

A large school of cod fish swimming in clear blue water. The fish are of various sizes and are swimming in different directions, creating a sense of movement. The water is a vibrant blue, and the fish have a silvery-grey color with a white stripe along their sides. The overall scene is a naturalistic depiction of a fish school.

Commonwealth of Massachusetts

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDING JUNE 30, 2023

Cod (*gadus morrhua*),
Official State Fish of Massachusetts

Commonwealth of Massachusetts



Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2023

Prepared by
Office of the Comptroller
Statewide Financial Reporting Team



William McNamara
Comptroller of the Commonwealth

This document is available at the Comptroller's website: www.macomptroller.org

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Garter Snake (*thamnophis sirtalis*), Official State Reptile of Massachusetts

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Tabby Cat (*felis catus*), Official State Cat of Massachusetts

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Boston Terrier (*canis familiaris*), Official State Dog of Massachusetts

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Rhodonite, Official State Gemstone of Massachusetts

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Wild Turkey (*meleagris gallopavo*), Official State Game Bird of Massachusetts

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Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2023

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Lady Bug (*coccinella septempunctata*),
Official State Insect of Massachusetts



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



American Elm (*Ulmus americana*),
Official State Tree of Massachusetts



Commonwealth of Massachusetts

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WILLIAM MCNAMARA
COMPTROLLER

May 28, 2024

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

Please accept this Letter of Transmittal for the Commonwealth's fiscal year 2023 (FY23) 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 FY23 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 FY23 are found in the Statutory Basis Financial Report (SBFR) issued separately on February 16, 2024. 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 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 February 16, 2024; 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, 2023	
Budgeted fund balance	\$ 15,338.5
Non-budgeted special revenue fund balance	4,612.0
Capital projects fund balance	<u>(3,325.7)</u>
Governmental Fund Balance - Statutory Basis, June 30, 2023	\$ 16,624.8
Plus: Expendable Trust and Similar Fund Statutory balances that are considered Governmental Funds for GAAP reporting purposes	788.0
Less: Massachusetts Department of Transportation Funds	<u>(1,702.9)</u>
Adjusted Statutory Governmental fund balance	15,709.9
Reclassification of funds due to implementation of GASB Statement No. 84	50.1
Short-term accruals, net of allowances and deferrals for increases /(decreases):	
Taxes, net of refunds and abatements	3,352.0
Tobacco settlement agreement receivable	90.8
Medicaid	(277.9)
Other short-term accruals:	
Assessments and other receivables	2,039.6
Amounts due to authorities and municipalities, net	(739.9)
Claims, judgments and other risks	(66.6)
Amounts due to health care providers and insurers	(22.4)
Workers' compensation and group insurance	(225.5)
Other accruals, net	<u>(2,741.8)</u>
Net increase/(decrease) to governmental fund balances	1,458.4
Massachusetts School Building Authority fund balance	<u>1,837.6</u>
Total changes to governmental funds	<u>3,296.0</u>
Governmental fund balance (fund perspective)	19,005.9
Plus: Capital assets including infrastructure, net of accumulated depreciation	6,168.1
Deferred revenue, net of other eliminations	921.2
Long-term accruals:	
Net pension liability	(41,051.2)
Net deferred (inflows)/outflows of resources related to pension	4,545.4
Net OPEB liability	(11,914.3)
Net deferred (inflows)/outflows of resources related to OPEB	(4,409.0)
Environmental remediation liability	(386.4)
Massachusetts School Building Authority debt and school construction payables	(5,915.4)
Long-term debt, unamortized premiums and net deferrals on debt refundings	(33,806.7)
Compensated absences	(788.9)
Right-to-use assets liabilities	(871.5)
Accrued interest	(437.9)
Other long-term liabilities	<u>(826.4)</u>
Total governmental activities net position (entity wide perspective)	<u><u>\$ (69,767.1)</u></u>

The deficit of \$69.767 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 20 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 FY23 with a positive net position of \$25.218 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, 2023, the net pension liability in governmental activities totaled \$41.051 billion, adjusted by GASB 68 related adjustments (in the form of deferred inflows and outflows of resources) of \$4.545 billion; resulting in a reduction in governmental activities net position of \$36.506 billion. The governmental activities' net OPEB liability totaled \$11.914 billion, net of \$4.409 billion deferrals, resulting in a reduction in governmental activities net position of \$16.323 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 \$3.087 billion between June 30, 2022 and June 30, 2023. The most significant changes were as follows:

- The Commonwealth's current assets decreased by \$3.438 billion, primarily as a result of decreased cash on hand as in FY23 the Commonwealth paid \$2.879 billion in refunds after FY22 tax revenues exceeded a statutory limit. (See page 32 of this document for an explanation of these refunds.)
- Commonwealth long-term debt (principal) outstanding increased by \$185 million from June 30, 2022 as debt issuance to fund FY23 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 \$398 million. The Commonwealth's net OPEB liability decreased by \$1.061 billion, net of deferrals.

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 \$3.875 billion from FY22, due primarily to a decrease in the net OPEB and net pension liabilities (net of deferrals) and an increase in the net position of business-type activities, the latter the result of net inflows in the Unemployment Insurance Trust Fund and Family and Employment Security Trust and 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, 2023. 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 Statewide 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

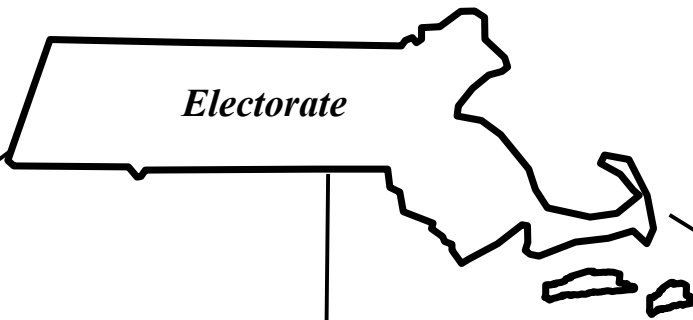
Ronald Mariano
Speaker of the House

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>Executive Office of Veterans' Services</u> Veterans' Home, Chelsea Veterans' Home, Holyoke</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 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 B. Esmond
Director of Municipal Finance
Town of Braintree
Gubernatorial Appointee

Natalie Monroe
First Assistant Inspector General
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Government Finance Officers Association

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Presented to

Commonwealth of Massachusetts

For its Annual Comprehensive
Financial Report
for the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

Financial Section

Independent Auditors' Report

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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, 2023, 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, 2023, 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 identified in the table below. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those activities, funds, and component units, is based solely on the reports of the other auditors.

Opinion Unit	Entities	Percent of Opinion Unit's Total	
		Assets	Revenues / Additions
Governmental Activities	Lotteries Fund; Massachusetts School Building Authority Fund	5.73%	8.99%
Business-Type Activities	University of Massachusetts; State Universities; Community Colleges (Excluding Berkshire Community College)	69.24%	60.68%
Lotteries Fund	Lotteries Fund	8.18%	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%

Opinion Unit	Entity	Percent of Opinion Unit's Total	
		Assets	Revenues / Additions
Aggregate Remaining Fund Information	External Investment Trust Funds; Community Colleges (Excluding Berkshire Community College)	27.91%	52.41%
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 Technology Park Corporation; Massachusetts Housing Partnership; Economic Development Entities; Higher Education Foundations (Excluding Berkshire Community College Foundation)	88.44%	92.83%

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, Commonwealth Corporation, 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 Matters

Correction of Errors

As discussed in Note 1T to the financial statements, the beginning fund balance of the Massachusetts School Building Authority and the beginning net position of the governmental activities and the aggregate discretely presented component units have been restated for the correction of errors related to revenue and expense recognition. Our opinions are not modified with respect to these matters.

Other Auditors’ Reports on the Financial Statements of the Massachusetts Department of Transportation, Massachusetts Life Sciences Center, and the Massachusetts Development Finance Agency

The opinion of the other auditors on the June 30, 2023, financial statements of the Massachusetts Department of Transportation (MassDOT) was qualified because MassDOT did not obtain audited financial statements for four of its discretely presented component units representing 22.5% of the total assets and 21.1% 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 four entities is not material in relation to these financial statements. Accordingly, our opinions are not modified with respect to this matter.

The opinion of the other auditors on the June 30, 2023, financial statements of the Massachusetts Life Sciences Center was qualified because the other auditors were unable to obtain sufficient appropriate audit evidence as it relates to the fair value of certain derivative instruments; however, in our opinion, the effects of not obtaining sufficient appropriate audit evidence related to the derivative instruments is not material in relation to these financial statements. Accordingly, our opinions are not modified with respect to this matter.

The opinion of the other auditors on the June 30, 2023, financial statements of the Massachusetts Development Finance Agency (Agency) was qualified because the Agency did not disclose the aggregate outstanding principal amount of all conduit debt obligations as required by Governmental Accounting Standards Board Statement No. 91, *Conduit Debt Obligations*. However, in our opinion, the lack of this disclosure 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 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 28, 2024, 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 28, 2024



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, 2023 (FY23). 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 FY23 by \$63.645 billion, a decrease in the net deficit of \$3.875 billion from FY22, with the decrease in the net deficit due primarily to a decline in net OPEB and pension liabilities (net of deferrals) and an increase in the net position of the business-type activities, reflecting surpluses in the Unemployment Insurance and Paid Family Medical Leave programs and Higher Education.

Of the \$63.645 billion deficit, “unrestricted net position” has a deficit of \$70.188 billion and there is a \$2.711 billion positive balance attributable to net investment in capital assets. There are five primary reasons for the Commonwealth's negative unrestricted net position:

- The Massachusetts Department of Transportation (MassDOT), which was made a separate legal entity from the Commonwealth in 2010, owns virtually all highway and bridge assets of the Commonwealth totaling approximately \$15.521 billion, net of depreciation, as of the date of the transfer. These and subsequently constructed road and bridge assets were valued at \$26.389 billion as of June 30, 2023. However, the Commonwealth originally paid and continues to pay for the construction of these assets and retains approximately \$14.016 billion in transportation-related debt, which is now unrelated to any capital asset owned by the Commonwealth.
- The Commonwealth has a net liability of \$4.091 billion for its share of the construction costs of schools owned and operated by municipalities through the Massachusetts School Building Authority (MSBA).
- The Commonwealth, through debt issuances, also pays for transportation and non-transportation capital assets held by quasi-public entities, local governments, and housing authorities.
- With the implementation of Governmental Accounting Standards Board (GASB) [Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27](#), which was effective starting in FY15, the Commonwealth was required to place on its books the full amount of its unfunded (net) pension liability (known as the "net pension liability"), which totaled \$41.672 billion as of June 30, 2023 (based on a June 30, 2022 actuarial valuation, per GASB 68).
- The implementation of [GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions](#), which was effective starting in FY18, required the Commonwealth to record on its statement of net position its unfunded non-pension retiree benefits (or OPEB, mostly health insurance benefits), which totaled \$12.692 billion as of June 30, 2023 (based on a June 30, 2022 valuation, per GASB 75).

At the end of FY23, the Commonwealth also held \$3.831 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 \$1.330 billion was restricted for debt retirement (of which \$637 million was restricted for MSBA debt retirement), \$1.903 billion was restricted for unemployment insurance and family and medical leave benefits, \$338 million was restricted for Higher Education, and \$259 million was restricted for grants and gifts.

The Commonwealth's governmental activities (which exclude the "business-type activities" of the Institutions of Higher Education, Unemployment Insurance, and Family and Employment Security Trust) net deficit decreased by \$3.087 billion, to \$69.767 billion, and its governmental activities unrestricted net deficit decreased by approximately \$2.829 billion, to \$69.431 billion, as of June 30, 2023.

Total revenues of the primary government decreased by \$702 million, or 0.8% in FY23, to \$91.029 billion, with most of the revenue decline due to a decline in federal unemployment insurance pandemic relief revenue, partially offset by an increase in investment earnings. It also included a restatement of business-type activities to reflect GASB 96 implementation. See further discussion of these adjustments in [Note 1T](#) on [pages 83-84](#). Total expenses of the primary government increased by \$3.796 billion, or approximately 4.6%, to \$87.153 billion, mainly due to an increase in Medicaid and other program spending, partially offset by 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 \$788 million, due to surplus surplus of 89 million in the Unemployment Insurance program (as the economy recovered, unemployment insurance taxes increased, and unemployment benefits declined), \$65 million in the Family and Employment Security Trust Fund, and \$633 million in Higher Education. Business-type activities as a whole ended with a net position of positive \$6.122 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, 2023, the Commonwealth's governmental funds reported a combined ending fund balance of \$19.010 billion, an increase of \$877 million from June 30, 2022. Of the ending balances:

- There is \$526 million in nonspendable balances, \$925 million is restricted, \$13.121 billion is committed, \$3.668 billion is assigned, and \$770 million is unassigned fund balance (a full discussion of these classifications is included in [Note 1](#) to the basic financial statements, on pages 67-84).
- The MSBA's fund balance of \$1.838 billion is blended with the Commonwealth. Within this fund balance is \$1.938 billion in cash and restricted investments, which resulted primarily from the issuance of debt in FY23 and previous fiscal years, less approximately \$227 million in liabilities. In FY23, \$1.265 billion was dedicated to the MSBA from Commonwealth sales taxes.

