonds, notes payable and other obligations	—	4,135	—	—	443,147	71,990	15,522	534,794
Net pension liability	29,573	—	—	—	—	—	—	29,573
Net OPEB liability	4,818	—	—	—	—	—	—	4,818
Liability for derivative instruments	—	—	—	—	—	—	—	—
Other noncurrent liabilities	—	38,479	—	125	122,508	2,558	3,358	167,028
Total noncurrent liabilities	35,034	55,482	19,653	1,888	572,864	80,998	31,061	796,980
Total liabilities	58,959	106,771	41,702	23,158	615,645	252,755	75,758	1,174,748
Deferred inflows of resources:								
Service concession arrangements	—	—	23	—	—	244	—	267
Pension and OPEB	15,523	—	—	—	—	—	—	15,523
Leases	14,898	10,244	—	3,187	—	—	39,501	67,830
Total deferred inflows of resources	30,421	10,244	23	3,187	—	244	39,501	83,620
Total liabilities and deferred inflows	89,380	117,015	41,725	26,345	615,645	252,999	115,259	1,258,368
NET POSITION								
Net investment in capital assets	594,918	81,693	159,394	43,273	(1,881)	34,191	45,549	957,137
Restricted for:								
Other purposes	42,139	191,684	118,803	24,679	15,488	61,181	1,082,130	1,536,104
Unrestricted	931	157,192	132,004	7,682	64,549	62,924	120,395	545,677
Total net position	\$ 637,988	\$ 430,569	\$ 410,201	\$ 75,634	\$ 78,156	\$ 158,296	\$ 1,248,074	\$3,038,918

Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Discretely Presented Component Units
Fiscal Year Ended June 30, 2022
(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	\$ 59,115	\$ 61,490	\$ 4,806	\$ 4,986	\$ 11,692	\$ 160,835	\$ 70,396	\$ 373,320
Other	4,175	5,328	33,596	30,373	—	1,483	1,664	76,619
Total operating revenues	63,290	66,818	38,402	35,359	11,692	162,318	72,060	449,939
Operating expenses:								
Cost of services	33,547	44,375	21,086	31,918	731	142,020	—	273,677
Administration costs	36,306	25,333	10,361	176	10,215	33,243	64,508	180,142
Depreciation and Amortization	38,323	8,532	4,770	5,683	1,080	3,323	3,231	64,942
Total operating expenses	108,176	78,240	36,217	37,777	12,026	178,586	67,739	518,761
Operating income/(loss)	(44,886)	(11,422)	2,185	(2,418)	(334)	(16,268)	4,321	(68,822)
Nonoperating revenues/(expenses):								
Operating grants	15,143	363	93,537	—	28,833	79,204	—	217,080
Capital grants	—	—	—	—	—	—	—	—
Interest income/(loss)	(4,510)	(3,584)	—	117	580	105	(212,216)	(219,508)
Lease interest expense	—	(152)	—	—	—	(81)	—	(233)
Other nonoperating revenue/(expense)	2,416	(601)	(10,036)	—	(21,633)	(66,784)	153,281	56,643
Nonoperating revenues/(expenses), net ..	13,049	(3,974)	83,501	117	7,780	12,444	(58,935)	53,982
Income/(loss) before contributions	(31,837)	(15,396)	85,686	(2,301)	7,446	(3,824)	(54,614)	(14,840)
Capital contributions	18,127	9,563	—	—	—	15,949	—	43,639
Change in net position/(deficits)	(13,710)	(5,833)	85,686	(2,301)	7,446	12,125	(54,614)	28,799
Net position - beginning, as restated *	651,698	436,402	324,515	77,935	70,710	146,171	1,302,688	3,010,119
Net position - ending	\$ 637,988	\$ 430,569	\$ 410,201	\$ 75,634	\$ 78,156	\$ 158,296	\$ 1,248,074	\$ 3,038,918

* As restated, see note 1T on page 81-82

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

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These schedules contain trend information to help the reader understand how the Commonwealth's financial performance and fiscal health has changed over time. The schedules are presented for the last ten fiscal years, except where noted. Schedules included are:

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Schedule of Net Position by Component

Last Ten Fiscal Years

(Amounts in thousands)

	2022	2021*	2020	2019	2018
Governmental activities					
Net investment in capital assets	\$ (1,783,097)	\$ (1,658,414)	\$ (1,705,745)	\$ (1,433,294)	\$ (1,446,934)
Restricted	1,285,776	1,320,793	1,543,264	1,270,844	1,546,202
Unrestricted	(72,260,222)	(78,718,279)	(77,514,884)	(73,917,902)	(74,253,756)
Total governmental activities net position	<u>\$ (72,757,543)</u>	<u>\$ (79,055,900)</u>	<u>\$ (77,677,365)</u>	<u>\$ (74,080,352)</u>	<u>\$ (74,154,488)</u>
Business-type activities					
Net investment in capital assets	\$ 3,761,986	\$ 3,778,471	\$ 3,938,922	\$ 3,868,576	\$ 3,777,515
Restricted	2,175,161	1,908,425	1,319,929	2,271,721	1,833,109
Unrestricted	(603,430)	(2,428,455)	(591,205)	(490,819)	(595,311)
Total business-type activities net position	<u>\$ 5,333,717</u>	<u>\$ 3,258,441</u>	<u>\$ 4,667,646</u>	<u>\$ 5,649,478</u>	<u>\$ 5,015,313</u>
Commonwealth net position					
Net investment in capital assets	\$ 1,978,889	\$ 2,120,057	\$ 2,233,177	\$ 2,435,282	\$ 2,330,581
Restricted	3,460,937	3,229,218	2,863,193	3,542,565	3,379,311
Unrestricted	(72,863,652)	(81,146,734)	(78,106,089)	(74,408,721)	(74,849,067)
Total Commonwealth net position	<u>\$ (67,423,826)</u>	<u>\$ (75,797,459)</u>	<u>\$ (73,009,719)</u>	<u>\$ (68,430,874)</u>	<u>\$ (69,139,175)</u>

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* As restated, see note 1T on page 81-82 - Business - type activities

2017	2016	2015	2014	2013
\$ (1,320,834)	\$ (1,067,098)	\$ (768,411)	\$ (502,370)	\$ (592,483)
1,926,716	1,538,662	1,541,566	1,455,704	1,386,416
(63,992,403)	(59,111,068)	(55,626,250)	(53,381,659)	(26,733,592)
\$ (63,386,521)	\$ (58,639,504)	\$ (54,853,095)	\$ (52,428,325)	\$ (25,939,659)
\$ 3,623,966	\$ 3,311,658	\$ 3,055,444	\$ 2,794,845	\$ 2,605,263
1,735,575	1,745,840	1,539,785	1,590,545	1,209,630
722,923	678,667	697,056	675,796	1,026,230
\$ 6,082,464	\$ 5,736,165	\$ 5,292,285	\$ 5,061,186	\$ 4,841,123
\$ 2,303,132	\$ 2,244,560	\$ 2,287,033	\$ 2,292,475	\$ 2,012,780
3,662,291	3,284,502	3,081,351	3,046,249	2,596,046
(63,269,480)	(58,432,401)	(54,929,194)	(52,705,863)	(25,707,362)
\$ (57,304,057)	\$ (52,903,339)	\$ (49,560,810)	\$ (47,367,139)	\$ (21,098,536)

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

	2022	2021 *	2020	2019	2018
EXPENSES					
Governmental Activities:					
General government	\$ 3,902,680	\$ 3,522,506	\$ 2,923,397	\$ 2,766,272	\$ 2,792,959
Judiciary	1,243,650	1,429,817	1,396,370	1,221,969	1,162,698
Direct local aid	6,758,880	6,499,305	6,390,233	6,089,548	5,900,634
Medicaid	22,064,800	20,208,100	19,206,749	18,093,807	18,105,722
Group health insurance	1,863,586	1,710,258	1,651,357	1,670,238	1,648,278
Energy and environmental	822,053	900,326	824,062	701,950	732,161
Housing and economic development	2,806,068	2,963,819	1,599,085	1,574,628	1,544,103
Health and human services	13,785,541	11,658,328	9,645,198	8,662,012	8,298,704
Transportation and public works	3,122,013	3,283,352	2,806,861	2,554,289	2,483,768
Early elementary and secondary education	6,961,534	7,687,798	6,618,282	5,607,240	6,101,603
Public safety and homeland security	3,126,435	3,716,834	3,962,024	3,006,893	2,757,266
Labor and workforce development	440,198	428,225	342,418	298,930	295,061
Lottery	4,651,322	4,617,789	4,306,512	4,445,654	4,325,321
Interest (unallocated)	1,445,343	1,510,178	1,491,983	1,522,183	1,419,910
Total governmental activities	72,994,103	70,136,635	63,164,531	58,215,613	57,568,188
Business-type Activities:					
Unemployment compensation	3,904,080	19,438,890	11,948,319	1,483,901	1,552,404
Family and employment security	686,343	236,361	5,434	—	—
Higher Education:					
University of Massachusetts	3,669,599	3,419,868	3,446,910	3,282,171	3,307,087
State Universities	1,135,987	1,078,315	1,150,987	1,145,531	1,089,551
Community Colleges	967,439	900,821	886,593	917,967	887,223
Total business-type activities	10,363,448	25,074,255	17,438,243	6,829,570	6,836,265
Total Commonwealth expenses	\$ 83,357,551	\$ 95,210,890	\$ 80,602,774	\$ 65,045,183	\$ 64,404,453
REVENUES					
Program Revenues:					
Governmental Activities:					
Charges for services:					
General government	\$ 561,303	\$ 747,288	\$ 926,889	\$ 611,834	\$ 652,138
Judiciary	65,958	59,074	69,737	81,567	91,500
Medicaid	642,125	1,272,228	1,388,195	1,129,343	1,054,698
Group health insurance	898,761	860,726	822,420	808,194	941,946
Energy and environmental	386,816	319,315	280,252	279,267	273,504
Housing and economic development	257,188	242,815	225,908	163,315	213,530
Health and human services	2,915,732	1,576,692	822,920	1,411,918	1,292,584
Transportation and public works	602,857	627,594	568,028	627,941	625,595
Early elementary and secondary education	6,366	6,624	7,365	8,445	7,846
Public safety and homeland security	405,960	345,917	370,568	338,099	248,234
Labor and workforce development	192,356	56,603	203,992	307,506	269,293
Lottery	5,861,393	5,827,632	5,391,167	5,644,440	5,436,551
Total charges for services	12,796,815	11,942,508	11,077,411	11,411,869	11,107,419
Operating grants and contributions	27,170,190	22,611,465	18,661,840	16,253,915	16,230,934
Capital grants and contributions	114,296	77,259	77,964	66,085	99,002
Total governmental activities	40,081,301	34,631,232	29,817,245	27,731,869	27,437,355
Business-type Activities:					
Charges for services:					
Unemployment Compensation	1,881,248	1,608,603	1,833,362	1,852,195	1,617,394
Family and employment security	925,337	1,005,102	840,600	—	—
Higher Education:					
University of Massachusetts	2,001,814	1,636,154	1,844,180	1,860,268	1,907,824
State Universities	607,506	562,137	644,932	679,801	658,608
Community Colleges	176,012	200,278	221,732	237,288	259,156
Operating grants and contributions	4,963,847	16,603,329	9,250,714	976,096	931,780
Capital grants and contributions	195,238	174,851	145,646	112,033	160,201
Total business-type activities	10,751,002	21,790,454	14,781,166	5,717,681	5,534,963
Total Commonwealth program revenues	\$ 50,832,303	\$ 56,421,686	\$ 44,598,411	\$ 33,449,550	\$ 32,972,318
General Revenues and Other Changes in Net Position (all types consolidated):					
Governmental Activities:					
Taxes (all types)	\$ 39,803,816	\$ 34,947,335	\$ 30,482,040	\$ 30,609,957	\$ 27,964,093
Investment earnings and miscellaneous	1,135,334	697,132	1,169,416	1,513,855	1,283,283
Transfers, net	(1,727,991)	(1,517,599)	(1,404,336)	(1,565,932)	(1,123,731)
Total governmental activities	39,211,159	34,126,868	30,247,120	30,557,880	28,123,645
Business-type Activities:					
Investment earnings and miscellaneous	(40,269)	356,997	333,608	145,483	423,379
Transfers, net	1,727,991	1,517,599	1,404,336	1,565,932	1,123,731
Total business-type activities	1,687,722	1,874,596	1,737,944	1,711,415	1,547,110
Total Commonwealth general revenues	\$ 40,898,881	\$ 36,001,464	\$ 31,985,064	\$ 32,269,295	\$ 29,670,755
CHANGES IN NET POSITION					
Governmental activities	\$ 6,298,357	\$ (1,378,535)	\$ (3,100,166)	\$ 74,136	\$ (2,007,188)
Business-type activities	2,075,276	(1,409,205)	(919,133)	599,526	245,808
Total changes in net position including restatements	\$ 8,373,633	\$ (2,787,740)	\$ (4,019,299)	\$ 673,662	\$ (1,761,380)