Other highlights of FY23 financial operations include:

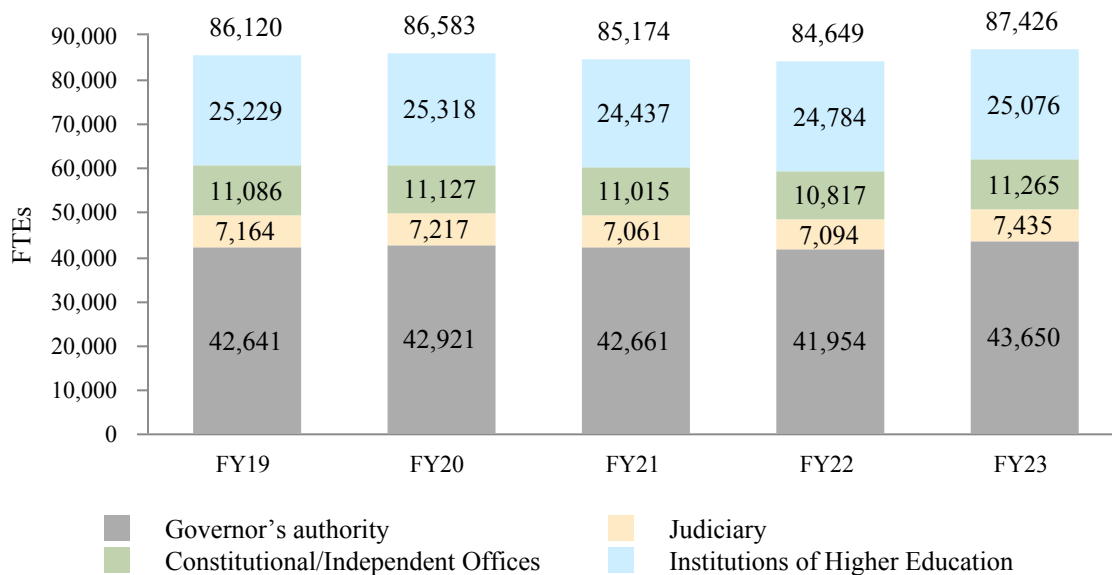
- Tobacco settlement proceeds for the year were approximately \$212 million on a GAAP basis, a decrease of approximately \$36 million from FY22. Approximately \$91 million has been reported as a receivable in the governmental funds, equal to half of the anticipated tobacco settlement proceeds to be received in FY24. In FY23 approximately \$26 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 FY23, although the requirement to transfer increasing percentages of tobacco settlement proceeds was modified for FY23 with the percentage reduced to 10%.
- During the fiscal year, the Commonwealth passed or agreed to terms of approximately \$13.110 billion in bond authorizations. There were no bond de-authorizations of previously approved capital appropriations during the fiscal year. The Commonwealth determines the timing and extent of capital spending and bonding as part of its five-year capital plan.
- Lottery revenues for FY23 were \$6.159 billion, an increase of approximately \$294 million, or 5.0%, from FY22, as ticket sales continued to recover from the coronavirus-induced FY20 sales decline. Prizes were approximately \$4.940 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 FY23 budget, totaled \$1.188 billion an increase of \$87 million, or 7.9%, from FY22. Mandated transfers to the General Fund to reimburse it for administrative expense

appropriations and other spending totaled \$1.308 billion.

Full-Time Equivalent Employment

The chart below shows the Commonwealth’s full-time equivalent employment, including the Massachusetts Department of Transportation (MassDOT) for all state funding sources (budgetary, non-budgetary, capital, federal, and trust) over the past five fiscal years. As of June 30, 2023, the number of Commonwealth employees (both budgeted and non-budgeted funded) increased by a net of 2,777 full-time equivalent employees (FTEs) from June 30, 2022, to a total of 87,426. The largest increases were in the executive agencies controlled by the Governor, where FTEs increased by 1,696, to 43,650, particularly in Executive Office of Health and Human Services, where employment increased by 930 FTEs, the Executive Office of Transportation and Construction, where FTEs increased by 417, and the Executive Office of Environmental Affairs, where FTEs increased by 188. Other increases occurred in non Executive agencies, including the Judiciary, where FTEs increased by 341, and the University of Massachusetts, which saw an increase of 250 FTEs, as hiring rebounded from COVID-induced lows.

***Full Time Equivalent Workforce
Including Higher Education as of 6/30
June 2019 – June 2023***



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 40-43](#) of this report.

Fund Financial Statements and Component Unit Financial Statements

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

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

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

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

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

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

The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements as of the date provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on [pages 65-142](#).

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 \$63.645 billion at the end of FY23, a decrease in the net deficit of \$3.875 billion from the end of FY22. Government-wide unrestricted net position is negative by \$70.188 billion. As explained previously, in addition to the \$41.672 billion government-wide net pension liability and the \$12.692 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	\$ 4,091,156
Outstanding bonds issued to fund the MBTA	207
Debt related to MassDOT assets	14,016,145
Effects on governmental unrestricted net position of items unique to the Commonwealth	<u>\$ 18,107,508</u>

Of the Commonwealth’s approximately \$3.002 billion in FY23 state funded capital spending, approximately \$2.247 billion did not result in capital assets attributed to governmental activities of the Commonwealth, including approximately \$1.380 billion in transportation spending (with \$360 million in grants and other financial assistance to cities and towns), \$232 million for Institutions of Higher Education (which are included in the Commonwealth’s business-type activities) and approximately \$617 million in other capital grants and financial assistance to local governments and quasi-public entities. Between FY05 and FY23 the Commonwealth’s capital spending on projects owned by non-Commonwealth entities or by the Institutions of Higher Education totaled \$34.555 billion. These include:

- Higher Education capital projects totaling approximately \$2.804 billion
- Capital spending for transportation projects now owned by the Massachusetts Department of Transportation totaling approximately \$17.047 billion
- Transportation-related financial assistance to local governments totaling more than \$5.466 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 \$8.599 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, 2023, the Commonwealth’s government-wide current unrestricted cash and cash equivalents totaled \$25 billion, a decrease of \$2.450 billion from June 30, 2022. Total current assets were \$37.066 billion, a decrease of \$2.385 billion from June 30, 2022. As of June 30, 2023, the Commonwealth’s current liabilities were \$15.991 billion, a decrease of \$5.437 billion from June 30, 2022, primarily due to a decrease in tax refunds payable at the close of FY22, resulting from tax revenues that exceeded the statutory limit in FY22, which caused refunds to be paid in FY23, and a \$1.319 billion decrease in

"unearned revenue" as federal coronavirus local fiscal recovery funds received in FY21 were expended in FY22 and FY23.

As of June 30, 2023, the primary government's non-current assets increased by \$253 million from June 30, 2022, to \$21.617 billion, due mainly to an increase of \$410 million in non-depreciable capital assets.

The Commonwealth holds \$15.625 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, 2023 and 2022
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022*	June 30, 2023	June 30, 2022*
Current assets	\$ 28,095,407	\$ 31,533,415	\$ 8,970,597	\$ 7,917,096	\$ 37,066,004	\$ 39,450,511
Non-capital non-current assets	2,628,049	2,700,708	3,363,875	3,266,962	5,991,924	5,967,670
Capital assets	6,168,102	6,090,834	9,457,393	9,306,172	15,625,495	15,397,006
Total assets	36,891,558	40,324,957	21,791,865	20,490,230	58,683,423	60,815,187
Deferred outflows of resources	8,069,377	9,819,459	725,795	600,368	8,795,172	10,419,827
Total assets and deferred outflows	44,960,935	50,144,416	22,517,660	21,090,598	67,478,595	71,235,014
Current liabilities	13,551,127	18,113,863	2,439,957	3,313,984	15,991,084	21,427,847
Long term liabilities	92,357,018	88,650,727	11,739,740	9,913,496	104,096,758	98,564,223
Total liabilities	105,908,145	106,764,590	14,179,697	13,227,480	120,087,842	119,992,070
Deferred inflows of resources	8,819,887	16,137,369	2,216,172	2,529,401	11,036,059	18,666,770
Total liabilities and deferred inflows	114,728,032	122,901,959	16,395,869	15,756,881	131,123,901	138,658,840
Net Position:						
Net investment in capital assets	(1,260,939)	(1,783,097)	3,972,411	3,761,986	2,711,472	1,978,889
Restricted	924,765	1,285,776	2,906,317	2,175,161	3,831,082	3,460,937
Unrestricted	(69,430,923)	(72,260,222)	(756,937)	(603,430)	(70,187,860)	(72,863,652)
Total Net Position	\$ (69,767,097)	\$ (72,757,543)	\$ 6,121,791	\$ 5,333,717	\$ (63,645,306)	\$ (67,423,826)

* As restated

Changes in Net Position

As noted earlier, the Commonwealth's total primary government net deficit decreased by approximately \$3.875 billion between FY22 and FY23, to \$63.645 billion. The main reasons for the decrease in the net deficit were the \$2.990 billion gain in governmental activities, primarily due to a \$1.198 billion decrease in the net OPEB liability (including deferrals) resulting from an increase in the interest rate used to discount the OPEB liability, a \$440 million decrease in the Commonwealth's net pension liability (including deferrals), a \$410 million increase in non-depreciable assets, and a \$707 million increase in investment earnings due to higher interest rates applied to large cash balances in the General and Stabilization Funds. It should be noted that under GASB rules, both the OPEB and pension net liabilities are lagged one year and based on valuations as of June 30, 2022.

The following table shows the major categories of government-wide revenues and expenses for FY22 and FY23, as well as net position for the two fiscal years. However, as described in [Note 1T](#), there was a restatement of the MSBA's FY23 beginning net position for the understatement of prior year grants payable. As the impact of the errors on the prior year changes components of net position could not be reasonably determined by the MSBA, prior year amounts presented in the table below have not been restated, and the net position changes between FY22 and FY23 described in this section compare the components of FY23 net position to the FY22 net position prior to restatement.

In FY23, approximately 43.9% of the total revenue came from governmental activities tax revenue, while the remainder resulted from programmatic revenues, including charges for services and grants and contributions, the majority of which was federal aid. FY23 revenues totaled \$91.029 billion, a decrease of \$702 million, or 0.8% from FY22, with tax revenue totaling \$39.947 billion, an increase of \$144 million, or 0.4%, from FY22. Income tax decreased by \$267 million, or 1.2%, as a decline in capital gains taxes offset growth in withholding taxes, sales tax revenue grew by \$598 million, or 6.8%, and corporate excise tax decreased by \$55 million, or 1.2%.

Changes in Net Position during the Fiscal Years Ended June 30, 2023 and 2022
(in thousands of dollars except percentages)

	Governmental Activities		Business - Type Activities		Total Primary Government		Total Primary Government		
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022*	June 30, 2023	June 30, 2022*	June 30, 2023 Distribution	June 30, 2022* Distribution	23 to '22 % Change in Distribution
Revenues									
Program Revenues:									
Charges for services	\$ 13,081,511	\$ 12,796,815	\$ 5,665,137	\$ 5,591,917	\$ 18,746,648	\$ 18,388,732	20.6 %	20.0 %	0.6 %
Operating grants and contributions	27,680,603	27,170,190	1,440,425	4,963,847	29,121,028	32,134,037	31.9 %	35.0 %	(3.1)%
Capital grants and contributions	101,788	114,296	201,144	195,238	302,932	309,534	0.3 %	0.3 %	— %
General Revenues:									
Taxes	39,947,336	39,803,816	—	—	39,947,336	39,803,816	43.9 %	43.4 %	0.5 %
Other	2,404,903	1,135,334	505,907	(40,636)	2,910,810	1,094,698	3.3 %	1.3 %	2.0 %
Total Revenues	83,216,141	81,020,451	7,812,613	10,710,366	91,028,754	91,730,817	100.0 %	100.0 %	
Expenses									
Medicaid	24,714,689	22,064,800	—	—	24,714,689	22,064,800	28.4 %	26.5 %	1.9 %
Direct local aid	7,300,065	6,758,880	—	—	7,300,065	6,758,880	8.4 %	8.1 %	0.3 %
Health and human services	14,338,681	13,785,541	—	—	14,338,681	13,785,541	16.5 %	16.5 %	— %
Lottery	4,850,287	4,651,322	—	—	4,850,287	4,651,322	5.6 %	5.6 %	— %
Higher education	—	—	6,163,628	5,772,658	6,163,628	5,772,658	7.1 %	6.9 %	0.2 %
Early elementary and secondary education	7,811,625	6,961,534	—	—	7,811,625	6,961,534	9.0 %	8.4 %	0.6 %
Unemployment compensation	—	—	1,889,677	3,904,080	1,889,677	3,904,080	2.2 %	4.7 %	(2.5)%
Family and employment security trust	—	—	899,367	686,343	899,367	686,343	1.0 %	0.8 %	0.2 %
Other	19,185,472	18,772,026	—	—	19,185,472	18,772,026	21.8 %	22.5 %	(0.7)%
Total Expenses	78,200,819	72,994,103	8,952,672	10,363,081	87,153,491	83,357,184	100.0 %	100.0 %	
Excess/(Deficiency) before transfers									
Transfers	(1,928,133)	(1,727,991)	1,928,133	1,727,991	—	—			
Change in net position (deficits)	3,087,189	6,298,357	788,074	2,075,276	3,875,263	8,373,633			
Net position/(deficits) - beginning	(72,854,286)	(79,055,900)	5,333,717	3,258,441	(67,520,569)	(75,797,459)			
Net position/(deficits) - ending	\$ (69,767,097)	\$ (72,757,543)	\$ 6,121,791	\$ 5,333,717	\$ (63,645,306)	\$ (67,423,826)			

* As restated

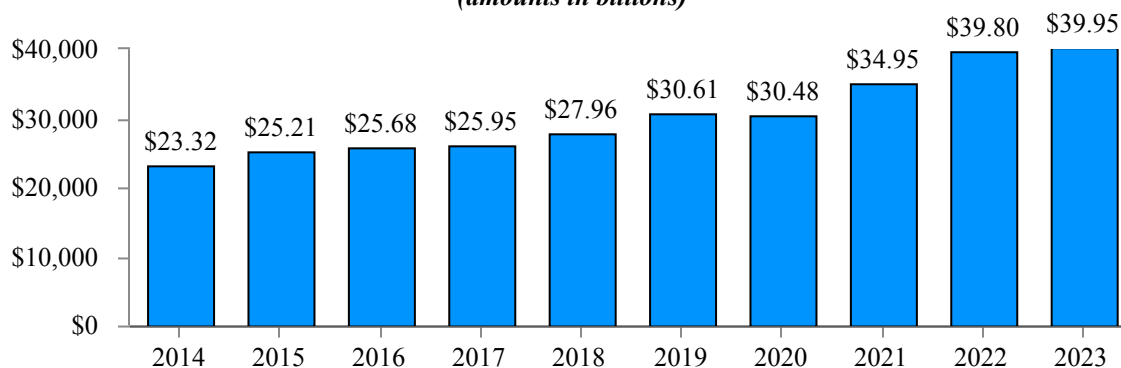
Operating grants and contributions totaled \$29.121 billion, a decrease of \$3.013 billion, or 9.4%, in FY23, with federal revenue for the Unemployment Compensation program dropping from \$3.411 billion in FY22 to \$29 million in FY23, as federal supplementary aid for expanded and extended unemployment insurance benefits wound down.

Charges for services totaled \$18.747 billion, increasing by \$358 million, or 1.9% from FY22, with the increase resulting primarily from growth in Lottery charges of \$281 million and Health and Human Services of \$74 million with partially offsetting by Labor and Workforce Development of \$119 million.

As of June 30, 2023, government-wide restricted net position totaled \$3.831 billion, an increase of \$370 million, with the majority of the increase due to assets restricted for paid family medical leave benefits and for debt issued by the Department of Unemployment Assistance for repayment of loans taken out from federal government to pay unemployment benefits during the pandemic .

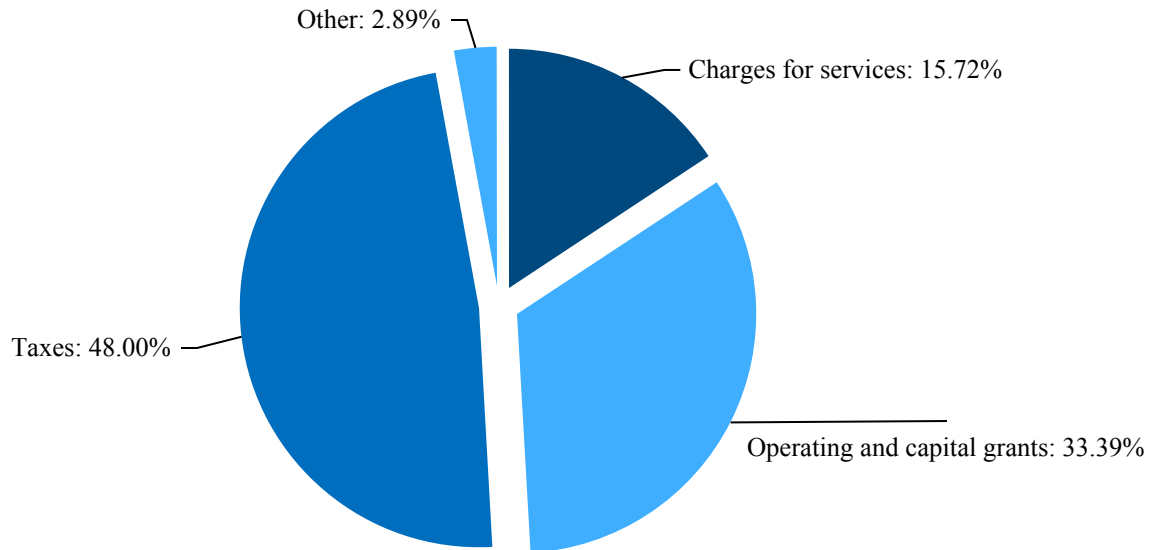
Primary government spending totaled \$87.153 billion, an increase of \$3.796 billion, or 4.6%, from FY22, with governmental activities spending (i.e., excluding business-type activities such as Higher Education and the Unemployment Insurance program) totaling \$78.201 billion, an increase of \$5.207 billion, or 7.1%, and business-type activities spending totaling \$8.953 billion, a decrease of \$1.410 billion, or 13.6%. Medicaid expenses totaled \$24.715 billion, an increase of \$2.650 billion, or 12.0%, from FY22. Health and Human Services spending totaled \$14.339 billion, an increase of \$553 million or 4.0%, transportation and public works spending totaled \$2.869 billion, a decrease of \$253 million, or 8.1%, early and secondary education spending totaled \$7.812 billion, an increase of \$850 million, or 12.2%, public safety and security spending totaled \$3.478 billion, an increase of \$351 million, or 11.2%, and general government expenses totaled \$3.787 billion, a decrease of \$115 million, or 3.0%. In addition, direct local aid spending totaled \$7.300 billion, an increase of \$541 million, or 8.0% as the Commonwealth continued its commitment to allocate a proportionate increase in projected budgetary tax revenues to local assistance. These increases were offset by a decline of \$1.638 billion due to the lower pension and OPEB liabilities (net of deferrals) mentioned above. In business-type activities, unemployment insurance compensation expenditures totaled \$1.890 billion, a decrease of \$2.014 billion, or 51.6%, as the economy continued to recover and unemployment compensation returned to its historical rate as the pandemic ended.

**Revenue from Taxation
FY14 - FY23
(amounts in billions)**



Income taxes comprise the majority of tax revenue. Of the \$39.947 billion in FY23 tax revenue within governmental activities, \$21.771 billion, or approximately 54.5%, of total taxes, was from income taxes, \$9.433 billion, or 23.6%, was from sales taxes, \$4.666 billion, or 11.7%, was from corporate taxes, \$703 million, or 1.8%, was from motor fuels taxes and \$3.375 billion, or 8.4%, was from other forms of taxation. Lottery revenues of \$6.142 billion made up 47.0% of the Commonwealth’s governmental charges for services. The largest operating grants were federal Medicaid subsidies, which totaled \$15.029 billion, or approximately 54.3%, of all grants, other health and human services grants of \$6.183 billion, or 22.3% of all grants, and education grants of \$2.348 billion, or 8.5% 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.

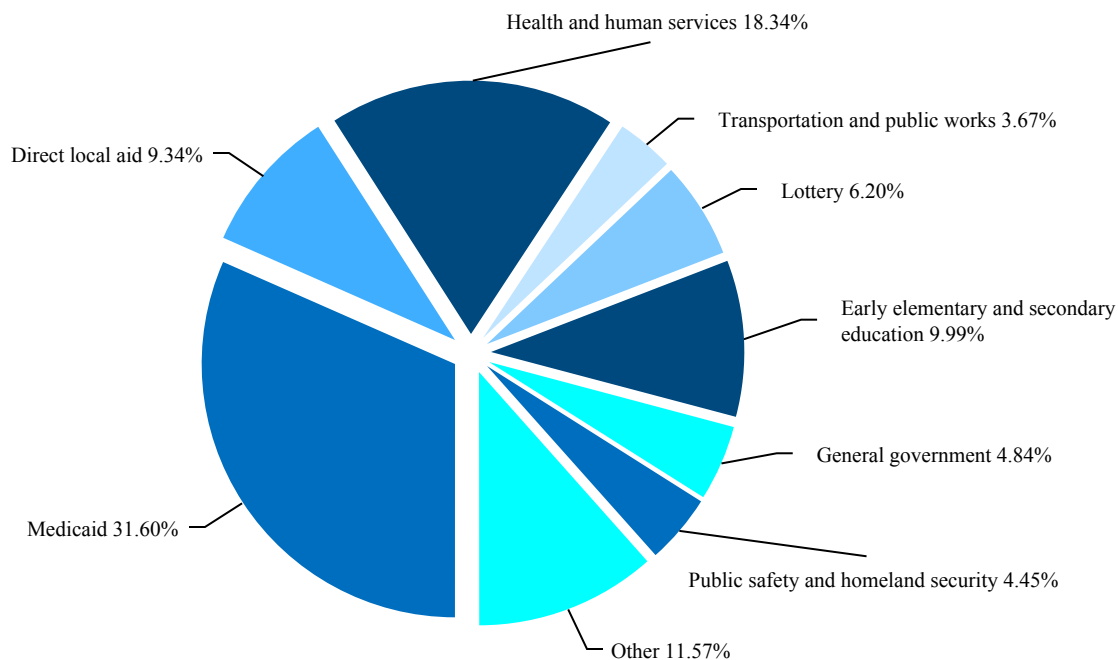
**Revenue—Governmental Activities
Fiscal Year Ending June 30, 2023**



Medicaid expenses of \$24.715 billion accounted for 31.6% 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 \$7.300 billion.

Other large expenditures for governmental activities included non-Medicaid health and human services costs of approximately \$14.339 billion, accounting for 18.3% of governmental expenses, pre-kindergarten through secondary education costs of approximately \$7.812 billion, accounting for 10.0% of governmental expenses and public safety and security costs of approximately \$3.478 billion, accounting for 4.4% of governmental expenses. State employees' pensions and other post-employment benefits, which are included in the department spending amounts above, were \$790 million.

**Major Expenses—Governmental Activities
Fiscal Year Ending June 30, 2023**



Business-Type Activities

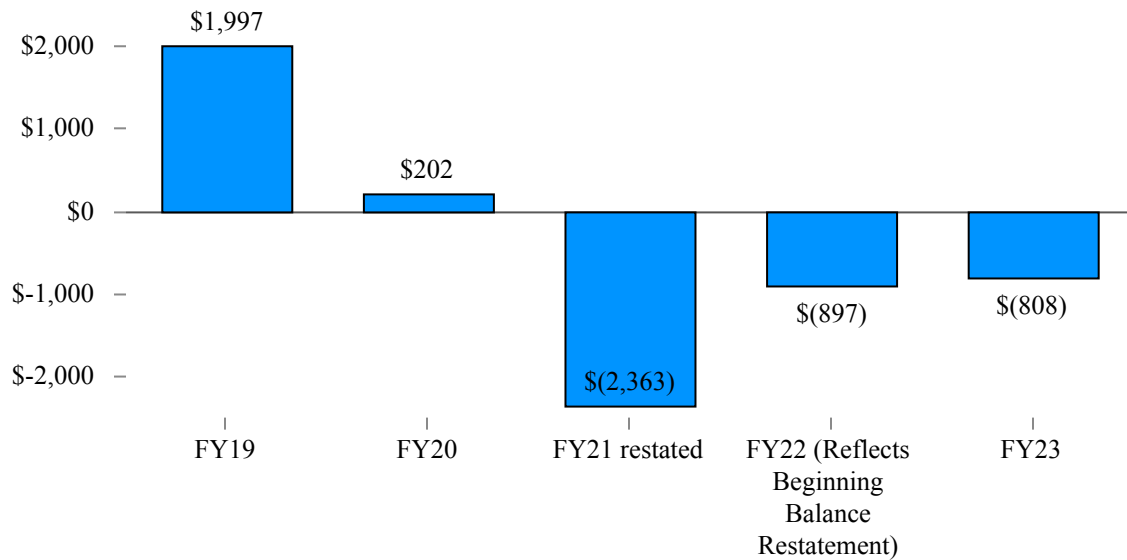
Business-type activities are functions that are similar to activities of a private enterprise. In the Commonwealth, the Family and Employment Security Trust Fund and the Institutions of Higher Education are deemed to be business-type activities because of their lack of separate taxation; GASB standards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

As of June 30, 2023, business-type activities' net position totaled \$6.122 billion, an increase of \$788 million, mostly attributable to a gain of \$633 million in the Institutions of Higher Education. Program revenues of business-type activities totaled \$7.307 billion a decrease of \$3.444 billion, or 32.0%, resulting entirely from reduced federal operating grants and contributions, which totaled \$1.440 billion, a decrease of \$3.523 billion, or 71.0%, with the decline a result of a drop in federal aid for pandemic-related supplemental unemployment insurance benefits, which totaled only \$29 million, a decrease of \$3.382 billion, or 99.2%, from FY22. Program expenditures totaled \$8.953 billion, a decline of \$1.410 billion, or 13.6%, from FY22, due to a drop of \$2.014 billion, or 51.6% in unemployment insurance benefit spending, resulting from a decrease in pandemic-related benefit claims, partially offset by an increase in Higher Education expenditures.