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* As restated, see note 1T on page 81-82 - Business - type activities

	2017	2016	2015	2014	2013
\$	2,764,634	\$ 2,616,051	\$ 2,703,519	\$ 2,521,454	\$ 2,571,881
	1,226,221	1,154,038	1,026,429	1,007,234	983,314
	5,734,682	5,598,687	5,469,412	5,353,521	5,179,104
	17,182,691	16,825,110	15,086,742	14,034,862	12,286,342
	1,668,100	1,632,703	1,657,018	1,403,590	1,282,661
	720,182	1,069,510	671,801	615,854	524,632
	1,411,189	1,367,957	1,314,980	1,289,156	1,250,008
	8,131,843	7,912,817	7,605,180	7,308,295	7,737,736
	2,535,121	2,711,910	2,689,975	2,379,178	1,868,020
	6,243,115	5,420,052	4,654,161	4,714,555	4,493,537
	2,913,849	2,746,612	2,486,107	2,451,881	2,391,982
	312,510	324,678	309,091	352,454	385,757
	4,128,209	4,299,592	4,109,611	3,980,980	3,982,700
	1,384,248	1,250,004	1,263,218	1,197,709	1,206,542
	56,356,594	54,929,721	51,047,244	48,610,723	46,144,216
	1,514,002	1,499,811	1,598,084	2,036,431	2,718,447
	—	—	—	—	—
	3,167,596	3,151,215	2,809,062	2,925,013	2,759,488
	1,063,196	1,002,577	994,341	922,383	864,161
	936,241	928,067	891,906	852,946	814,245
	6,681,035	6,581,670	6,293,393	6,736,773	7,156,341
\$	63,037,629	61,511,391	57,340,637	55,347,496	53,300,557
\$	594,132	\$ 565,434	\$ 634,289	\$ 361,105	\$ 352,291
	95,937	100,568	105,521	108,766	111,384
	897,542	841,697	1,052,170	1,226,108	471,539
	802,628	799,011	755,712	660,359	619,982
	249,565	289,738	253,856	262,339	228,019
	194,940	173,941	164,438	165,365	150,690
	1,359,519	1,224,967	405,710	483,080	1,143,551
	596,200	577,292	577,430	530,853	567,348
	7,919	7,508	7,649	10,067	6,748
	280,400	284,264	256,596	228,730	218,643
	40,652	38,581	175,130	150,394	246,577
	5,254,468	5,405,128	5,193,545	5,049,536	5,041,329
	10,373,902	10,308,129	9,582,046	9,236,702	9,158,101
	15,519,380	15,158,087	13,950,227	13,121,648	12,836,122
	58,354	85,759	81,475	30,699	18,726
	25,951,636	25,551,975	23,613,748	22,389,049	22,012,949
	1,468,492	1,611,096	1,492,067	1,897,495	1,923,476
	—	—	—	—	—
	1,882,899	1,875,144	1,602,043	1,697,585	1,640,296
	654,170	616,025	583,669	558,170	533,347
	274,868	274,252	266,956	270,512	281,428
	909,228	891,823	936,917	1,347,423	1,791,196
	238,621	265,714	206,128	122,081	123,396
	5,428,278	5,534,054	5,087,780	5,893,266	6,293,139
\$	31,379,914	31,086,029	28,701,528	28,282,315	28,306,088
\$	25,949,577	\$ 25,676,303	\$ 25,209,826	\$ 23,319,168	\$ 22,599,332
	995,073	1,161,089	1,251,288	1,131,848	985,810
	(1,286,709)	(1,246,055)	(1,429,174)	(1,205,141)	(1,096,061)
	25,657,941	25,591,337	25,031,940	23,245,875	22,489,081
	312,347	245,441	7,536	306,690	271,832
	1,286,709	1,246,055	1,429,174	1,205,141	1,096,061
	1,599,056	1,491,496	1,436,710	1,511,831	1,367,893
\$	27,256,997	27,082,833	26,468,650	24,757,706	23,856,974
\$	(4,747,017)	\$ (3,786,409)	\$ (2,401,556)	\$ (2,975,800)	\$ (1,642,187)
	346,299	443,880	231,099	668,324	504,691
\$	(4,400,718)	(3,342,529)	(2,170,457)	(2,307,476)	(1,137,496)

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

(Amounts in thousands)

	2022	2021	2020	2019	2018
Fund balances:					
Nonspendable.....	\$ 615,882	\$ 755,378	\$ —	\$ —	\$ —
Restricted ⁽¹⁾	1,285,777	1,320,793	1,294,124	1,316,707	1,519,833
Committed ⁽²⁾	10,341,466	6,805,570	5,325,797	5,007,488	3,302,222
Assigned ⁽³⁾	3,796,399	2,046,997	1,682,922	1,256,717	955,830
Unassigned.....	2,093,601	2,888,607	754,673	1,530,423	1,060,559
Total governmental fund balances.....	<u>\$ 18,133,125</u>	<u>\$ 13,817,345</u>	<u>\$ 9,057,516</u>	<u>\$ 9,111,335</u>	<u>\$ 6,838,444</u>

(1) Restricted fund balance overall decreased from FY21 mainly due to a decrease of \$137.4 million in the restricted for MSBA, offset by \$97 million debt services for unemployment compensation special obligation bonds.

(2) The majority increase in the committed fund balance from FY21 is mainly due to an increase of approximately \$2.311 billion in the ending balance of the Commonwealth's stabilization fund; Student Opportunity Act Trust Fund balance of \$350 million; various Health Care Funds totaling \$381 million.

(3) Assigned fund balance increased from FY21 mainly as a result of an increase in authorizations reappropriated from prior years of approximately \$1.472 billion.

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2017	2016	2015	2014	2013
\$ —	\$ —	\$ —	\$ —	\$ —
1,926,716	1,377,671	1,792,461	1,518,671	1,558,842
2,351,687	2,422,088	2,375,367	2,250,157	2,324,445
684,655	845,567	576,632	510,353	595,085
634,324	628,420	561,105	340,505	391,795
<u>\$ 5,597,382</u>	<u>\$ 5,273,746</u>	<u>\$ 5,305,565</u>	<u>\$ 4,619,686</u>	<u>\$ 4,870,167</u>

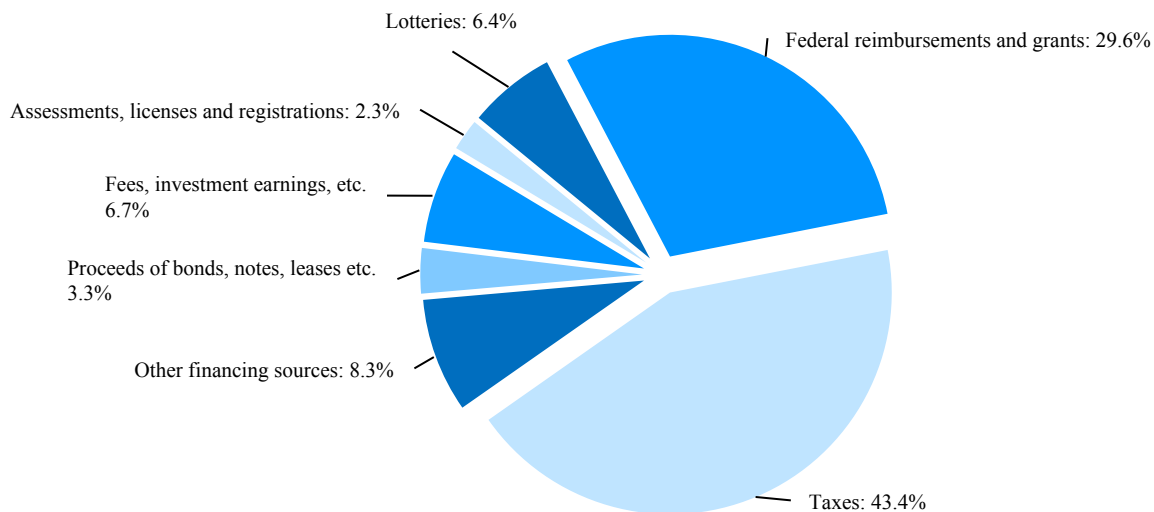
Ten-Year Schedule of Revenues and Other Financing Sources
All Governmental Fund Types - Fund Perspective
(Modified Accrual Basis of Accounting)

(Amounts in millions)

	2022		2021		2020		2019		2018	
	\$	%	\$	%	\$	%	\$	%	\$	%
Taxes	\$ 39,816	43.4	\$ 34,955	41.2	\$ 30,266	41.7	\$ 30,618	43.8	\$ 28,243	41.1
Federal reimbursements	17,801	19.4	16,438	19.4	14,427	19.9	12,650	18.1	12,647	18.3
Federal grants	9,413	10.2	6,515	7.7	4,048	5.6	3,678	5.3	3,684	5.3
Lotteries	5,864	6.4	5,829	6.9	5,395	7.4	5,652	8.1	5,442	7.9
Assessments	1,585	1.7	1,350	1.6	1,378	1.9	1,377	2.0	1,354	2.0
Motor vehicle licenses and registrations	549	0.6	515	0.6	515	0.7	566	0.8	566	0.8
Fees, investment earnings, etc	6,166	6.7	5,780	6.8	5,527	7.6	5,794	8.3	5,518	8.0
Issuance of general and special obligation bonds	2,085	2.3	4,216	5.0	2,787	3.8	2,008	2.9	2,779	4.0
Issuance of refunding bonds	525	0.6	1,766	2.1	1,225	1.7	819	1.2	993	1.4
Bond premiums	369	0.4	786	0.9	276	0.4	470	0.7	562	0.8
Proceeds of capital lease	—	—	2	—	1	—	—	—	—	—
Other financing sources	7,668	8.3	6,569	7.8	6,662	9.3	6,143	8.8	7,202	10.4
Total revenues and other financing sources	\$ 91,841	100.0	\$ 84,721	100.0	\$ 72,507	100.0	\$ 69,775	100.0	\$ 68,990	100.0

See Independent Auditors' Report

**Apportionment of Revenues by Source -
Fiscal Year Ended June 30, 2022**



	%		%		%		%		%	
2017	Total	2016	Total	2015	Total	2014	Total	2013	Total	
\$ 25,828	37.7	\$ 25,746	38.0	\$ 25,258	41.7	\$ 23,786	41.6	\$ 22,391	40.5	
11,932	17.4	11,577	17.1	10,462	17.2	9,417	16.5	8,981	16.2	
3,635	5.3	3,656	5.4	3,583	5.9	3,730	6.5	3,887	7.0	
5,258	7.7	5,406	8.0	5,194	8.6	5,049	8.8	5,042	9.1	
1,219	1.8	1,104	1.6	1,026	1.7	1,080	1.8	1,093	2.0	
554	0.8	546	0.8	546	0.9	495	0.9	487	0.9	
4,966	7.3	4,957	7.3	4,540	7.5	4,152	7.3	3,750	6.8	
3,464	5.1	3,969	5.9	3,761	6.2	2,360	4.1	1,471	2.7	
1,853	2.7	1,463	2.2	632	1.0	1,236	2.2	1,913	3.5	
812	1.2	613	0.9	379	0.6	193	0.3	398	0.7	
1	—	31	—	31	0.1	11	—	1	—	
8,915	13.0	8,682	12.8	5,247	8.6	5,701	10.0	5,876	10.6	
<u>\$ 68,437</u>	<u>100.0</u>	<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>	

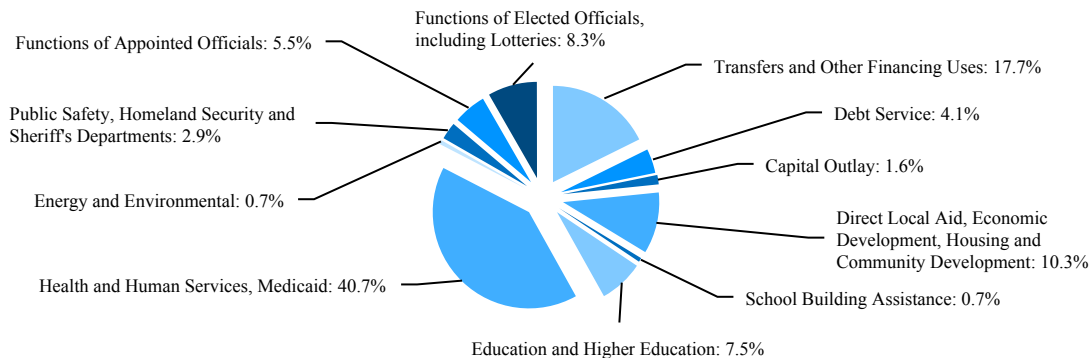
Ten-Year Schedule of Expenditures and Other Financing Uses by Secretariat
All Governmental Fund Types - Fund Perspective
(Modified Accrual Basis of Accounting)
(Amounts in millions)

	2022	%	2021	%	2020	%	2019	%	2018	%
	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total
Legislature	\$ 76	0.1	\$ 73	0.1	\$ 70	0.1	\$ 68	0.1	\$ 68	0.1
Judiciary	1,095	1.3	1,023	1.3	1,022	1.4	985	1.5	921	1.4
Inspector General	6	—	6	—	6	—	5	—	5	—
Governor and Lieutenant Governor	7	—	9	—	7	—	7	—	7	—
Secretary of the Commonwealth	59	0.1	78	0.1	63	0.1	55	0.1	45	0.1
Treasurer and Receiver-General	6,743	7.7	6,583	8.1	5,961	8.2	6,092	9.0	5,854	8.6
Auditor of the Commonwealth	21	—	20	—	19	—	18	—	19	—
Attorney General	165	0.2	112	0.1	108	0.2	107	0.2	98	0.1
Ethics Commission	3	—	2	—	2	—	2	—	2	—
District Attorney	161	0.2	154	0.2	150	0.2	138	0.2	129	0.2
Office of Campaign and Political Finance	2	—	2	—	2	—	3	—	2	—
Sheriff's Department	679	0.8	699	0.9	718	1.0	672	1.0	635	0.9
Disabled Persons Protection Commission	10	—	7	—	6	—	5	—	4	—
Commission on Status of Women	1	—	—	—	—	—	—	—	—	—
Board of Library Commissioners	43	—	37	—	33	—	30	—	28	—
Massachusetts Gaming Commission	56	0.1	46	0.1	44	0.1	50	0.1	44	0.1
Comptroller	27	—	22	—	17	—	16	—	16	—
Administration and Finance	3,613	4.2	2,910	3.9	2,490	3.4	2,310	3.4	2,475	3.7
Energy and Environmental	592	0.7	461	0.6	466	0.6	477	0.7	445	0.7
Health and Human Services	13,446	15.4	10,702	13.2	8,817	12.1	8,054	12.0	7,813	11.5
Executive Office of Technology Services	173	0.2	156	0.2	140	0.2	116	0.2	81	0.1
Massachusetts Department of Transportation	3,002	3.4	2,909	3.6	2,486	3.4	2,349	3.5	2,387	3.5
Office of the Child Advocate	3	—	2	—	2	—	1	—	1	—
Commission Against Discrimination	7	—	7	—	—	—	—	—	—	—
Cannabis Control Commission	14	—	11	—	13	—	10	—	2	—
Executive Office of Education*	6,579	7.5	5,049	6.2	4,323	6.0	3,972	5.9	3,723	5.5
Center for Health and Information Analysis	29	—	21	—	20	—	20	—	21	—
Massachusetts School Building Assistance	628	0.7	752	0.9	713	1.0	572	0.9	550	0.8
Public Safety and Homeland Security	1,839	2.1	1,769	2.2	2,066	2.8	1,463	2.2	1,400	2.1
Massachusetts Peace Officer Standards and Training	2	—	—	—	—	—	—	—	—	—
Housing and Economic Development*	2,294	2.6	2,440	3.0	1,223	1.7	1,157	1.7	1,089	1.6
Labor and Workforce Development*	411	0.5	356	0.4	280	0.4	258	0.4	255	0.4
Medicaid	22,065	25.3	20,208	25.0	19,207	26.5	18,094	26.8	18,106	26.9
Pension	2,117	2.4	1,657	2.1	1,384	1.9	1,368	2.0	1,294	1.9
Direct local aid	6,759	7.7	6,499	8.0	6,390	8.8	6,090	9.0	5,901	8.7
Capital outlay:										
Capital acquisition and construction	1,420	1.6	1,308	1.6	1,051	1.5	1,310	1.9	1,253	1.8
Debt service:										
Principal/commercial paper repayment	1,780	2.0	1,878	2.3	1,948	2.7	1,480	2.2	3,706	5.5
Interest	1,245	1.4	1,230	1.5	1,238	1.7	1,484	2.2	1,381	2.0
Principal on current refunding	610	0.7	1,065	1.3	409	0.6	956	1.4	522	0.8
Other financing uses:										
Payments to refunding bond escrow agent	347	0.4	2,469	3.1	1,655	2.3	—	—	628	0.9
Transfers	9,396	10.7	8,084	10.0	8,067	11.1	7,709	11.4	6,838	10.1
Total expenditures and other financing uses	\$ 87,525	100.0	\$ 80,816	100.0	\$ 72,616	100.0	\$ 67,503	100.0	\$ 67,748	100.0
Change in Governmental Fund Balance	\$ 4,316		\$ 3,905		\$ (108)		\$ 2,273		\$ 1,241	
Ratio of debt service expenditures to total noncapital expenditures	4.8%		6.1%		5.8%		6.7%		9.5%	

* Reflects departmental and functional reorganizations as of the year implemented. Prior years not restated.