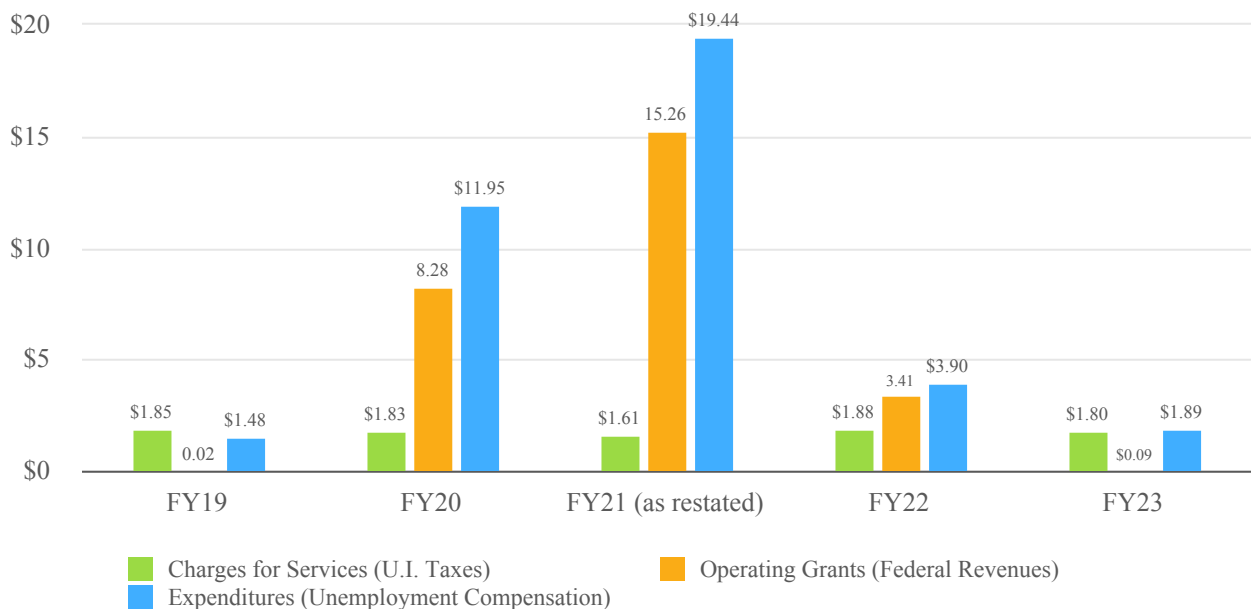
As a result of a detailed reconciliation of prior year revenue and spending in the Unemployment Compensation Trust Fund conducted during the FY22 financial statement audit, the FY22 beginning balance of the Trust Fund was restated and reduced by \$1.943 billion to account for overdraws of pandemic-related unemployment insurance revenues from the federal government by the Department of Unemployment Assistance (DUA) in FY20 and FY21, leaving the Trust Fund with an FY22 beginning net position of negative \$2.363 billion. Those prior fiscal year overdraws, as well as \$548 million in FY22 and \$8 million in FY23 similar overdraws, are accounted for as a \$2.499 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 FY23 ending net position of the Unemployment Compensation Trust Fund was negative \$808 million.

The two charts below show fiscal year ending balances of the Unemployment Compensation Trust Fund as well as revenue and expenses of the Fund over the past five fiscal years. The FY23 negative ending balance was caused by the liability to the federal government and the revenue and expenditures chart indicates that FY23 Unemployment Insurance activity has approximately returned to pre-pandemic levels.

**Unemployment Compensation Trust Fund
Ending Net Position
Fiscal Years 2019 - 2023
(amounts in millions - as restated)**



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



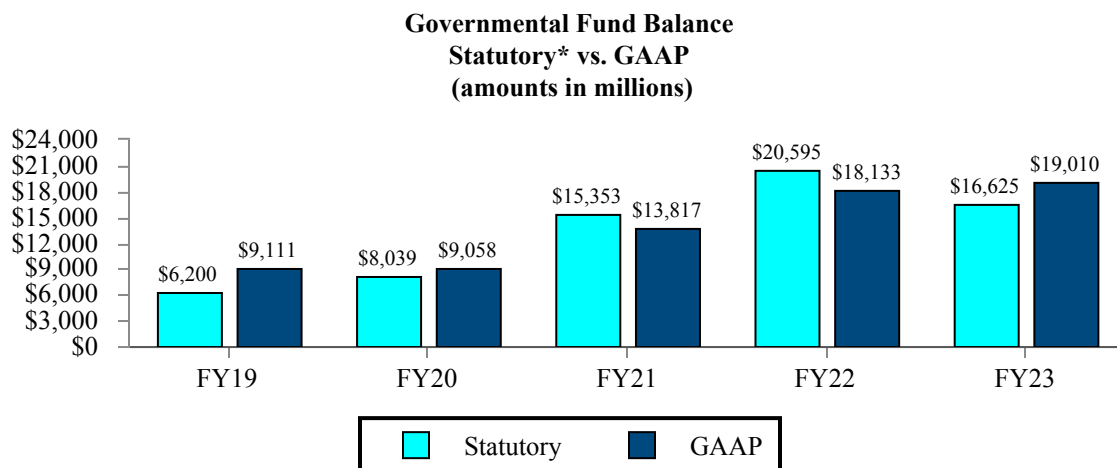
FINANCIAL ANALYSIS OF THE COMMONWEALTH'S FUNDS

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

Governmental Funds

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

The General Fund (which for this analysis includes the Stabilization Fund and Transitional Escrow Fund) is the primary operating fund of the Commonwealth. At the end of FY23, the fund balance of the General Fund was \$14.615 billion. Of this amount, \$8.036 billion represents the balance in the Commonwealth's Stabilization Fund, \$2.323 billion was classified as assigned for continuing appropriations from FY23 into FY24 and \$4.256 billion was unassigned, with the unassigned balance including \$3.182 billion in the General Fund and \$1.074 billion in the Transitional Escrow Fund, which holds revenue that while unappropriated, is intended to be expended in FY24 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)**

	FY23**	FY22	FY21*	FY20*	FY19
Beginning fund balances	\$ 17,924,542	\$ 13,817,345	\$ 9,912,839	\$ 9,165,887	\$ 6,838,444
Revenues and other financing sources	93,889,043	91,840,963	84,720,267	72,506,995	69,775,850
Expenditures and other financing uses	92,803,352	87,525,183	80,815,761	72,615,366	67,502,959
Excess/(deficiency)	1,085,692	4,315,780	3,904,506	(108,371)	2,272,891
Ending fund balances	<u>\$ 19,010,234</u>	<u>\$ 18,133,125</u>	<u>\$ 13,817,345</u>	<u>\$ 9,057,516</u>	<u>\$ 9,111,335</u>

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

** see Note IT [83-84](#) for restatement

It should be noted, that as described in [Note 1T](#) and in government-wide section above, there was a restatement of the MSBA's FY23 beginning net position for the understatement of prior year grants payable. As the impact of the errors on the components of fund balance could not be reasonably determined by the MSBA, prior year amounts presented in this section have not been restated, and the changes between FY22 and FY23 described in this section and the table below compare the components of FY23 fund balance to the FY22 fund balance prior to restatement.

FY23 governmental fund revenues and other financing sources totaled \$93.889 billion, an increase of \$2.048 billion, or 2.2%, from FY22, with an increase of \$2.234 billion, or 2.5%, in non-Massachusetts School Building Authority (MSBA) revenues and other financing sources, partially offset by a decrease of \$343 million in MSBA refunding debt issuance. Tax revenues totaled \$39.976 billion, an increase of \$159 million, or 0.4%, as decreases in capital gains tax revenue offset growth in other revenue sources. (See page 32 for and explanation of FY23 budgetary fund capital gains tax collections.) Federal grants and reimbursements totaled \$27.793 billion, an increase of \$579 million, mainly due to growth in revenue from Medicaid spending reimbursements, offset by a decline in pandemic relief funds as the COVID-19 emergency ended.

Assessments, fees, and investment earnings totaled \$15.809 billion, an increase of \$1.646 billion, or 11.6%. as higher interest rates resulted in increased earnings on Stabilization Fund and General Fund balances and other departmental revenues increased due to greater activity as the economy continued to recover from the pandemic. Revenues from other financing sources totaled \$10.311 billion, a decrease of \$336 million, or 3.2% due almost entirely to the net decline of \$309 million, resulting from drop in bond issuance by the Commonwealth and the MSBA.

FY23 governmental fund expenditures and other financing uses totaled \$92.803 billion, an increase of \$5.278 billion, or 6.0% from FY22, with \$5.510 billion of growth in programmatic spending (as opposed to "other financing uses"). Medicaid expenditures totaled \$24.715 billion, an increase of \$2.650 billion, or 12.0% from FY22. Other changes in programmatic expenditures include increases of \$614 million, or 4.6%, in Health and Human Services expenditures, as well as an increase of \$506 million, or 7.7%, in Education spending, and \$453 million, or 6.7% Treasury and Receivable General Spending, due primarily to increases in Lottery prize payments. Other financing uses totaled \$9.511 billion, a decrease of \$232 million, or 2.4%, due primarily to a \$343 million decline in debt service-related expenditures from reduced payments to an escrow agent in support of an advanced bond refunding. Factoring out this decline and a \$27 million increase in bond proceeds transfers, FY23 debt service expenditures decreased by \$24 million, or 0.9%, compared to FY22.

As of June 30, 2023 the Commonwealth's governmental funds reported a combined ending fund balance of \$19.010 billion, an increase of \$1.086 billion, or 6.1%, from the previous year.

Governmental Funds - Fund Balance Classification

(amounts in thousands)

	2023	2022*	Change	% Change
<u>Nonspendable/Restricted:</u>				
Nonspendable	\$ 526,385	\$ 615,882	\$ (89,497)	(14.5)%
Restricted	924,765	1,285,777	(361,012)	(28.1)%
Total Nonspendable/Restricted	1,451,150	1,901,659	(450,509)	(23.7)%
<u>Unrestricted:</u>				
Committed	13,121,353	10,341,466	2,779,887	26.9%
Assigned	3,667,546	3,796,399	(128,853)	(3.4)%
Unassigned	770,185	2,093,601	(1,323,416)	(63.2)%
Total Unrestricted	17,559,084	16,231,466	1,327,618	8.2%
Total fund balances	\$ 19,010,234	\$ 18,133,125	\$ 877,109	4.8%

* As restated, see [note 1T](#) on pages 83-84

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 include "prior appropriations continued", or PACs, which are classified as assigned, and residual balances in the General Fund, which are classified as unassigned. The \$2.780 billion, or 26.9%, increase in committed balances results primarily from \$1.098 billion growth in the Stabilization Fund balance and increased balances in numerous non-budgetary funds which the Legislature has designated for specific purposes, primarily those committed to education and health care purposes. Assigned fund balance decreased by \$129 million or 3.4%, due primarily to \$219 million decline in budgetary fund prior appropriations continued, where the Legislature allocated FY23 funding for expenditure in FY24, partially offset by an increase in funds the MSBA reserved for grants and loans to local cities and towns for school construction projects. Unassigned balances decreased by \$1.323 billion, or 63.2%, due mainly to a decline in balances in the Transitional Escrow Fund, as prior year surpluses held in that fund were expended in FY23, and an increase in deficits in the capital projects funds as the Commonwealth had an increase in yet to be bonded capital expenses. These decreases were partially offset by an increase in unassigned balances in the General Fund resulting from an increase in tax revenue receivables. A full discussion of the Commonwealth's fund balance classification policy under GASB 54 and a table of fund balances by program type can be found in [Note 1](#) to the basic financial statements, starting on page 70.

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 \$788 million.

BUDGETARY HIGHLIGHTS

The FY23 budget enacted by the Legislature (the General Appropriation Act, or GAA) included an FY23 tax revenue estimate of \$39.576 billion prior to tax initiatives (including \$100 million in tax settlements greater than \$10 each), an increase of \$2.661 billion from the FY23 consensus estimate of \$36.915 billion, with the increase due to the impact on FY22 tax revenues of faster than anticipated economic and financial market recovery from the COVID-19 pandemic. However, it should be noted that the GAA and subsequent tax estimates did not include an adjustment for the impact of \$2.879 billion in refunds pursuant to Chapter 62F of the Massachusetts General Laws, which was triggered after the GAA was enacted and accounted for separately in the Department of Revenue's monthly tax reports.

The GAA tax revenue estimate was further increased to \$39.718 billion as a result of enacted and proposed tax law changes and other tax-generating initiatives included in the budget. \$37.127 billion of that revenue was to be deposited in the budgeted funds and available for use, with \$2.591 billion to be deposited into non-budgeted funds, including transfers of sales tax revenue dedicated to the Massachusetts Bay Transportation Authority (\$1.363 billion) and the Massachusetts School Building Authority (\$1.203 billion), capital gains tax revenues transferred to the Stabilization Fund, State Pension Fund, and State Retiree Benefits Trust Fund (\$1.555 billion), and revenue allocated to the non-budgeted Workforce Training Fund (\$25 million).

In January 2023, the Secretary of Administration and Finance revised the FY23 state tax revenue estimate upward to a total of \$39.818 billion (including \$50 million in judgment and settlement revenue), based on tax revenue performance through December 2022.

The FY23 General Appropriation Act (GAA) authorized approximately \$63.998 billion in spending, including approximately \$3.744 billion in required pension contributions and \$1.011 billion in other transfers in the GAA. In addition, FY23 included \$6.060 billion in FY22 spending authorized to be continued into FY23 as part of the FY22

and FY23 general appropriation acts and various FY22 supplemental budgets.

Approximately \$3.708 billion in supplemental appropriations were authorized during FY23, \$939 million of which were enacted by June 30, 2023. Subsequent to year end, a supplemental budget was enacted totaling approximately \$2.769 billion in new appropriations. The year's significant supplemental appropriations (some of which were carried forward and reappropriated to be expended in FY24):

- \$2.117 billion for MassHealth (Medicaid) services;
- \$352 million for immigrant and refugee services, including \$250 million for FY24 expenses
- \$200 million for MassHealth's Home and Community-Based Services program
- \$180 million for fiscally strained hospitals
- \$150 million for Early Education provider grants
- \$130 million for a SNAP (food stamp) emergency benefits reserve
- \$100 million for a supplemental payment to the Pension Liability Fund
- \$75 million for bridge repairs
- \$68 million for COVID-19-related workforce payments
- \$65 million for school breakfast programs
- \$60 million for Department of Transitional Assistance caseworker salary increases

FY23 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 \$57.414 billion, a decrease of \$4.670 billion, or 7.5%, from FY22. Most of this decrease was due to implementing of new or triggering of existing tax laws, as well as a decline in capital gains tax revenue, all of which are discussed below.

FY23 tax revenues ended the year at \$36.427 billion (including \$44 million in tax settlements exceeding \$10 million each), of which \$33.704 billion was deposited in the budgeted funds after accounting for the transfer of sales tax of \$1.424 billion to the Massachusetts Bay Transportation Authority, \$1.264 billion to the Massachusetts School Building Authority, and \$35 million to the Workplace Training Fund. Tax revenue deposited in the budgeted funds decreased by \$4.883 billion, or 12.7%, from FY22, \$546 million below the final FY23 estimate. However, it should be noted that because the FY23 enacted budget allocated \$1.555 billion in capital gains tax revenue to the Stabilization Fund, State Pension Fund, and State Retiree Benefits Trust Fund (which amount was not included in the revenue available budgetary spending), while actual capital gains tax revenue transfers from the General Fund to those funds totaled only \$834 million due to a decline in capital gains realizations, the amount of tax revenue available for budget actually exceeded the January revised tax estimate by \$210 million.

Of the \$4.883 billion decrease in tax revenues between FY22 and FY23, \$4.708 billion, or 96%, was due to the implementation of two tax laws that affected personal income tax revenues in FY22 and FY23, and the remaining decline was more than accounted for by a decline in capital gains tax revenue. The two tax laws were:

- In FY22 the Legislature [implemented a “pass-through entity excise tax”](#) in response to the recently imposed federal limitation on the deductibility of state personal income taxes. The pass-through entity excise tax allows sole proprietorships, partnerships, and other “pass-through entities” (where business income is taxed at the individual owners’ personal income tax level) to pay an additional excise tax at the entity-level and then claim a credit in an amount equal to 90% of that excise). This law change was first implemented in FY22, resulting in a one-time increase in tax revenues (relative to FY23) of approximately \$1.829 billion, as taxpayers paid the additional excise in FY22 before claiming the offsetting tax credit, and reducing their

taxes accordingly, most of which occurred in FY23.

- The second tax law that caused an incremental revenue change in FY23 was [Chapter 62F of the Massachusetts General Laws](#), which 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, with any amount above that limit reducing each personal income taxpayers's tax liability in an amount proportional to their prior year's tax payments. On September 15, 2022 the Auditor [issued a report](#) certifying that FY22 tax revenues exceeded that year's limit by \$2.941 billion, thereby triggering the tax credit. As a result, \$2.879 billion in 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, with approximately \$4 million in remaining Chapter 62F refunds expected to be issued in FY24.

A third tax law change that resulted in increased tax revenues was the implementation of a 4% surtax on taxable personal income above \$1 million, which was effective January 1, 2023, after being enacted in a November 2022 referendum that amended the Massachusetts state constitution. The Massachusetts Department of Revenue estimates that this change resulted in additional FY23 revenue of \$242 million, partially offsetting the revenue reductions from the two tax law changes described above.

Other than the revenue changes caused by the Chapter 62 refunds, pass-through entity tax, and 4% surtax, FY23 tax revenue dropped by \$417 million, or 1.1%, with that remaining decline the net result of a large drop in capital gains tax revenue offset by growth in income tax withholding, non-withheld tax other than on capital gains, and sales and meals taxes. These changes are explained below.

Total personal income tax collections totaled \$18.995 billion, a decrease of \$5.341 billion, or 21.9% and a decline of \$875 million or 3.6%, adjusting for the Chapter 62F refunds, the pass-through entity tax, and the 4% surtax. Personal income tax withholding grew by \$732 million, or 4.6%, and \$689 million, or 4.3%, when factoring out the impact of the 4% surtax. Non-withheld personal income tax (primarily quarterly estimated tax payments, final payments and refunds with tax returns, and the Chapter 62F refunds) decreased by \$6.074 billion, or 72.1%, and declined by \$1.565 billion, or 18.6%, when adjusting for Chapter 62F refunds and the FY23 incremental impact of the pass-through entity excise tax and the 4% surtax. The remaining decline was due to a drop in capital gains tax revenue, which fell by \$2.048 billion, or 47.3%, from FY22, partially offset by increases in other non-withheld income. Aside from the tax law changes (including the additional revenue from the 4% surtax, which was reflected mostly in personal income tax estimated payments) and the capital gains tax decline, non-withheld income tax increased by \$284 million or 3.4%. Corporate and business taxes (comprising corporate excise, financial institutions, insurance company, and public utilities taxes) totaled \$5.108 billion, virtually identical to FY22 revenue 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 \$480 million, or 7.7%, including a \$161 million, or 12.1% increase in meals taxes as restaurant dining continued to recover from pandemic-related declines. Other notable tax revenue changes included deeds excise revenues, which declined by \$135 million, or 28.7%, as the real estate market cooled after a post-pandemic FY22 rebound, and cannabis sales and excise taxes, which increased by \$5 million, or 2.5%, as the cannabis market leveled off after growing strongly in FY22. Estate and inheritance taxes grew by \$105 million, or 12.1%.

Budgetary fund federal reimbursements totaled \$15.225 billion, a decrease of \$554 million, or 3.5%, with the decline resulting from non-recurring coronavirus mitigation revenue of \$1.023 billion received by the Massachusetts Emergency Management Agency (MEMA) in FY22. This decrease was partially offset by growth in federal reimbursements for the Commonwealth's Medicaid program, which totaled \$14.312 billion, an increase of \$418 million, or 3.0%, due to increases in reimbursable spending.

Departmental revenue totaled \$6.082 billion, an increase of \$669 million, or 12.4%, from FY22. Virtually all departmental revenue growth was due to growth in interest earnings, which increased by \$654 million, from \$44 million in FY22 to \$698 million in FY23 as result of higher interest rates and the Commonwealth's large cash balances. Other significant sources of departmental revenue are reimbursements, which totaled \$2.769 billion, assessments and fees for state licenses (particularly for Motor Vehicles, which totaled \$569 million in FY23), reimbursements from cities and towns for health insurance provided by the Group Insurance Commission (which totaled \$652 million in FY23) and rebates received from drug manufacturers, totaling \$1.628 billion, up \$36 million, or 2.2% from FY22).

Interfund transfers from non-budgeted funds to the budgeted funds totaled \$2.404 billion, an increase of \$99 million,

or 4.3%, from FY22. Gaming revenues transferred to the budgetary funds totaled \$211 million, up \$37 million, or 21.4% from FY22. Lottery Fund transfers to the General Fund totaled \$1.164 billion, a increase of \$85 million, or 7.9% (see *Lottery and Gaming* section on page 12).

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 FY23, the Commonwealth received \$257 million in tobacco settlement funds, an increase of \$10 million compared to FY22. 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 FY23 and after. For FY23, the statutorily required transfer was 100% of tobacco settlement revenues; however, FY23 budget actions reduced the percentage of tobacco settlement revenues deposited to the SRBTF from 100% to 10%. That action reduced the FY23 transfer to approximately \$26 million, compared to the original statutorily required amount of \$257 million.

FY23 budgeted expenditures and other financing uses, including transfers to non-budgeted funds (but before transfers between the budgeted funds) totaled \$60.276 billion, an increase of \$4.293 billion, or 7.7%, from FY22, with the increase primarily attributable to coronavirus relief expenditures, higher spending on Medicaid, pension contributions, and Local Aid.

Spending on programs and services totaled \$51.951 billion, an increase of \$6.195 billion, or 13.5%, from FY22. Medicaid expenditures totaled \$21.700 billion, an increase of \$1.855 billion, or 9.3%, from FY22, with the increase due primarily to a change in the timing of payments to providers that increased spending in FY23. Spending on other Executive Office of Human Services programs totaled \$9.230 billion, an increase of \$942 million, or 11.4% from FY22, spending for direct local aid (both education aid and unrestricted aid), at \$7.295 billion, was up \$552 million, or 8.2%, from FY22, subsidies paid to Massachusetts Higher Education Institutions totaled \$1.342 billion, an increase of \$79 million, or 6.3%, from FY22. Spending on state employee health benefits paid through the Group Insurance Commission increased by \$73 million, or 3.9%, from \$1.847 billion to \$1.920 billion., a relatively small increase due to the fact that the FY22 post-COVID surge in medical services leveled off in FY23. Other significant spending increases included the following, most of which were funded by either FY22 surpluses that were deposited in the Transitional Escrow Fund and carried over to FY23 or from federal pandemic aid:

- \$490 million to seed the High-Quality Early Education and Care Affordability Fund
- \$400 million to replace lost federal relief funding for childcare stabilization grants
- \$349 million to fund a program to provide fiscal relief to hospitals in the form of one-time grants.
- \$204 million for rental assistance to Commonwealth households
- \$172 million for capital and operating costs of the MBTA
- \$169 million for the creation of the Universal Free School Meals program, bringing a previously federal funded program onto state appropriations
- \$125 million for a reserve to fund emergency SNAP (food stamp) benefits.

- \$118 million to fund additional MassHealth costs for seniors
- \$116 million for public schools to address COVID-related issues.
- \$115 million from ARPA revenues allocated to the Clean Water Trust Fund
- \$115 million to fund increases in nursing home rates and staffing
- \$100 million for a supplemental payment to fund the State Retiree Benefits Trust, for retiree health care benefits
- \$100 million for investments in port infrastructure to support clean energy industry clusters
- \$100 million to subsidize the production of for-sale, below market-rate housing

Spending on post employment benefits (primarily pensions but also state retiree health insurance) totaled \$4.666 billion, an increase of \$233 million, or 5.3%, from FY22. That increase was mainly driven by transfers of \$3.743 billion to the state pension fund in accordance with the Commonwealth's actuarially-determined pension funding schedule, an increase of \$328 million, or 9.6%, from FY22, and additional pension contributions funded by a \$200 million appropriation from the General Fund and a \$42 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, FY23 contributions to the pension fund totaled \$3.985 billion an increase of \$193 million, or 5.1% from FY22, smaller than the FY22 increase because capital gains tax transfers and supplemental pension appropriations were smaller in FY23 than in FY22. Budgeted fund debt service totaled \$2.420 billion, down \$3 million, or 0.1%, from FY22.

Interfund transfers from budgeted to non-budgeted funds totaled \$1.239 billion, a decrease of \$2.132 billion or 63.2%, from FY22. with the largest reductions in transfers include and FY22 nonrecurring transfer of \$600 million of ARPA funds and General Fund revenue to the Unemployment Insurance Compensation Trust Fund to repay loans to the federal government, a \$667 million decline in transfers to the Medical Assistance Trust Fund (MATF) for payments to hospitals that treat large populations of lower income patients (transfers to and payments from the MATF vary significantly from year-to-year depending on the timing of federal reimbursements), and \$768 million less in transfers to various non-budgeted COVID-19 relief programs as the pandemic wound down.

CAPITAL ASSETS

Capital assets of the Commonwealth include land, buildings, improvements, equipment, vehicles, leased software, right-to-use assets and infrastructure. The Commonwealth's investment in capital assets for its governmental and business-type activities as of June 30, 2023 amounts to approximately \$28.968 billion, with accumulated depreciation and amortization of approximately \$13.343 billion, leaving a net book value of \$15.625 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 FY22 to FY23 was approximately \$228 million, with a \$77 million increase in governmental activities and a \$151 million increase in business-type activities. The major increase in the net value of capital assets was in construction in process, buildings, and machinery and equipment. The table on the following page details the various categories of the Commonwealth's capital assets.

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

	Governmental		Business - Type		Total	
	Activities		Activities			
	2023	2022	2023	2022*	2023	2022*
Land	\$ 980,959	\$ 972,506	\$ 231,591	\$ 249,435	\$ 1,212,550	\$ 1,221,941
Historical treasures	—	—	3,075	3,073	3,075	3,073
Construction in process	1,114,259	975,386	897,808	617,141	2,012,067	1,592,527
Buildings	2,681,858	2,648,983	6,935,077	6,986,100	9,616,935	9,635,083
Machinery and equipment	404,453	429,582	221,592	207,395	626,045	636,977
Right-to-use lease assets	796,671	911,142	1,094,710	1,167,422	1,891,381	2,078,564
Right-to-use subscription (SBITAs) assets	43,958	—	58,740	53,158	102,698	53,158
Infrastructure, excluding central artery	145,944	153,235	—	—	145,944	153,235
Library collections	—	—	14,800	22,448	14,800	22,448
Total	\$ 6,168,102	\$ 6,090,834	\$ 9,457,393	\$ 9,306,172	\$ 15,625,495	\$ 15,397,006

* As restated

Additional detail on the Commonwealth's FY23 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 FY23 capital budget, the Commonwealth borrowed by issuing \$1.610 billion in long-term bonds, which was new money general obligation debt, and there was no special obligation debt issued during the fiscal year. All new bond sales were either for general government purposes, for road and bridge repair, or unallocated as of year-end and assumed to be for general purposes, including for construction and equipment purchases. In addition, the Commonwealth issued \$813 million in debt to refund already existing debt. In order to manage cash flows through the COVID-19 pandemic, on May 11, 2020, the Commonwealth obtained a line of credit in the aggregate principal amount of \$1.75 billion from a syndicate of banks, which line of credit is available to be drawn for cash flow purposes. As of February 17, 2021, the line of credit was reduced to the principal amount of \$500 million. In May 2023, the line of credit was extended to May 1, 2026.