See Independent Auditors' Report

Apportionment of Expenditures - Fiscal Year Ended June 30, 2022



2017	% Total	2016	% Total	2015	% Total	2014	% Total	2013	% Total
\$ 67	0.1	\$ 61	0.1	\$ 61	0.1	\$ 56	0.1	\$ 57	0.1
908	1.3	880	1.3	845	1.4	816	1.4	792	1.4
4	—	5	—	5	—	6	—	6	—
7	—	7	—	6	—	5	—	6	—
51	0.1	44	0.1	50	0.1	51	0.1	49	0.1
5,657	8.2	5,799	8.7	5,602	9.6	5,327	9.5	5,307	9.5
18	—	19	—	18	—	18	—	18	—
76	0.1	67	0.1	41	0.1	88	0.2	76	0.1
2	—	2	—	2	—	2	—	2	—
130	0.2	124	0.2	119	0.2	115	0.2	115	0.2
2	—	2	—	3	—	1	—	1	—
624	0.9	616	0.9	593	1.0	565	1.0	541	1.0
3	—	3	—	3	—	2	—	2	—
—	—	—	—	—	—	—	—	—	—
28	—	28	—	28	—	25	—	25	—
37	0.1	34	0.1	23	—	23	—	14	—
17	—	17	—	16	—	16	—	14	—
2,444	3.6	2,416	3.6	2,490	4.2	2,298	4.0	2,293	4.1
405	0.6	436	0.6	417	0.7	410	0.7	365	0.6
7,463	11.0	7,402	10.9	7,211	12.0	6,957	12.1	7,384	13.1
—	—	—	—	—	—	—	—	—	—
2,391	3.5	2,595	3.8	2,611	4.4	2,296	4.0	1,785	3.1
1	—	1	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
3,589	5.3	3,478	5.1	3,320	5.5	3,201	5.6	3,008	5.3
23	—	27	—	28	—	26	—	9	—
621	0.9	626	0.9	732	1.2	869	1.5	1,037	1.8
1,374	2.0	1,385	2.0	1,334	2.2	1,274	2.2	1,296	2.3
—	—	—	—	—	—	—	—	—	—
1,021	1.5	1,048	1.5	1,021	1.7	1,035	1.8	988	1.7
259	0.4	277	0.4	269	0.4	330	0.6	350	0.6
17,183	25.2	16,825	24.9	15,087	25.2	14,035	24.4	12,286	21.7
1,127	1.7	1,103	1.6	902	1.5	865	1.5	878	1.5
5,735	8.4	5,599	8.3	5,469	9.1	5,353	9.3	5,179	9.1
—	—	—	—	—	—	—	—	—	—
1,202	1.8	1,162	1.7	1,205	2.0	999	1.7	854	1.5
—	—	—	—	—	—	—	—	—	—
4,676	6.9	4,487	6.6	1,781	3.0	1,546	2.7	1,525	2.7
1,262	1.9	1,248	1.8	1,187	2.0	1,223	2.1	1,229	2.2
188	0.3	250	0.4	203	0.3	159	0.3	230	0.4
—	—	—	—	—	—	—	—	—	—
2,304	3.4	2,613	3.9	615	1.0	562	1.0	2,046	3.6
7,215	10.6	7,094	10.5	6,676	11.1	6,907	12.0	6,972	12.3
<u>\$ 68,114</u>	<u>100.0</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>\$ 324</u>		<u>\$ (32)</u>		<u>\$ 686</u>		<u>\$ (251)</u>		<u>\$ (1,448)</u>	
<u>10.7%</u>		<u>10.5%</u>		<u>6.2%</u>		<u>6.0%</u>		<u>6.4%</u>	

Personal Income by Industry
Last Ten Calendar Years

(Amounts in millions)

	2021	2020	2019	2018	2017
Total personal income	\$ 575,188	\$ 550,584	\$ 511,334	\$ 483,433	\$ 450,962
Unearned income	152,340	166,915	126,165	118,567	111,017
Farm earnings	126	170	108	103	129
Nonfarm earnings	422,722	383,499	385,061	364,763	339,816
Private earnings	407,096	368,213	369,080	349,476	323,875
Agricultural services, forestry, fishing	705	600	625	659	716
Mining	94	146	144	274	608
Construction	27,349	22,859	23,397	23,177	20,609
Manufacturing	29,969	28,355	28,568	27,271	26,550
Durable goods	20,502	19,760	20,020	19,239	18,709
Nondurable goods	9,467	8,595	8,548	8,032	7,841
Transportation and utilities	12,561	11,669	11,724	9,667	8,649
Wholesale trade	17,366	15,280	15,254	15,102	14,830
Retail trade	19,436	17,303	17,438	16,432	15,982
Services	299,616	272,001	271,930	256,894	235,931
Government	45,595	43,642	44,549	42,557	42,492
Federal, civilian	5,920	5,821	5,647	5,458	5,477
Military	1,001	1,096	1,003	900	891
State and local	38,674	36,725	37,899	36,199	36,124
Personal income tax revenue (fiscal year, statutory basis)	\$ 24,337	\$ 19,618	\$ 17,361	\$ 17,109	\$ 16,240
Total personal income	\$ 575,188	\$ 550,584	\$ 511,334	\$ 483,433	\$ 450,962
Average Effective Rate	4.23 %	3.56 %	3.40 %	3.54 %	3.60 %
Highest Earned Income Tax Rate	5.00 %	5.00 %	5.00 %	5.05 %	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.

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2016	2015	2014	2013	2012
\$ 442,500	\$ 415,636	\$ 396,206	\$ 381,271	\$ 363,944
108,349	97,728	94,494	91,615	87,333
151	195	178	151	150
334,000	317,713	301,534	289,505	276,461
319,931	272,533	262,843	252,939	243,503
677	406	354	373	426
379	276	270	201	113
19,473	17,197	15,481	14,759	13,426
27,181	26,497	25,921	25,341	26,375
18,894	18,193	18,224	17,977	19,223
8,287	8,304	7,697	7,364	7,152
8,330	7,600	7,295	7,083	6,742
14,621	13,938	13,546	13,483	12,979
15,520	14,716	14,137	13,565	13,333
233,750	191,903	185,839	178,134	170,109
41,130	39,921	38,691	36,567	32,959
5,427	5,202	5,007	4,792	5,442
860	860	874	943	1,221
34,843	33,859	32,810	30,832	26,296
\$ 14,394	\$ 14,449	\$ 13,202	\$ 12,831	\$ 11,911
\$ 442,500	\$ 415,636	\$ 396,206	\$ 381,271	\$ 363,944
3.25 %	3.48 %	3.33 %	3.37 %	3.27 %
5.10 %	5.15 %	5.20 %	5.25 %	5.25 %

Commonwealth of Massachusetts
Personal Income Tax Filers and Liability by Income Level
Calendar (Tax) Years 2020 and 2011

(Amounts, except income level are in thousands)

Calendar Year 2020 (or Fiscal Year 2021)

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$100,001 and higher	962,660	23.9%	\$ 13,749,169	76.8%
\$75,001 - \$100,000	355,676	8.8%	1,307,010	7.3%
\$50,001 - \$75,000	569,667	14.2%	1,422,946	7.9%
\$25,001 - \$50,000	903,704	22.5%	1,156,514	6.5%
\$10,001 - \$25,000	612,113	15.2%	234,810	1.3%
\$10,000 and lower	617,674	15.4%	39,649	0.2%
Total	<u>4,021,494</u>	<u>100.0%</u>	<u>\$ 17,910,097</u>	<u>100.0%</u>

Calendar Year 2011 (or Fiscal Year 2012)

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$100,001 and higher	624,762	17.7%	\$ 7,732,640	68.5%
\$75,001 - \$100,000	284,737	8.0%	1,067,019	9.4%
\$50,001 - \$75,000	455,854	12.8%	1,163,795	10.3%
\$25,001 - \$50,000	772,201	21.7%	1,021,847	9.0%
\$10,001 - \$25,000	679,025	19.1%	278,817	2.5%
\$10,000 and lower	735,058	20.7%	30,260	0.3%
Total	<u>3,551,637</u>	<u>100.0%</u>	<u>\$ 11,294,377</u>	<u>100.0%</u>

Source: Massachusetts Department of Revenue - 2020 is the most recent tax year for which complete data is available.

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

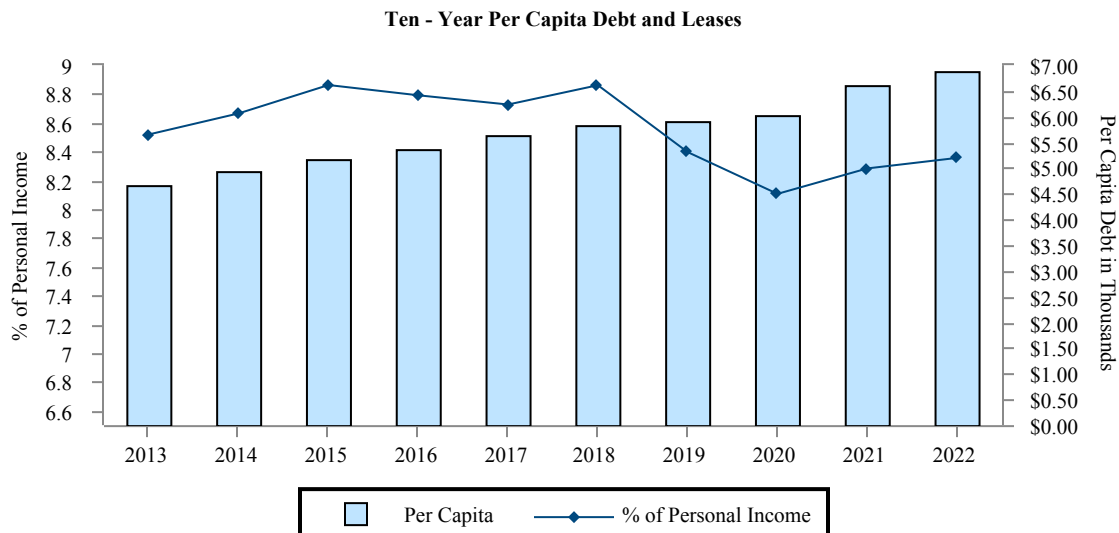
(Amounts in thousands, except for percentages)

Fiscal Year Ended June 30	Governmental Activities				Business-Type Activities		Total Primary Government	Prior Year Personal Income	Massachusetts Resident Population (4)	Debt as a % of Personal Income	Amount of Debt Per Capita
	Bonded Debt (1)	Leases (5)	MSBA Bonded debt (2)	MSBA Leases (5)	Bonded Debt (3)	Leases (5)					
2022	\$ 32,774,329	\$ 942,590	\$ 6,323,688	\$ 3,454	\$ 6,759,878	\$ 1,257,644	\$ 48,061,583	\$575,187,880	6,985	8.4 %	\$ 6.88
2021	32,229,313	14,260	6,508,385	—	6,842,430	8,724	45,603,112	550,584,495	6,894	8.3 %	6.61
2020	30,701,422	17,114	6,053,947	—	4,667,917	8,842	41,449,242	511,333,665	6,895	8.1 %	6.01
2019	30,219,316	19,835	6,054,994	—	4,284,704	9,589	40,588,438	483,433,495	6,886	8.4 %	5.89
2018	29,496,401	22,492	5,990,554	—	4,438,502	9,825	39,957,774	450,961,579	6,864	8.9 %	5.82
2017	28,216,650	30,856	5,828,790	—	4,529,353	8,979	38,614,628	442,500,000	6,827	8.7 %	5.66
2016	26,422,941	41,302	5,624,275	—	4,438,282	9,887	36,536,687	415,636,000	6,797	8.8 %	5.38
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

- (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
- (5) Leases represent Right to Use leases for 2022 and Capital Leases for periods 2021 and earlier

Source: - [HTTP://www.fedstats.gov](http://www.fedstats.gov) (US Census Bureau).