Approximately 3.8% of the Commonwealth's \$25.269 billion in general obligation debt outstanding as of June 30, 2023 was issued as variable rate bonds. During fiscal 2023 there were no changes to credit ratings on any of the Commonwealth's outstanding debt.

The table on the following page 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	
	2023	2022	2023	2022	2023	2022
	General obligation bonds	\$ 25,268,710	\$ 24,907,431	\$ —	\$ —	\$ 25,268,710
Special obligation bonds (excluding GANs)....	3,862,475	3,949,740	—	—	3,862,475	3,949,740
Revenue obligation bonds	—	—	7,448,982	4,991,863	7,448,982	4,991,863
Federal unemployment insurance borrowing...	—	—	—	1,768,015	—	1,768,015
Grant anticipation notes	389,675	478,235	—	—	389,675	478,235
Massachusetts School Building Authority	5,620,395	5,991,695	—	—	5,620,395	5,991,695
Total	\$ 35,141,255	\$ 35,327,101	\$ 7,448,982	\$ 6,759,878	\$ 42,590,237	\$ 42,086,979

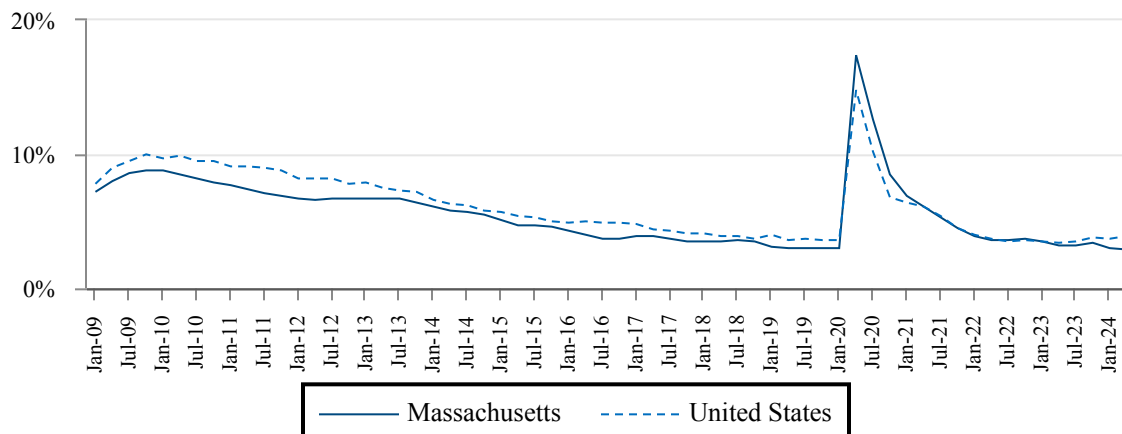
Additional detail on the Commonwealth’s short-term debt can be found in [Note 6](#) (“Short-Term Financing and Credit Arrangements”) on [page 99](#) and [Note 7](#) (“Long-Term Obligations”) on [pages 100-110](#).

ECONOMIC FACTORS AFFECTING THE FISCAL YEAR 2024 BUDGET

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

The Massachusetts economy, along with the rest of the nation, was adversely affected by the recession caused by the coronavirus pandemic, after many years performing better than the U.S. economy as a whole. In January 2021 the Massachusetts unemployment rate was 6.9%, compared to the national rate of 6.4%, but by July 2022, the two rates had converged, with both at 3.6%. As of February 2024, the Massachusetts rate had fallen below the national rate, with Massachusetts at 2.9% and the national rate at 3.9%.

**Unemployment Rate
January 2009 – February 2024**



The FY24 General Appropriation Act (GAA) is based on an FY24 base tax revenue estimate of approximately \$41.410 billion (including \$1 billion in "Fair Share" surtax revenues), an increase of \$2.104 billion, or 5.4%, from FY23 actual tax collections, after adjusting FY23 actual revenues for approximately \$2.879 billion in one-time

refunds that were issued in FY23 after FY22 tax revenues exceeded a statutory limit. Of the FY24 tax estimate, approximately \$32.398 billion represents taxes available for budget after accounting for \$9.012 billion in tax revenue either dedicated to authorities or the Stabilization Fund or assumed to be reduced due to tax cuts.

With tax revenues through December 2023 approximately \$769 million below the year-to-date tax revenue benchmark, on January 8, 2024, the Secretary of Administration and Finance lowered the FY24 base tax revenue estimate by \$1 billion, to \$40.410 billion (including \$1 billion in "Fair Share" surtax revenues), prior to adjustments for dedicated revenues and required Stabilization Fund deposits.

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>.

Mayflower (*epigaea repens*),
Official State Flower of Massachusetts



Basic Financial Statements

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

Statement of Net Position

June 30, 2023

(Amounts in thousands)

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Government Wide Total	
ASSETS AND DEFERRED OUTFLOWS				
Current assets:				
Cash and cash equivalents	\$ 19,013,960	\$ 6,190,836	\$ 25,204,796	\$ 6,285,032
Restricted cash with fiscal agent	451,264	664,389	1,115,653	—
Short-term investments	291,172	873,414	1,164,586	—
Assets held in trust	—	—	—	93,943
Receivables, net of allowance for uncollectibles:				
Taxes	5,076,051	—	5,076,051	—
Federal grants and reimbursements receivable	1,966,974	35,668	2,002,642	302,506
Loans	14,004	3,032	17,036	660,866
Lease receivables	1,381	54,381	55,762	65,662
Other receivables	1,246,367	1,068,880	2,315,247	455,308
Due from cities and towns	33,596	—	33,596	—
Due from component units	638	13,860	14,498	—
Due from primary government	—	—	—	659,490
Other current assets	—	66,137	66,137	119,443
Total current assets	28,095,407	8,970,597	37,066,004	8,642,250
Noncurrent assets:				
Cash and cash equivalents - restricted	—	398,686	398,686	747,880
Long-term investments	—	1,681,566	1,681,566	1,679,853
Investments, restricted investments and annuity contracts	1,549,881	980	1,550,861	46,830
Receivables, net of allowance for uncollectibles:				
Taxes	394,462	—	394,462	—
Federal grants and reimbursements receivable	60,671	—	60,671	—
Loans	144,040	18,397	162,437	4,130,766
Lease receivables	69,756	1,218,868	1,288,624	522,702
Other receivables	382,374	22,379	404,753	51,205
Due from component units	24,773	—	24,773	—
Due from primary government	—	—	—	7,042
Non-depreciable capital assets	2,095,218	1,132,474	3,227,692	17,807,394
Depreciable capital, right-to-use and leased software assets, net	4,072,884	8,324,919	12,397,803	25,994,341
Other noncurrent assets	—	22,999	22,999	16,643
Other noncurrent assets - restricted	2,092	—	2,092	—
Total noncurrent assets	8,796,151	12,821,268	21,617,419	51,004,656
Total assets	36,891,558	21,791,865	58,683,423	59,646,906
Deferred outflows of resources:				
Derivatives - interest rate swaps	—	282	282	17,379
Loss on refunding	68,473	137,807	206,280	156,943
Pension and OPEB	8,000,904	544,808	8,545,712	818,922
Other	—	42,898	42,898	2,049
Total deferred outflows of resources	8,069,377	725,795	8,795,172	995,293
Total assets and deferred outflows	44,960,935	22,517,660	67,478,595	60,642,199
LIABILITIES AND DEFERRED INFLOWS				
Current liabilities:				
Accounts payable and other liabilities	4,624,885	465,159	5,090,044	1,332,818
Accrued payroll	246,686	211,971	458,657	62,260
Compensated absences	551,197	179,209	730,406	43,405
Accrued interest payable	436,814	70,124	506,938	187,688
Tax refunds and abatements payable	1,669,946	192,061	1,862,007	—
Due to component units	698,662	303	698,965	—
Due to primary government	—	—	—	14,498
Due to federal government	597,403	—	597,403	—
Claims and judgments	66,622	—	66,622	—
Unearned revenue	2,583,370	27,766	2,611,136	647,295
Prizes payable	106,642	—	106,642	—

(continued)

Statement of Net Position

June 30, 2023

(Amounts in thousands)

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Government Wide Total	
Deposits and unearned revenue	—	176,575	176,575	—
School construction grants payable	209,682	—	209,682	—
Right-to-use asset liabilities	185,511	81,451	266,962	27,522
Bonds payable and unamortized premiums	1,564,999	1,035,338	2,600,337	780,532
Environmental remediation liability	8,708	—	8,708	—
Total current liabilities	13,551,127	2,439,957	15,991,084	3,096,018
Noncurrent liabilities:				
Compensated absences	237,748	64,570	302,318	26,405
Accrued interest payable	1,096	—	1,096	139,642
Due to component units	7,042	—	7,042	—
Due to primary government	—	—	—	24,773
Due to federal government	4,470	2,043	6,513	—
Overdraws of federal pandemic-related unemployment insurance benefits	—	2,499,152	2,499,152	—
Unearned revenue	—	—	—	69,078
Prizes payable	419,743	—	419,743	—
Right-to-use asset liabilities	686,028	1,173,966	1,859,994	199,928
Bonds payable and unamortized premiums	37,338,059	6,413,644	43,751,703	10,175,296
Environmental remediation liability	377,737	—	377,737	—
Liability for derivative instruments	—	282	282	22,018
Net pension liability	41,051,218	620,648	41,671,866	2,425,037
Net OPEB liability	11,914,264	777,260	12,691,524	2,610,561
Other noncurrent liabilities	319,613	188,175	507,788	325,974
Total noncurrent liabilities	92,357,018	11,739,740	104,096,758	16,018,712
Total liabilities	105,908,145	14,179,697	120,087,842	19,114,730
Deferred inflows of resources:				
Service concession arrangements	—	19,437	19,437	108
Gain on refunding	887,500	8,201	895,701	254
Pension and OPEB	7,864,480	1,099,789	8,964,269	1,177,083
Leases	67,907	1,047,764	1,115,671	564,720
Other	—	40,981	40,981	15,270
Total deferred inflows of resources	8,819,887	2,216,172	11,036,059	1,757,435
Total liabilities and deferred inflows	114,728,032	16,395,869	131,123,901	20,872,165
NET POSITION				
Net investment in capital assets	(1,260,939)	3,972,411	2,711,472	37,044,535
Restricted for:				
Family and employment security	—	1,903,430	1,903,430	—
Retirement of indebtedness	665,986	664,389	1,330,375	—
Higher education endowment funds	—	18,150	18,150	—
Higher education academic support and programs	—	7,152	7,152	—
Higher education scholarships and fellowships:				
Nonexpendable	—	2,081	2,081	—
Expendable	—	14,675	14,675	—
Higher education capital projects - expendable purposes	—	2,959	2,959	—
Grants and gifts	258,779	293,481	552,260	—
Other purposes	—	—	—	5,941,256
Unrestricted (deficits)	(69,430,923)	(756,937)	(70,187,860)	(3,215,757)
Total net position (deficits)	\$ (69,767,097)	\$ 6,121,791	\$ (63,645,306)	\$ 39,770,034

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

(concluded)

Statement of Activities
Fiscal Year Ended June 30, 2023
(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.....	\$ 3,787,362	\$ 591,379	\$ 2,128,097	\$ 36,028	\$ (1,031,858)	\$ —	\$ (1,031,858)	\$ —
Judiciary.....	1,334,037	49,371	7,331	—	(1,277,335)	—	(1,277,335)	—
Direct local aid.....	7,300,065	—	—	—	(7,300,065)	—	(7,300,065)	—
Medicaid.....	24,714,689	665,633	15,028,670	—	(9,020,386)	—	(9,020,386)	—
Group health insurance.....	1,957,686	935,591	—	—	(1,022,095)	—	(1,022,095)	—
Energy and environmental affairs.....	859,147	414,613	59,866	—	(384,668)	—	(384,668)	—
Housing and economic development.....	2,963,505	246,490	960,656	—	(1,756,359)	—	(1,756,359)	—
Health and human services.....	14,338,681	2,989,732	6,183,470	65,760	(5,099,719)	—	(5,099,719)	—
Transportation and public works.....	2,868,870	605,371	213	—	(2,263,286)	—	(2,263,286)	—
Early elementary and secondary education.....	7,811,625	6,411	2,348,285	—	(5,456,929)	—	(5,456,929)	—
Public safety and security.....	3,477,565	361,173	806,366	—	(2,310,026)	—	(2,310,026)	—
Labor and workforce development.....	448,410	73,409	157,649	—	(217,352)	—	(217,352)	—
Lottery.....	4,850,287	6,142,338	—	—	1,292,051	—	1,292,051	—
Interest (unallocated).....	1,488,890	—	—	—	(1,488,890)	—	(1,488,890)	—
Total governmental activities.....	78,200,819	13,081,511	27,680,603	101,788	(37,336,917)	—	(37,336,917)	—
Business-Type Activities:								
Unemployment Compensation.....	1,889,677	1,795,731	86,613	—	—	(7,333)	(7,333)	—
Family and Employment Security Trust.....	899,367	916,906	50,581	—	—	68,120	68,120	—
Higher Education:								
University of Massachusetts.....	3,973,304	2,125,627	853,139	29,690	—	(964,848)	(964,848)	—
State Universities.....	1,196,945	634,710	145,702	49,804	—	(366,729)	(366,729)	—
Community Colleges (Nonmajor).....	993,379	192,163	304,390	121,650	—	(375,176)	(375,176)	—
Total business-type activities.....	8,952,672	5,665,137	1,440,425	201,144	—	(1,645,966)	(1,645,966)	—
Total primary government.....	\$ 87,153,491	\$ 18,746,648	\$ 29,121,028	\$ 302,932	(37,336,917)	(1,645,966)	(38,982,883)	—
Discretely Presented Component Units:								
Massachusetts Department of Transportation.....	\$ 3,749,867	\$ 944,244	\$ 1,063,374	\$ 2,102,010	—	—	—	359,761
Massachusetts Bay Transportation Authority.....	2,353,230	1,989,236	194,079	1,008,130	—	—	—	838,215
Commonwealth Health Insurance Connector.....	767,808	724,419	47,372	—	—	—	—	3,983
Massachusetts Clean Water Trust.....	201,381	198,672	—	406,681	—	—	—	403,972
Other nonmajor component units.....	742,810	680,674	195,126	55,863	—	—	—	188,853
Total discretely presented component units.....	\$ 7,815,096	\$ 4,537,245	\$ 1,499,951	\$ 3,572,684	—	—	—	1,794,784

(continued)

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
General revenues:				
Taxes:				
Income	21,771,010	—	21,771,010	—
Sales taxes	9,433,286	—	9,433,286	—
Corporate taxes	4,665,574	—	4,665,574	—
Motor and special fuel taxes	702,857	—	702,857	—
Other taxes	3,374,609	—	3,374,609	—
Miscellaneous:				
Investment earnings/(loss)	756,637	231,626	988,263	244,667
Tobacco settlement	212,095	—	212,095	—
Contribution from municipalities	71,678	—	71,678	—
Other revenue (expense)	1,364,493	274,281	1,638,774	—
Transfers	(1,928,133)	1,928,133	—	—
Total general revenues and transfers	40,424,106	2,434,040	42,858,146	244,667
Change in net position	3,087,189	788,074	3,875,263	2,039,451
Net position/(deficits) - beginning, as restated *	(72,854,286)	5,333,717	(67,520,569)	37,730,583
Net position/(deficits) - ending	\$ (69,767,097)	\$ 6,121,791	\$ (63,645,306)	\$ 39,770,034

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

(concluded)

* As restated, see [note 1T](#) on pages 83-84

**Cranberry (*vaccinium macrocarpon*),
Official State Berry of Massachusetts**



Governmental Fund Financial Statements

Balance Sheet
Governmental Funds
June 30, 2023
(Amounts in thousands)

	General	Lotteries	Massachusetts School Building Authority	Federal Grants	Federal COVID-19 Response	Other Governmental Funds	Total
ASSETS							
Cash and cash equivalents	\$ 10,422,419	\$ 43,914	\$ 914,066	\$ 88,124	\$ 2,356,967	\$ 5,188,470	\$ 19,013,960
Restricted cash with fiscal agent	—	—	—	—	—	451,264	451,264
Investments, restricted investments and annuity contracts	291,172	526,385	1,023,496	—	—	—	1,841,053
Receivables, net of allowance for uncollectibles:							
Taxes	5,263,431	—	54,737	—	—	152,345	5,470,513
Due from federal government	1,204,000	—	—	661,786	—	161,859	2,027,645
Loan receivable	91,025	—	56,175	—	—	10,844	158,044
Other receivables	1,276,973	3,010	15,989	—	—	403,906	1,699,878
Due from cities and towns	33,375	—	—	—	—	221	33,596
Due from other funds	2,713,138	—	—	—	—	96,865	2,810,003
Due from component units	638	—	—	—	—	—	638
Total assets	\$ 21,296,171	\$ 573,309	\$ 2,064,463	\$ 749,910	\$ 2,356,967	\$ 6,465,774	\$ 33,506,594
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 3,389,357	\$ 42,122	\$ 16,308	\$ 507,393	\$ 30,040	\$ 617,014	\$ 4,602,234
Accrued payroll	226,778	—	—	12,179	45	7,684	246,686
Tax refunds and abatements payable	1,668,655	—	598	—	—	693	1,669,946
Due to other funds	—	—	—	—	—	2,810,003	2,810,003
Due to component units	33,356	—	—	—	—	665,306	698,662
Due to federal government	597,403	—	—	—	—	—	597,403
Unearned revenue	—	—	—	130,036	2,326,882	126,452	2,583,370
Claims and judgments	66,622	—	—	—	—	—	66,622
School construction grants payable	—	—	209,682	—	—	—	209,682
Other accrued liabilities	233	—	—	—	—	22,418	22,651
Total liabilities	5,982,404	42,122	226,588	649,608	2,356,967	4,249,570	13,507,259
Deferred inflows of resources - unavailable revenue	698,920	3,976	324	—	—	285,881	989,101
Total liabilities and deferred inflows of resources	6,681,324	46,098	226,912	649,608	2,356,967	4,535,451	14,496,360
Fund balances:							
Nonspendable	—	526,385	—	—	—	—	526,385
Restricted	—	—	639,399	100,302	—	185,064	924,765
Committed	8,036,051	—	—	—	—	5,085,302	13,121,353
Assigned	2,322,991	826	1,198,152	—	—	145,577	3,667,546
Unassigned (includes deficits)	4,255,805	—	—	—	—	(3,485,620)	770,185
Fund balances	14,614,847	527,211	1,837,551	100,302	—	1,930,323	19,010,234
Total liabilities, deferred inflows of resources and fund balances	\$ 21,296,171	\$ 573,309	\$ 2,064,463	\$ 749,910	\$ 2,356,967	\$ 6,465,774	\$ 33,506,594

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, 2023

(Amounts in thousands)

Total fund balances - governmental funds	\$ 19,010,234
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	2,095,218
Capital assets being depreciated and amortized, net	<u>4,072,884</u>
Capital assets, net of accumulated depreciation and amortization	6,168,102
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	921,195
Deferred inflows of resources are not reported in the governmental funds:	
Gain on refunding	(887,500)
Pension and OPEB related	<u>(7,864,480)</u>
Total deferred inflow of resources	(8,751,980)
Deferred outflows of resources are not reported in the governmental funds:	
Loss on refunding	68,473
Pension and OPEB related	<u>8,000,904</u>
Total deferred outflow of resources	8,069,377
Massachusetts School Building Authority assets (excluding capital assets)	2,093
Due from component units	24,773
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	(41,051,218)
Net OPEB liability	(11,914,264)
Commonwealth bonded debt	(29,520,860)
Unamortized bond premiums	(3,466,826)
Accrued interest	(437,910)
Massachusetts School Building Authority bonded debt	(5,915,372)
Prizes payable	(526,385)
Lease liability	(871,539)
Environmental remediation liability	(386,445)
Employee benefits, including compensated absences, health insurance benefits and other compensation claims	<u>(1,120,072)</u>
Long-term liabilities (including current portions)	(95,210,891)
Total net (deficit) - governmental activities	<u>\$ (69,767,097)</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, 2023
 (Amounts in thousands)

	General	Lotteries	Massachusetts School Building Authority	Federal Grants	Federal COVID-19 Response	Other Governmental Funds	Total
REVENUES							
Taxes	\$ 34,834,972	\$ 286	\$ 1,264,674	\$ —	\$ —	\$ 3,875,886	\$ 39,975,818
Assessments	399,606	—	—	—	—	1,422,822	1,822,428
Federal grants and reimbursements	15,896,707	—	—	8,473,227	998,306	2,424,604	27,792,844
Departmental	4,262,111	6,142,734	—	—	—	1,530,065	11,934,910
Miscellaneous	1,311,901	15,687	55,013	24	—	668,962	2,051,587
Total revenues	56,705,297	6,158,707	1,319,687	8,473,251	998,306	9,922,339	83,577,587
EXPENDITURES							
Current:							
Legislature	82,542	—	—	—	—	—	82,542
Judiciary	1,191,595	—	—	6,740	—	275	1,198,610
Office of Inspector General	6,962	—	—	—	—	18	6,980
Governor and Lieutenant Governor	6,964	—	—	—	—	—	6,964
Secretary of the Commonwealth	74,757	—	—	753	—	11,003	86,513
Treasurer and Receiver-General	266,387	4,939,584	16,312	1,303	201,865	1,770,303	7,195,754
State Auditor	21,437	—	—	—	—	2,009	23,446
Attorney General	83,369	—	—	23,417	—	8,587	115,373
State Ethics Commission	2,968	—	—	—	—	—	2,968
District Attorneys	159,131	—	—	4,968	—	6,818	170,917
Office of Campaign and Political Finance	1,894	—	—	—	—	479	2,373
Sheriff's	744,224	—	—	10,356	—	9,409	763,989
Disabled Persons Protection Commission	10,579	—	—	1,403	—	—	11,982
Commission on the Status of Women	1,093	—	—	—	—	—	1,093
Massachusetts Gaming Commission	—	—	—	—	—	59,398	59,398
Office of the Comptroller	26,441	—	—	—	—	1,774	28,215
Administration and Finance	2,583,718	—	—	110,271	—	467,119	3,161,108
Energy and Environmental Affairs	391,757	—	—	48,422	101,849	153,718	695,746
Health and Human Services	8,607,378	—	—	4,710,667	425,109	317,329	14,060,483
Technology Services and Security	186,843	—	—	—	—	18,567	205,410
Veterans' Services	37,081	—	—	522	—	1	37,604
Housing and Livable Communities	156,872	—	—	111,658	7,383	7,693	283,606
Massachusetts Department of Transportation	10,765	—	—	213	1,312	2,763,548	2,775,838
Office of the Child Advocate	4,518	—	—	—	—	—	4,518
Commission Against Discrimination	7,706	—	—	—	—	—	7,706
Cannabis Control Commission	—	—	—	—	—	16,537	16,537
Board of Library Commissioners	40,918	—	—	3,720	—	—	44,638
Education	5,140,761	—	—	1,877,411	16,303	50,276	7,084,750
Center for Health and Information Analysis	32,241	—	—	159	—	28	32,428
Massachusetts School Building Assistance	—	—	580,108	—	—	—	580,108
Public Safety and Security	1,456,746	—	—	524,417	4,216	152,676	2,138,055
Massachusetts Peace Officer Standards and Training Commission	6,629	—	—	—	—	—	6,629
Commission on the Status of Persons with Disabilities	44	—	—	—	—	—	44
Economic Development	1,029,577	—	—	774,469	228,551	160,047	2,192,644
Labor and Workforce Development	100,370	—	—	145,725	11,473	170,250	427,818
Medicaid	21,936,753	—	—	—	—	2,777,936	24,714,689
Post employment benefits	2,121,948	—	1,283	—	—	9,728	2,132,959
Direct local aid	7,182,179	—	—	—	—	117,887	7,300,066
Capital outlay	58,296	—	—	—	—	1,457,610	1,515,906
Debt service/commercial paper repayments	—	—	588,397	—	—	2,640,034	3,228,431
Principal on current refundings	—	—	—	—	—	887,714	887,714
Total expenditures	53,773,441	4,939,584	1,186,100	8,356,594	998,061	14,038,771	83,292,552
Excess/(deficiency) of revenues over/(under) expenditures	2,931,856	1,219,123	133,587	116,657	245	(4,116,432)	285,035
OTHER FINANCING SOURCES							
Bonds premium	—	—	—	—	—	248,197	248,197
Issuance of general and special obligation bonds	—	—	—	—	—	1,609,716	1,609,716
Issuance of current refunding bonds	—	—	—	—	—	812,580	812,580
Leases issued	28,737	—	—	—	—	—	28,737
SBITAs issued	29,559	—	—	—	—	—	29,559
Transfers in for debt service	—	—	—	—	—	2,587,468	2,587,468
Transfers in	2,306,889	—	—	5,680	—	2,682,630	4,995,199
Total other financing sources	2,365,185	—	—	5,680	—	7,940,591	10,311,456
OTHER FINANCING USES							
Transfers out	1,435,152	1,308,341	—	128,023	245	1,973,379	4,845,140
Transfers of appropriations	1,828,970	—	—	304	—	14,558	1,843,832
Transfers of bond proceeds	—	—	—	—	—	234,360	234,360
Transfers out for debt service	1,349,722	—	—	—	—	1,237,746	2,587,468
Total other financing uses	4,613,844	1,308,341	—	128,327	245	3,460,043	9,510,800
Total other financing sources and (uses)	(2,248,659)	(1,308,341)	—	(122,647)	(245)	4,480,548	800,656
Net change in fund balances	683,197	(89,218)	133,587	(5,990)	—	364,116	1,085,692
Fund balances at beginning of year, restated*	13,931,650	616,429	1,703,964	106,292	—	1,566,207	17,924,542
Fund balances at end of year	\$ 14,614,847	\$ 527,211	\$ 1,837,551	\$ 100,302	\$ —	\$ 1,930,323	\$ 19,010,234

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

* As restated, see note 1T on pages 83-84

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, 2023

(Amounts in thousands)

Net change in fund balances - total governmental funds	\$ 1,085,692
---	---------------------

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	523,009
---	---------

Current year depreciation and amortization expense	(445,741)
--	-----------

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	(2,327)
--	---------

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	(200,925)
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Change in lease liabilities	74,505
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Massachusetts School Building Authority (excluding lease related assets and liabilities)	391,329
--	---------