See Independent Auditors' Report



Ten Year Schedule of Outstanding Direct Debt and Statutory Debt Limit

(Amounts in thousands)

	2022 (3)	2021 (3)	2020 (3)	2019 (3)	2018 (3)
Outstanding principal as of June 30 (1)	\$ 29,335,406	\$ 29,048,457	\$ 28,098,890	\$ 27,739,221	\$ 27,360,819
Plus/(less) amounts excluded:					
Net amortized (discount)/premium and issuance costs	—	—	—	—	—
Total net proceeds/principal	29,335,406	29,048,457	28,098,890	27,739,221	27,360,819
Less net proceeds/principal of direct debt excluded from statutory debt limit:					
Central artery project bonds	(691,378)	(847,790)	(945,574)	(1,013,492)	(1,092,519)
Accelerated bridge program	(2,015,840)	(2,137,770)	(2,325,620)	(2,349,950)	(2,429,000)
County debt assumed	—	—	—	—	—
(Premium)/discount	—	—	—	—	—
Grant anticipation notes (2)	—	—	—	—	—
School Modernization and Reconstruction Trust Bonds	(337,411)	(430,926)	(496,936)	(574,902)	(598,985)
Convention center bonds	(453,675)	(479,645)	(504,255)	(527,635)	(552,110)
MBTA forward funding bonds	(207)	(207)	(207)	(207)	(207)
Special obligation gas bonds	—	(28,385)	(55,290)	(80,930)	(105,230)
Rail enhancement program bonds (4)	(1,958,461)	(1,637,221)	(1,260,565)	(1,104,610)	(1,131,105)
Outstanding direct debt, net proceeds/principal	23,878,434	23,486,513	22,510,443	22,087,495	21,451,663
Statutory debt limit*	27,805,231	26,481,173	25,220,164	24,019,204	22,875,433
Debt margin (debt limit less direct debt)	<u>\$ 3,926,797</u>	<u>\$ 2,994,660</u>	<u>\$ 2,709,721</u>	<u>\$ 1,931,709</u>	<u>\$ 1,423,770</u>
Debt margin as a percentage of direct debt limit	<u>14.1%</u>	<u>11.3%</u>	<u>10.7%</u>	<u>8.0%</u>	<u>6.2%</u>

(1) Exclusive of the Massachusetts School Building Authority debt.

(2) Inclusive of crossover refunding amounts.

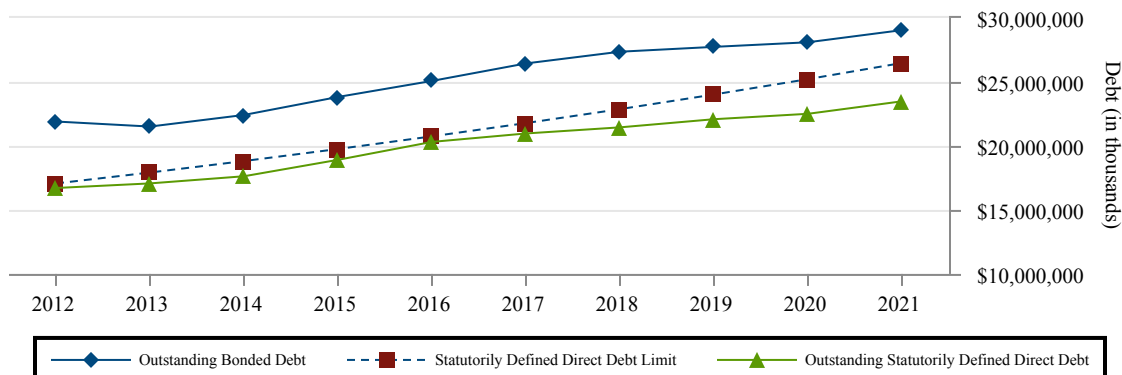
(3) For fiscal 2009 through 2012, debt outstanding was defined in state finance law as net proceeds of debt issued. State finance law was amended, effective January 1, 2013, to change the statutory definition of outstanding debt from net proceeds to principal. Therefore, fiscal years prior to 2013 are 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
2013 - 2022**



2017 (3)	2016 (3)	2015 (3)	2014 (3)	2013 (3)
\$ 26,445,665	\$ 25,079,591	\$ 23,826,301	\$ 22,419,852	\$ 21,513,039
—	—	—	—	—
26,445,665	25,079,591	23,826,301	22,419,852	21,513,039
(1,110,195)	(1,150,296)	(1,197,127)	(1,241,263)	(1,303,013)
(2,380,740)	(2,192,930)	(2,195,004)	(1,756,395)	(1,088,605)
—	—	—	—	—
—	—	—	—	—
—	—	—	(178,390)	(349,100)
(632,348)	(652,197)	(689,446)	(723,917)	(764,337)
(575,420)	(597,630)	(618,705)	(638,700)	(638,700)
(207)	(207)	(207)	(207)	(207)
(128,270)	(170,735)	(210,635)	(249,705)	(296,395)
(644,540)	—	—	—	—
20,973,945	20,315,596	18,915,177	17,631,275	17,072,682
21,786,126	20,748,692	19,760,659	18,819,675	17,923,500
\$ 812,181	\$ 433,096	\$ 845,482	\$ 1,188,400	\$ 850,818
3.7%	2.1%	4.3%	6.3%	4.7%

Ten Fiscal Year Schedule of Pledged Revenue Coverage

Special Obligation Highway Bonds (Motor Fuels Taxation and Motor Vehicle Fees), Convention Center Bonds (Tax Incremental Financing) and Grant Anticipation Notes (Federal Highway Grants)

(Statutory Basis, Amounts in Thousands, Except for Ratios)

	2022	2021	2020	2019	2018
Highway Bonds					
For issues prior to December 2010, final maturities of which occurred during FY2022, the bonds were 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") were 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 CTF bonds also had a subordinate lien on 6.86¢ of the 24¢ per gallon gasoline tax not included in the senior lien. Subsequent to the maturity in FY2022 of bonds issued prior to December 2010, the CTF bonds are secured by the full 24 cent per gallon gasoline tax, the full 21 cents per gallon of special fuels taxes (comprised primarily of taxes on diesel fuel), the full tax on liquefied natural gas and all Registry of Motor Vehicle fees deposited in the Commonwealth Transportation Fund. Federal Build America Bonds subsidies are also pledged to all CTF bonds. The 2010 bonds were issued as federally taxable Build America Bonds/Recovery Zone Economic Development Bonds; the programs provide an interest subsidy of 35-45% directly to the Commonwealth. The interest subsidy is shown as pledged funds and debt service is gross of the subsidy. Revenues pledged to the bonds are available prior to use for any other purposes. Thus, operating expenses paid from these revenue sources are not applicable for the purpose of calculating debt service coverage ratios and are not shown in this table.					
Pre-2010 Bond Issues					
Tax Receipts	\$ 132,138	\$ 161,792	\$ 174,566	\$ 192,614	\$ 191,183
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 132,138	\$ 161,792	\$ 174,566	\$ 192,614	\$ 191,183
Annual Debt Service	\$ 29,821	\$ 29,821	\$ 29,822	\$ 29,818	\$ 29,825
Debt Service Coverage Ratio	4.43	5.43	5.85	6.46	6.41
Ratings History of Bonds (Fitch, Moody's and S&P)*	AA+, Aa1, AA+	AA+, Aa1, AA+	AA+, Aa1, AA+	AA+, Aa1, AAA	AA+, Aa1, AAA
Post-2010 Bond Issues (Includes Revenues in Excess of Those Needed to Pay Debt Service on Pre-2010 Highway Bonds)					
Receipts	\$ 1,302,636	\$ 1,266,755	\$ 1,250,653	\$ 1,373,116	\$ 1,362,788
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 1,302,636	\$ 1,266,755	\$ 1,250,653	\$ 1,373,116	\$ 1,362,788
Annual Debt Service	\$ 186,189	\$ 189,083	\$ 184,361	\$ 176,189	\$ 149,968
Debt Service Coverage Ratio	7.00	6.70	6.78	7.79	9.09
Ratings History of Bonds (Fitch, Moody's and S&P)*	NA, Aa1, AA+	NA, Aa1, AA+	NA, Aa1, AA+	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	\$ 148,719	\$ 45,744	\$ 145,835	\$ 164,197	\$ 146,872
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 148,719	\$ 45,744	\$ 145,835	\$ 164,197	\$ 146,872
Annual Debt Service	\$ 52,350	\$ 52,283	\$ 52,222	\$ 54,601	\$ 54,473
Debt Service Coverage Ratio	2.84	0.87	2.79	3.01	2.70
Ratings History of Bonds (Fitch, Moody's and S&P)*	NA, A1, A-	NA, A1, BBB+	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.					
GANS (Includes Revenues in Excess of those Needed to Pay Debt Service Commonwealth Transportation Fund Bonds)					
Receipts	\$ 1,744,871	\$ 1,792,915	\$ 1,705,993	\$ 1,771,001	\$ 1,756,726
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 1,744,871	\$ 1,792,915	\$ 1,705,993	\$ 1,771,001	\$ 1,756,726
Annual Debt Service	\$ 85,120	\$ 86,773	\$ 86,858	\$ 86,093	\$ 83,804
Debt Service Coverage Ratio	20.50	20.66	19.64	20.57	20.96
Ratings History of Bonds (Fitch, Moody's and S&P)*	AA+, Aa1, AA+	AA+, Aa1, AA+	AA+, Aa1, AA+	AA+, Aa1, AAA	AA+, Aa1, AAA

*Uninsured rating, if available.
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2017		2016		2015		2014		2013	
\$	191,820	\$	190,803	\$	187,913	\$	187,467	\$	186,638
	N/A		N/A		N/A		N/A		N/A
\$	191,820	\$	190,803	\$	187,913	\$	187,467	\$	186,638
\$	51,276	\$	50,906	\$	52,225	\$	52,228	\$	58,922
	3.74		3.75		3.60		3.59		3.17
AA+, Aa1, AAA		AA+, Aa1, AAA		AA+, Aa1, AAA		AA+, Aa1, AAA		AA+, Aa1, AAA	
\$	1,326,734	\$	1,294,357	\$	1,283,248	\$	1,210,405	\$	1,170,297
	N/A		N/A		N/A		N/A		N/A
\$	1,326,734	\$	1,294,357	\$	1,283,248	\$	1,210,405	\$	1,170,297
\$	129,024	\$	94,859	\$	81,054	\$	69,921	\$	58,108
	10.28		13.65		15.83		0.02		20.14
NA, Aa1, AAA		NA, AAA, AAA		NA, AAA, AAA		NA, AAA, AAA		NA, AAA, AAA	
\$	133,789	\$	134,806	\$	124,937	\$	109,879	\$	100,631
	N/A		N/A		N/A		N/A		N/A
\$	133,789	\$	134,806	\$	124,937	\$	109,879	\$	100,631
\$	54,540	\$	54,540	\$	52,852	\$	34,486	\$	34,486
	2.45		2.47		2.36		3.19		2.92
NA, A1, A		NA, A1, A		NA, A1, A		NA, A1, A		NA, A1, A	
\$	1,734,397	\$	1,707,187	\$	1,556,243	\$	1,562,732	\$	1,575,266
	N/A		N/A		N/A		N/A		N/A
\$	1,734,397	\$	1,707,187	\$	1,556,243	\$	1,562,732	\$	1,575,266
\$	80,486	\$	76,049	\$	33,472	\$	4,268	\$	4,973
	21.55		22.45		46.49		366.15		316.76
AA+, Aa1, AAA		AA+, Aa1, AAA		AA+, Aa1, AAA		AA+, Aa1, AAA		AA+, Aa2, AAA	

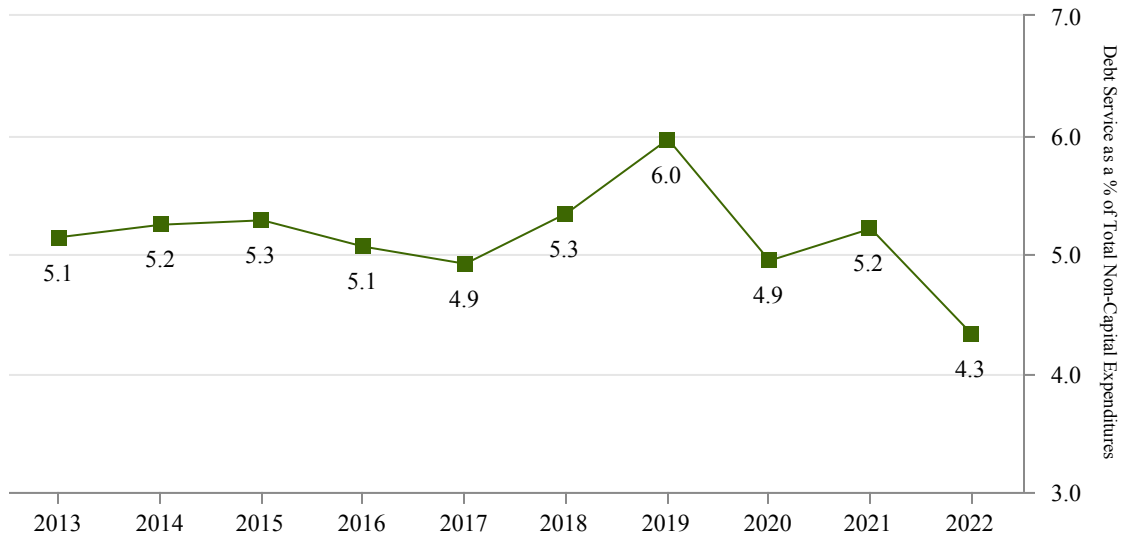
**Ten-Year Schedule of Percentage of Annual Debt Service Expenditures
For General Bonded Debt to Total Non-Capital Expenditures - Fund Perspective
All Governmental Fund Types**
(Amounts in thousands)

Fiscal year ended June 30	Debt service ⁽¹⁾	Total non-capital expenditures ⁽²⁾	Ratio (%)
2022	\$ 3,248,922	\$ 75,166,146	4.3
2021	3,572,588	68,543,124	5.2
2020	3,026,865	61,227,675	4.9
2019	3,489,029	58,502,774	6.0
2018	3,040,834	56,925,468	5.3
2017	2,667,043	54,239,919	4.9
2016	2,720,117	53,748,227	5.1
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

- (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 2013 - 2022



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

(Amounts in thousands)

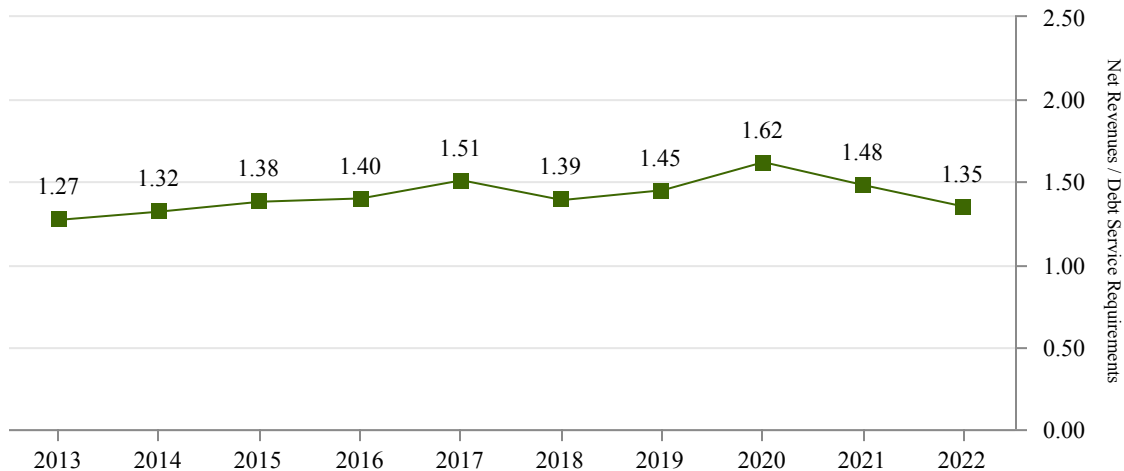
Fiscal year ended June 30	Net Revenues ⁽¹⁾	Debt service requirements ⁽²⁾	Coverage Ratio (%)
2022	\$ 2,393,922	\$ 1,773,781	1.35
2021	2,234,478	1,513,531	1.48
2020	2,194,836	1,352,565	1.62
2019	2,073,011	1,431,521	1.45
2018	1,831,742	1,322,491	1.39
2017	1,763,564	1,169,651	1.51
2016	1,817,135	1,298,267	1.40
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

- (1) Net revenues represent revenue pledged and available for the repayment of revenue bonds. In most cases, revenue pledged for the bonds is available prior to use for any other purposes. Thus, operating expenses paid from these revenue sources are not applicable when calculating debt service coverage and are not subtracted from pledged revenues.
- (2) Debt service requirements represent total debt service payments made less debt service paid on short-term borrowings of only those Authorities with revenue bonds outstanding.

Source: Office of the Comptroller

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Component Units Revenue Bond Coverage 2013 - 2022



Ten-Year Schedule of Massachusetts and United States Resident Population

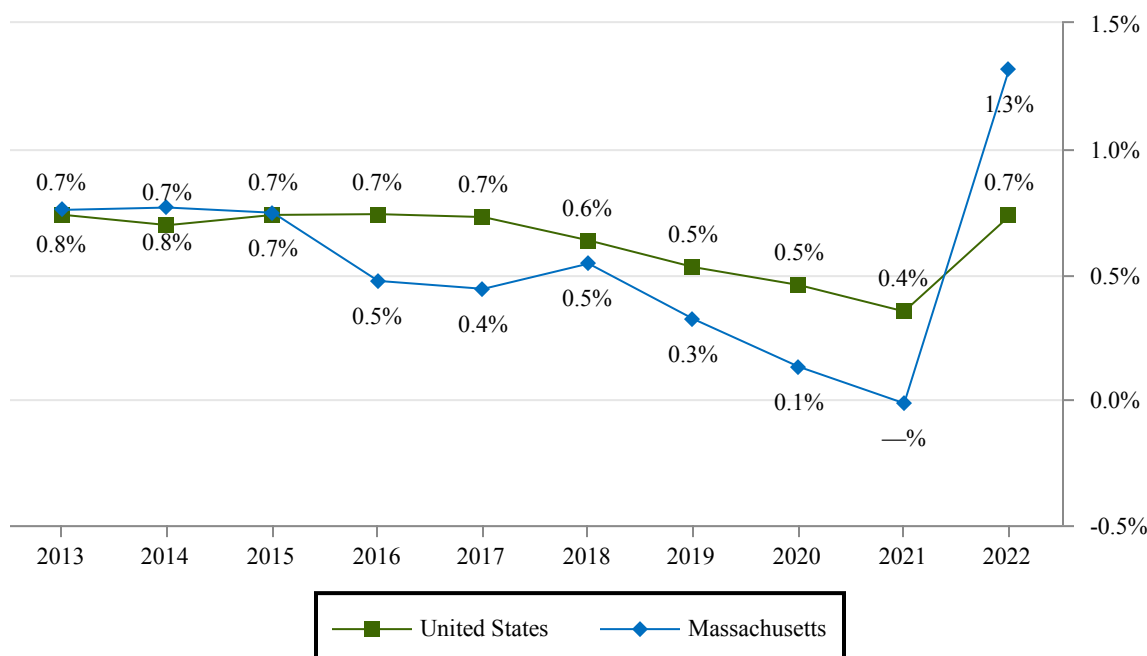
(Amounts in thousands)

Beginning of Fiscal Year	Massachusetts Resident Population (1)	% Change	United States Resident Population (1)	% Change	Massachusetts as % of U.S.
2022	6,985	1.3%	331,894	0.7%	2.1%
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%

(1) Population estimates have been restated using most current United States Census Bureau Data. Population data is reported as of July 1 of the previous year and has been restated to most recent United States Census Bureau Data.

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**Massachusetts and United States Estimated Year-to-Year Population Change
2013 - 2022**



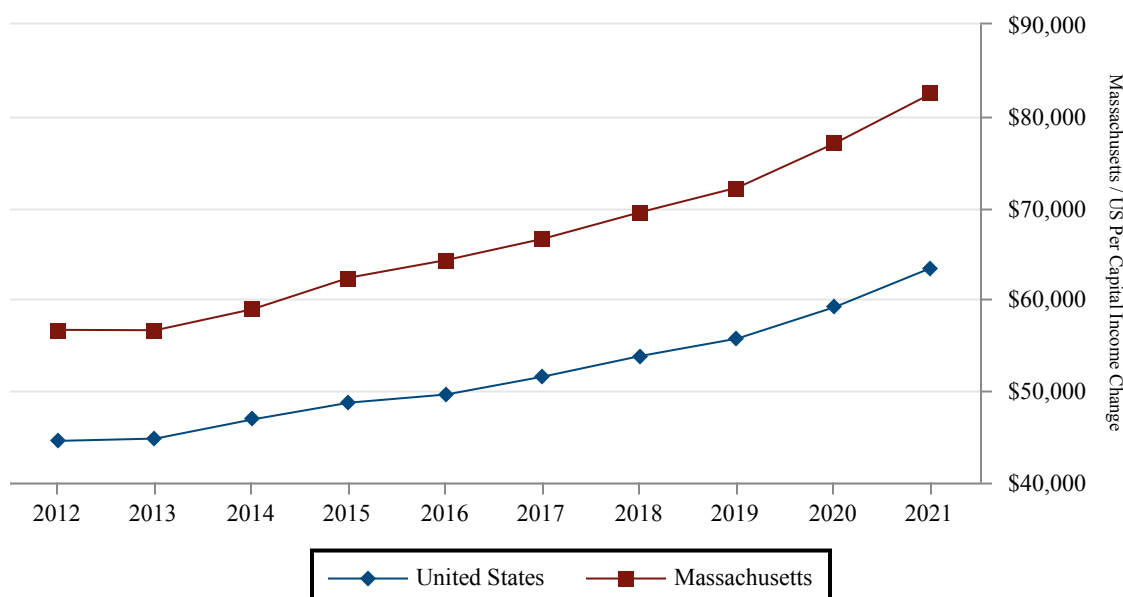
Ten-Year Schedule of Massachusetts and United States Resident Per Capita Net Income

Calendar year	Massachusetts	% Change	United States	% Change	Massachusetts as % of U.S.
2021	\$ 82,475	7.1 %	\$ 63,444	7.3 %	130.0 %
2020	77,021	6.7 %	59,147	6.1 %	130.2 %
2019	72,202	3.9 %	55,724	3.5 %	129.6 %
2018	69,517	4.3 %	53,817	4.4 %	129.2 %
2017	66,625	3.6 %	51,573	4.0 %	129.2 %
2016	64,295	3.1 %	49,613	1.8 %	129.6 %
2015	62,376	5.9 %	48,725	3.9 %	128.0 %
2014	58,924	4.1 %	46,887	4.7 %	125.7 %
2013	56,628	(0.1)%	44,798	0.6 %	126.4 %
2012	56,669	3.4 %	44,548	4.2 %	127.2 %

Source: Bureau of Economic Analysis, US Department of Commerce. Prior years restated due to revised estimates updated on March 23, 2022.

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**Massachusetts and United States Estimated Per Capita Net Income
2012 - 2021**



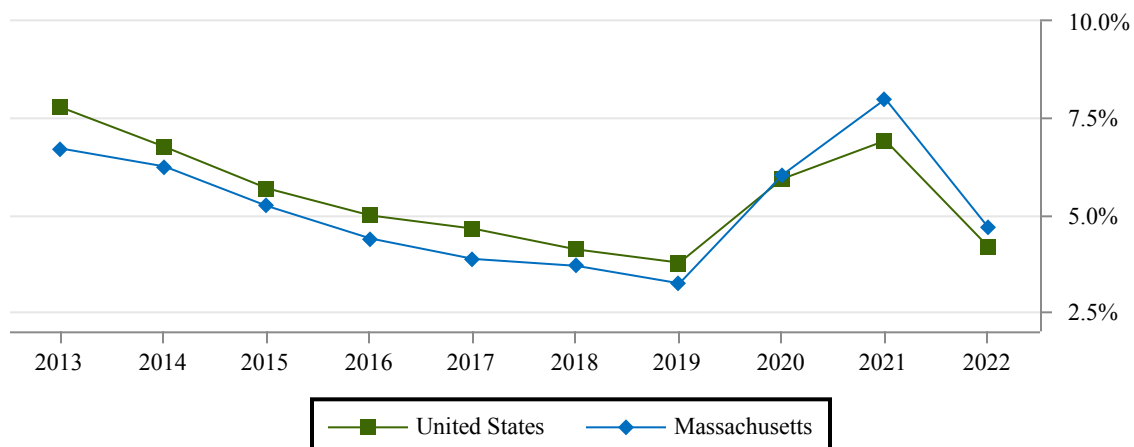
**Ten-Year Schedule of Fiscal Year Annual Average Civilian Labor Force,
Unemployment and Unemployment Rates
For Massachusetts and the United States**
(Amounts in thousands)

Fiscal Year	Massachusetts			United States			Massachusetts Rate as % of U.S. Rate
	Labor Force	Unemployment	Unemployment Rate %	Labor Force	Unemployment	Unemployment Rate %	
2022	3,765	176	4.7%	162,909	6,809	4.2%	111.9%
2021	3,752	300	8.0%	160,582	11,118	6.9%	115.9%
2020	3,774	228	6.0%	162,567	9,651	5.9%	101.8%
2019	3,829	124	3.2%	162,676	6,136	3.8%	85.9%
2018	3,767	139	3.7%	161,174	6,630	4.1%	89.7%
2017	3,671	142	3.9%	159,790	7,429	4.6%	83.2%
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%

Source: Federal Bureau of Labor Statistics, July 2022. Seasonally adjusted. Previous data has been updated by the Federal Bureau of Labor Statistics.

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**Massachusetts and United States Average Unemployment Rates
FY2013 to FY2022**



Largest Private Sector Massachusetts Employers 2022 and 2013
(Alphabetical Order)

2022			2013		
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
Northeastern University	Boston	University	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
Tufts University	Somerville	University	The TJX Companies, Inc.	Framingham	Department Stores
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., and Wal-Mart Associates, Inc. are all large Massachusetts employers, but are headquartered outside of Massachusetts. The information is based on the December 2022 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	2022	2021	2020	2019	2018
General government	6,936	6,942	6,890	6,900	6,855
Judiciary	7,094	7,061	7,217	7,164	7,229
Energy and environmental affairs	2,635	2,671	2,626	2,614	2,533
Health and human services	21,448	22,022	22,218	22,209	22,104
Transportation and construction	3,614	3,504	3,584	3,555	3,527
Education	912	908	887	852	821
Public safety and homeland security	16,216	16,649	16,907	16,676	16,502
Housing and economic development	1,011	980	936	922	918
Higher Education:					
University of Massachusetts	15,124	14,840	15,324	15,193	14,737
State universities	4,948	4,944	5,136	5,219	5,233
Community colleges	4,712	4,653	4,858	4,816	4,917
Totals	84,650	85,174	86,583	86,120	85,376
Percentage change	(0.6)%	(1.6)%	0.5 %	0.9 %	— %

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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2017	2016	2015	2014	2013	Change - 2022 from 2013
6,905	7,018	7,696	7,637	7,627	(9.1)%
7,208	7,264	7,264	7,195	7,297	(2.8)%
2,509	2,539	2,689	2,629	2,684	(1.8)%
21,817	21,557	22,060	21,496	21,996	(2.5)%
3,482	4,004	4,357	4,301	4,243	(14.8)%
815	907	970	1,099	928	(1.7)%
16,522	16,868	17,057	17,215	16,907	(4.1)%
818	844	884	891	868	16.5 %
15,032	15,130	14,670	14,066	14,688	3.0 %
5,186	5,050	5,036	4,969	4,856	1.9 %
5,066	5,032	5,077	4,990	5,111	(7.8)%
85,360	86,213	87,760	86,488	87,205	(2.9)%
(1.0)%	(1.8)%	1.5 %	(0.8)%	3.2 %	

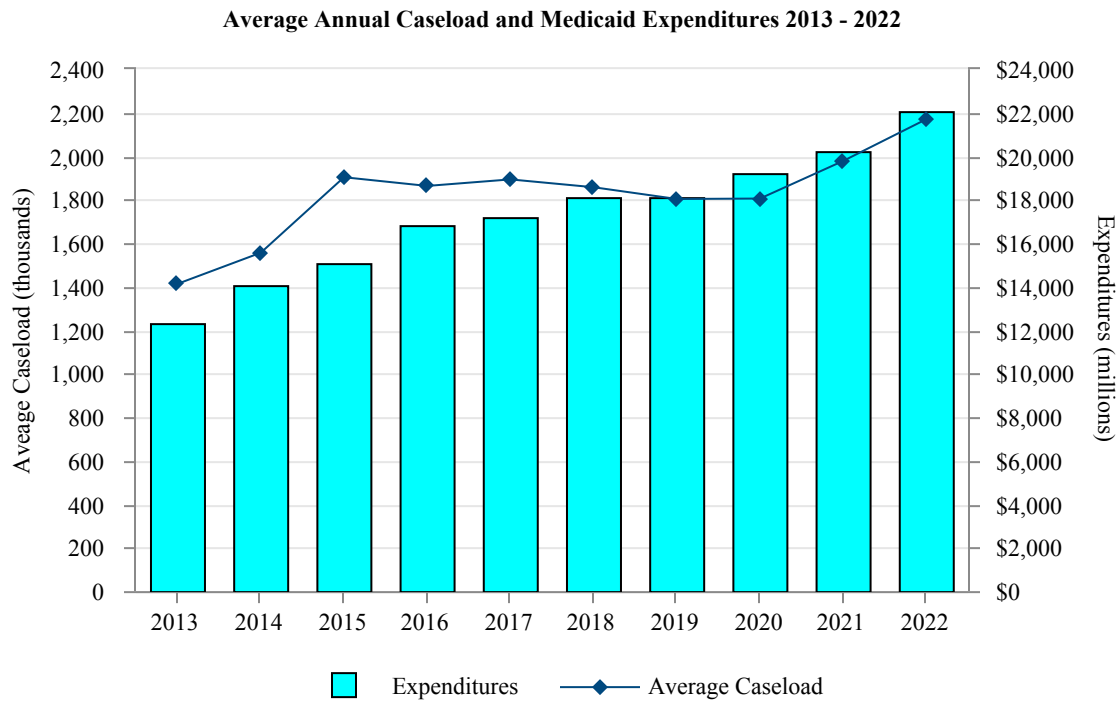
**Average Annual Medicaid Caseload and
Medicaid Expenditures - Fund Perspective
Last Ten Fiscal Years**

(Caseload amount in thousands, expenditure amounts in millions)

Fiscal year ended June 30	Average annual caseload	Medicaid expenditures	Average expenditures per case
2022*	2,170	\$22,065	10,168
2021*	1,978	20,208	10,216
2020*	1,805	19,207	10,641
2019*	1,803	18,094	10,035
2018*	1,857	18,106	9,750
2017*	1,893	17,183	9,077
2016*	1,863	16,825	9,031
2015*	1,903	15,087	7,928
2014*	1,556	14,035	9,020
2013	1,413	12,286	8,695

* 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
2021	3,190	15,557	9,032	45,333	73,112	0.02%	85.8%	14.2%
2020	3,190	15,588	9,046	45,271	73,095	0.11%	85.8%	14.2%
2019	3,168	15,613	9,049	45,183	73,013	1.10%	85.8%	14.2%
2018	3,199	15,587	9,047	44,383	72,216	(0.58)%	85.7%	14.3%
2017	3,204	15,618	9,051	44,761	72,634	1.16%	85.9%	14.1%
2016	3,204	15,624	9,050	43,926	71,804	(1.02)%	85.9%	14.1%
2015	3,204	15,641	9,048	44,654	72,547	0.24%	85.8%	14.2%
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%

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

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

Functions/Programs	Survey Year 2022	Survey Year 2021	Survey Year 2020	Survey Year 2019	Survey Year 2018
General Government:					
Total Acreage	3,281	3,234	4,615	4,812	5,108
Number of Improvements	317	331	330	307	287
Gross square footage	5,764,113	5,643,667	5,602,706	6,056,184	5,848,109
Judiciary:					
Total Acreage	143	144	154	152	155
Number of Improvements	77	73	74	69	73
Gross square footage	5,130,191	5,129,991	5,129,991	4,763,973	4,935,067
Energy and environmental affairs:					
Total Acreage	354,720	347,857	753,328	692,352	689,821
Number of Improvements	4,161	4,108	3,329	2,625	2,352
Gross square footage	107,960,374	104,763,962	83,595,589	12,292,810	8,410,119
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	67,412	78,012	78,012
Health and human services:					
Total Acreage	2,018	2,111	2,569	2,560	2,760
Number of Improvements	474	466	463	462	455
Gross square footage	8,467,766	8,079,366	8,088,467	7,908,283	8,390,655
Transportation and public works:					
Total Acreage	1,072	1,061	6,957	6,951	7,160
Number of Improvements	1,001	999	1,008	971	965
Gross square footage	6,815,457	6,583,261	6,519,615	6,296,235	6,273,557
Education:					
Total Acreage	150	150	208	208	220
Number of Improvements	30	30	30	30	40
Gross square footage	508,706	508,706	508,706	223,706	207,633
Public safety and homeland security:					
Total Acreage	9,382	9,352	10,198	10,336	12,071
Number of Improvements	1,079	1,078	1,035	1,129	1,100
Gross square footage	14,773,374	14,554,396	14,483,439	15,394,170	15,176,714
Higher Education:					
Total Acreage	6,589	6,577	5,924	5,923	5,715
Number of Improvements	1,227	1,215	1,178	1,185	1,136
Gross square footage	43,067,759	42,579,314	42,039,298	42,092,601	40,434,772
Totals for Commonwealth (exclusive of Component Units):					
Total Acreage	377,357	370,488	783,955	723,296	723,012
Number of Improvements	8,372	8,306	7,453	6,784	6,414
Gross square footage	192,555,152	187,910,075	166,035,223	95,105,974	89,754,638
Percentage Change for Commonwealth:					
Acreage	1.9 %	(52.7)%	8.4 %	— %	(0.9)%
Improvement	0.8 %	11.4 %	9.9 %	5.8 %	3.5 %
Gross square footage	2.5 %	13.2 %	74.6 %	6.0 %	(2.8)%

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>

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Survey Year 2017	Survey Year 2016	Survey Year 2015	Survey Year 2014	Survey Year 2013
4,964	2,488	2,574	3,114	3,101
268	118	173	513	333
6,054,449	4,808,125	6,803,498	10,916,681	9,076,550
154	153	153	149	148
75	75	75	74	73
5,224,810	4,843,949	4,843,949	5,310,049	4,700,920
688,129	680,310	674,046	668,631	652,400
2,184	2,186	2,186	1,806	2,192
8,214,843	8,134,142	8,134,142	6,507,161	7,287,961
2	2	2	0	2
6	6	6	4	5
78,012	78,012	78,012	57,812	68,412
2,862	5,568	5,623	5,834	5,829
455	627	627	907	792
8,131,022	8,361,435	8,360,310	10,995,096	9,759,611
7,195	6,968	6,966	7,014	6,965
952	930	929	675	921
6,123,984	5,820,282	4,919,282	1,989,583	4,876,689
208	208	208	208	208
40	40	40	40	43
207,633	207,633	207,633	205,503	272,352
19,271	19,150	19,150	19,166	19,169
1,118	1,063	1,014	1,083	997
14,998,157	13,845,503	13,376,555	14,402,161	12,213,112
6,770	7,244	7,243	7,128	7,473
1,101	1,078	1,076	873	1,009
43,339,713	38,443,057	38,411,260	29,666,140	32,594,800
729,555	722,091	715,965	711,244	695,295
6,199	6,123	6,126	5,975	6,365
92,372,623	84,542,138	85,134,641	80,050,186	80,850,407
1.0 %	0.9 %	0.7 %	2.3 %	1.4 %
1.2 %	— %	2.5 %	(6.1)%	— %
9.3 %	(0.7)%	6.4 %	(1.0)%	0.4 %

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

Academic Year	Fall 2021	Fall 2020	Fall 2019	Fall 2018	Fall 2017
ENROLLMENT					
University System					
Undergraduate (FTE).....	50,720	52,633	53,103	56,544	56,275
Graduate (FTE).....	14,066	13,437	12,907	18,161	18,284
System Enrollment	64,786	66,070	66,010	74,705	74,559
State University System					
Undergraduate (FTE).....	28,208	31,087	34,807	35,081	36,074
Graduate (FTE).....	4,940	5,859	6,003	6,169	5,694
System Enrollment	33,148	36,946	40,810	41,250	41,768
Community College System					
Undergraduate (FTE).....	38,503	39,814	47,190	47,891	52,306
DEGREES CONFERRED					
	2022	2021	2020	2019	2018
University System					
Certificates (MD).....	734	693	604	573	571
Associates.....	53	70	80	93	82
Bachelors.....	13,100	13,364	13,061	13,118	13,036
Masters.....	4,342	4,111	4,074	4,099	4,013
Doctoral.....	712	599	662	665	599
Certificate of Advance Graduate Study.....	58	48	49	67	71
Post-Baccalaureate Certificate.....	749	652	658	696	708
First Professional.....	86	86	58	47	49
Total Degrees	19,834	19,623	19,246	19,358	19,129
State University System					
Certificates.....	61	45	54	39	28
Bachelors.....	7,478	7,996	8,516	8,692	8,867
Masters.....	3,199	2,855	2,876	2,693	2,388
Certificate of Advance Graduate Study.....	137	130	138	92	85
Post-Baccalaureate Certificate.....	276	301	259	370	302
Total Degrees	11,151	11,327	11,843	11,886	11,670
Community College System					
Certificates.....	2,295	2,473	2,311	2,886	3,332
Associates.....	8,641	9,267	9,413	10,276	10,416
Total Degrees	10,936	11,740	11,724	13,162	13,748
Total All Systems - Degrees	41,921	42,690	42,813	44,406	44,547

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

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Fall 2016	Fall 2015	Fall 2014	Fall 2013	Fall 2012	% Change - 2021 from 2012
51,209	50,816	49,725	48,893	48,136	6.9 %
12,769	12,517	12,576	12,442	12,202	16.7 %
63,978	63,333	62,301	61,335	60,338	8.9 %
35,909	34,700	35,507	35,429	34,773	(20.9)%
5,641	8,007	7,507	7,704	7,894	(20.6)%
41,550	42,707	43,014	43,133	42,667	(20.8)%
55,336	59,827	58,764	64,584	62,445	(40.4)%
2017	2016	2015	2014	2013	% Change - 2022 from 2013
505	423	435	376	426	110.9 %
73	85	103	96	121	(45.4)%
12,754	12,124	11,841	11,544	10,910	26.0 %
3,771	3,669	3,787	3,559	3,442	29.2 %
602	575	504	501	486	58.2 %
76	86	81	77	62	(34.8)%
842	769	738	691	664	13.7 %
50	53	64	79	103	100.0 %
18,673	17,784	17,553	16,923	16,214	28.4 %
35	40	29	34	37	110.3 %
8,775	8,762	8,534	8,184	8,024	(3.2)%
2,283	2,353	2,116	2,478	2,327	33.1 %
83	73	63	113	108	(4.2)%
359	283	304	327	371	(23.8)%
11,535	11,511	11,046	11,136	10,867	4.6 %
3,147	3,131	3,288	3,365	2,929	(20.5)%
11,067	11,317	11,517	11,341	10,772	(16.9)%
14,214	14,448	14,805	14,706	13,701	(17.7)%
44,422	43,743	43,404	42,765	40,782	6.4 %

Calculation of Transfers: Stabilization Fund*

Fiscal Year Ended June 30, 2022
(Amounts are in thousands)

This statement is prepared on the statutory basis of accounting pursuant to General Laws Chapter 29, Section 5C, as amended by Section 259 of Chapter 268 of the Acts of 2022. 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)*	\$ 4,578,822	\$ —	\$ 4,845	\$ 17,956	\$ 10,996	\$ 5,984	\$ 1,155	\$ 4,812,072

Stabilization Balance Reconciliation:

Balance as of July 1, 2021	\$ 4,626,419
Capital Gains Tax Revenue Transfers to Stabilization Fund during FY2022 per Chapter 29, Section 5G	2,272,593
Transfer to Stabilization Fund from Abandoned Property Revenue Growth from Prior Fiscal Year	14,639
Certain tax revenues	260
Transfer of 10% of Casino Gaming Tax Revenue (MGM and Encore Casinos)	24,308
Accounting Adjustment for Change in Value of Short-Term Bond Fund	(354)
Stabilization Fund Balance as of June 30, 2022	\$ 6,937,864
Memo: Change in Stabilization Fund Balance, FY21-22	\$ 2,311,445

* Excludes funds with no FY22 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, 2022

(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	\$ 6,937,864
Allowable Stabilization Fund balance	<u>9,312,616</u>
Stabilization Fund excess, if any, transferable to Tax Reduction Fund	<u>\$ —</u>

Part 2: Status of Stabilization Fund after transfers:

Stabilization Fund balance	\$ 6,937,864
Transfer to Tax Reduction Fund	<u>—</u>
Stabilization Fund balance after transfer to Tax Reduction Fund	<u>\$ 6,937,864</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: 6,984,723

Capital: Boston
Nickname: Bay State

The State Seal



The State Flag



The State Seal, adopted by Governor John Hancock and the Council on December 13, 1780 and made official by the General Court on June 4, 1885, is circular and bears a representation of the arms of the Commonwealth encircled with the words “Sigillum Reipublicae Massachusettensis” (Seal of the Republic of Massachusetts). The arms, according to legislative enactment, consists of “a shield having a blue field or surface with an Indian thereon, dressed in a shirt and moccasins, holding in his right hand a bow, and in his left hand an arrow, point downward, all of gold; and in the upper corner of the field, above his right arm, bent at the elbow, clothed and ruffled, with the hand grasping a broadsword.”

The State Flag is white, a representation of the coat of arms on both sides. It was adopted in its final form in 1971; before that, the obverse side depicted a pine tree.

The State Flower



The Mayflower

The State Fish



The Cod, a soft-finned fish, usually 10-20lbs. A sculpture of a cod hangs in the House of Representatives as a tribute to this useful aquatic creature.

The State Bird



The Black Capped Chickadee

The State Dinosaur



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

The State Tree



The American Elm was adopted as the official tree March 21, 1941 to commemorate the fact that General George Washington took command of the Continental Army beneath one on Cambridge Common in 1775.

The State Dog



The Boston Terrier, the first purebred dog developed in America (1869), is a cross between an English bulldog and an English terrier.

Beverage: 🍷 Cranberry Juice
Dessert: 🥧 Boston Cream Pie

Muffin: 🥞 The Corn Muffin
Cookie: 🍪 Chocolate Chip

Horse: 🐎 The Morgan Horse
Bean: 🫘 Navy Bean