Net pension costs	1,077,680
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Net OPEB costs	397,962
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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	186,005
--	---------

Change in net position of governmental activities	<u>\$ 3,087,189</u>
--	----------------------------

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

Morgan Horse (*equus ferus caballus*),
Official State Horse of Massachusetts



Proprietary Fund Financial Statements

Statement of Net Position
Proprietary Funds
June 30, 2023
(Amounts in thousands)

	Unemployment Compensation Trust Fund	Family and Employment Security Trust Fund	University of Massachusetts	State Universities	Community Colleges (Nonmajor)	Total
ASSETS AND DEFERRED OUTFLOWS:						
Current assets:						
Cash and cash equivalents	\$ 3,598,030	\$ 1,698,878	\$ 189,595	\$ 432,878	\$ 271,455	\$ 6,190,836
Restricted cash with fiscal agent	664,389	—	—	—	—	664,389
Short-term investments	—	—	646,473	111,876	115,065	873,414
Receivables, net of allowance for uncollectibles:						
Federal grants and reimbursements receivable	—	—	25,067	3,783	6,818	35,668
Loans receivable	—	—	2,397	635	—	3,032
Lease receivable	—	—	15,145	39,236	—	54,381
Other receivables	411,536	275,748	282,500	26,016	58,160	1,053,960
Due from affiliates	—	—	14,583	—	337	14,920
Due from foundation	—	—	—	945	12,915	13,860
Other current assets	—	—	53,845	5,830	6,462	66,137
Total current assets	4,673,955	1,974,626	1,229,605	621,199	471,212	8,970,597
Noncurrent assets:						
Cash and cash equivalents - restricted	—	—	359,621	39,017	48	398,686
Long-term investments	—	—	1,364,207	210,590	106,769	1,681,566
Restricted investments	—	—	—	980	—	980
Receivables, net of allowance for uncollectibles:						
Loans receivable	—	—	17,194	1,203	—	18,397
Lease receivable	—	—	301,213	917,655	—	1,218,868
Other receivables	—	—	22,379	—	—	22,379
Non-depreciable capital assets	—	—	728,440	200,825	203,209	1,132,474
Depreciable capital and right-to-use assets, net	—	—	4,886,861	2,581,519	856,539	8,324,919
Other noncurrent assets	—	—	13,820	9,177	2	22,999
Total noncurrent assets	—	—	7,693,735	3,960,966	1,166,567	12,821,268
Total assets	4,673,955	1,974,626	8,923,340	4,582,165	1,637,779	21,791,865
Deferred outflows of resources:						
Derivatives - interest rate swaps	—	—	—	—	282	282
Pensions and OPEB	—	—	455,584	54,809	34,415	544,808
Loss on refunding	—	—	105,652	32,155	—	137,807
Other	—	—	41,839	1,059	—	42,898
Total deferred outflows of resources	—	—	603,075	88,023	34,697	725,795
Total assets and deferred outflows	4,673,955	1,974,626	9,526,415	4,670,188	1,672,476	22,517,660
LIABILITIES AND DEFERRED INFLOWS:						
Current liabilities:						
Accounts payable and other liabilities	85,033	48,784	222,851	47,402	61,089	465,159
Accrued payroll	—	234	135,426	44,686	31,625	211,971
Compensated absences	—	—	106,583	38,217	34,409	179,209
Accrued interest payable	46,598	—	23,303	95	128	70,124
Tax refunds and abatements payable	169,883	22,178	—	—	—	192,061
Unearned revenue	—	—	—	19,343	8,423	27,766
Student deposits and unearned revenues	—	—	134,432	12,774	29,369	176,575
Due to foundation	—	—	—	22	281	303
Right-to-use asset liabilities	—	—	19,630	49,318	12,503	81,451
Bonds, notes payable and other obligations	786,145	—	184,722	60,852	3,619	1,035,338
Total current liabilities	1,087,659	71,196	826,947	272,709	181,446	2,439,957
Noncurrent liabilities:						
Compensated absences	—	—	25,549	21,591	17,430	64,570
Due to federal government	—	—	—	2,043	—	2,043
Overdraws of federal pandemic-related unemployment insurance benefits	2,499,152	—	—	—	—	2,499,152
Right-to-use asset liabilities	—	—	174,992	955,680	43,294	1,173,966
Bonds, notes payable and other obligations	1,894,835	—	3,341,098	1,140,598	37,113	6,413,644
Liability for derivative instruments	—	—	—	—	282	282
Net pension liability	—	—	444,824	122,281	53,543	620,648
Net OPEB liability	—	—	559,807	150,070	67,383	777,260
Other noncurrent liabilities	—	—	170,836	10,606	6,733	188,175
Total noncurrent liabilities	4,393,987	—	4,717,106	2,402,869	225,778	11,739,740
Total liabilities	5,481,646	71,196	5,544,053	2,675,578	407,224	14,179,697

(continued)

Statement of Net Position
Proprietary Funds
June 30, 2023
(Amounts in thousands)

	Unemployment Compensation Trust Fund	Family and Employment Security Trust Fund	University of Massachusetts	State Universities	Community Colleges (Nonmajor)	Total
Deferred inflows of resources:						
Service concession arrangements	—	—	—	19,362	75	19,437
Pensions and OPEB	—	—	687,258	268,436	144,095	1,099,789
Gain on refunding	—	—	—	8,201	—	8,201
Leases	—	—	215,696	832,068	—	1,047,764
Other	—	—	35,436	4,496	1,049	40,981
Total deferred inflows of resources	—	—	938,390	1,132,563	145,219	2,216,172
Total liabilities and deferred inflows	5,481,646	71,196	6,482,443	3,808,141	552,443	16,395,869
NET POSITION:						
Net investment in capital assets	—	—	2,341,776	667,336	963,299	3,972,411
Restricted for:						
Debt service	664,389	—	—	—	—	664,389
Family and employment benefits	—	1,903,430	—	—	—	1,903,430
Higher education endowment funds	—	—	17,648	36	466	18,150
Higher education academic support and programs	—	—	—	873	6,279	7,152
Higher education scholarships and fellowships:						
Nonexpendable	—	—	—	2,081	—	2,081
Expendable	—	—	—	5,628	9,047	14,675
Higher education capital projects - expendable purposes	—	—	—	2,959	—	2,959
Higher education grants, gifts, and other	—	—	265,329	27,011	1,141	293,481
Unrestricted (deficits) *	(1,472,080)	—	419,219	156,123	139,801	(756,937)
Total net position	\$ (807,691)	\$ 1,903,430	\$ 3,043,972	\$ 862,047	\$ 1,120,033	\$ 6,121,791

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

* Unemployment Compensation Trust Fund Unrestricted deficit amount relates to the bond issuance.

(concluded)

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Fiscal Year Ended June 30, 2023

(Amounts in thousands)

	Unemployment Compensation Trust Fund	Family and Employment Security Trust Fund	University of Massachusetts	State Universities	Community Colleges (Nonmajor)	Total
Operating revenues:						
Unemployment compensation contribution	\$ 1,005,837	\$ —	\$ —	\$ —	\$ —	\$ 1,005,837
Unemployment special obligation bond assessment	766,166	—	—	—	—	766,166
Family and employment security contribution	—	916,906	—	—	—	916,906
Net tuition and fees	—	—	1,042,664	359,898	171,160	1,573,722
Grants and reimbursements	—	—	746,350	134,120	253,133	1,133,603
Auxiliary enterprises	—	—	475,591	139,506	4,167	619,264
Sales & services	—	—	485,718	123,777	1,474	610,969
Miscellaneous	23,728	—	121,654	11,529	15,362	172,273
Total operating revenues	1,795,731	916,906	2,871,977	768,830	445,296	6,798,740
Operating expenses:						
Unemployment compensation	1,788,427	—	—	—	—	1,788,427
Family and employment security	—	830,037	—	—	—	830,037
Instruction	—	—	996,803	323,209	312,499	1,632,511
Research	—	—	586,292	130	7	586,429
Academic support	—	—	222,169	105,603	107,080	434,852
Student services	—	—	240,039	121,093	143,854	504,986
Scholarships and fellowships	—	—	62,237	48,253	68,474	178,964
Public service	—	—	87,581	5,635	6,975	100,191
Operation and maintenance of plant	—	—	259,873	115,094	70,175	445,142
Institutional support	—	—	343,980	114,372	142,382	600,734
Other operating expenses	—	69,330	311,756	3,425	—	384,511
Depreciation	—	—	314,340	108,669	52,484	475,493
Amortization	—	—	30,532	65,586	14,443	110,561
Auxiliary operations	—	—	352,627	105,284	2,931	460,842
Total operating expenses	1,788,427	899,367	3,808,229	1,116,353	921,304	8,533,680
Operating income/(loss)	7,304	17,539	(936,252)	(347,523)	(476,008)	(1,734,940)
Nonoperating revenues/(expenses):						
Other federal revenues	28,899	—	106,789	11,582	51,257	198,527
Other revenues	—	—	238,844	35,437	—	274,281
Other expenses	(11,844)	—	(35,943)	(751)	(67,831)	(116,369)
Investment earnings	57,714	50,581	181,097	30,513	20,016	339,921
Interest expense	(89,406)	—	(129,132)	(79,841)	(4,244)	(302,623)
Total nonoperating revenues/(expenses)	(14,637)	50,581	361,655	(3,060)	(802)	393,737
Income/(loss) before capital contributions and transfers	(7,333)	68,120	(574,597)	(350,583)	(476,810)	(1,341,203)
Capital contributions	—	—	29,690	49,804	121,650	201,144
Transfers, net	96,809	(2,679)	840,927	449,395	543,681	1,928,133
Total capital contributions and transfers	96,809	(2,679)	870,617	499,199	665,331	2,129,277
Change in net position	89,476	65,441	296,020	148,616	188,521	788,074
Net position - beginning	(897,167)	1,837,989	2,747,952	713,431	931,512	5,333,717
Net position - ending	\$ (807,691)	\$ 1,903,430	\$ 3,043,972	\$ 862,047	\$ 1,120,033	\$ 6,121,791

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

Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2023
(Amounts in thousands)

	Unemployment Compensation Trust Fund	Family and Employment Security Trust Fund	University of Massachusetts	State Universities	Community Colleges (Nonmajor)	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Collection of unemployment contributions	\$ 1,086,940	\$ —	\$ —	\$ —	\$ —	\$ 1,086,940
Collection of unemployment obligation assessment	629,513	—	—	—	—	629,513
Collection of family and employment security contributions	—	933,988	—	—	—	933,988
Tuition, residence, dining and other student fees	—	—	1,137,320	367,354	172,294	1,676,968
Research grants and contracts	—	—	764,887	138,198	253,447	1,156,532
Payments to suppliers	—	(70,295)	(1,100,129)	(272,807)	(162,050)	(1,605,281)
Payments to employees	—	(6,137)	(2,488,350)	(532,962)	(526,372)	(3,553,821)
Payments to students	—	—	(96,537)	(37,948)	(68,470)	(202,955)
Payments for unemployment benefits	(1,801,392)	—	—	—	—	(1,801,392)
Payments for family and employment security benefits	—	(834,937)	—	—	—	(834,937)
Collection of loans to students and employees	—	—	2,704	2,100	—	4,804
Income from contract services	—	—	503,940	96,200	1,620	601,760
Maintenance costs	—	—	—	(1,654)	—	(1,654)
Auxiliary enterprise charges	—	—	475,471	99,359	139	574,969
Other receipts/(payments)	73,488	—	(700,937)	(432,866)	(520,500)	(1,580,815)
Net cash provided by/(used in) operating activities	(11,451)	22,619	(1,501,631)	(575,026)	(849,892)	(2,915,381)
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES						
State appropriations	—	—	1,011,360	342,206	345,045	1,698,611
Grants and contracts	37,249	—	152,126	16,945	66,082	272,402
Proceeds from debt issuance	2,670,245	—	—	—	—	2,670,245
Bond issuance costs	(1,109)	—	—	—	—	(1,109)
Principal paid on loan payable	(1,768,015)	—	—	—	—	(1,768,015)
Interest paid on bond & loan payable	(71,607)	—	—	—	—	(71,607)
Transfers in	67,499	—	936,937	477,539	566,907	2,048,882
Transfers out	—	(2,679)	(96,010)	(28,144)	(23,226)	(150,059)
Assignment of Perkins loans	—	—	—	(645)	—	(645)
Net cash provided by/(used in) non-capital financing activities	934,262	(2,679)	2,004,413	807,901	954,808	4,698,705
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital appropriations	—	—	29,690	18,018	7,047	54,755
Purchases of capital assets	—	—	(444,906)	(90,402)	(53,761)	(589,069)
Proceeds/(loss) from sales of capital assets	—	—	1,136	—	—	1,136
Proceeds from debt issuance	—	—	17,250	—	—	17,250
Other capital asset activity	—	—	20,862	4,424	—	25,286
Advance payment related to service concession arrangement	—	—	—	5,739	—	5,739
Principal paid on capital debt and leases	—	—	(123,523)	(103,368)	(17,803)	(244,694)
Interest paid on capital debt and leases	—	—	(155,939)	(86,192)	(4,020)	(246,151)
Net cash provided by/(used in) capital financing activities	—	—	(655,430)	(251,781)	(68,537)	(975,748)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sales and maturities of investments	—	—	2,282,738	173,453	22,459	2,478,650
Purchases of investments	—	—	(2,393,907)	(159,333)	(69,634)	(2,622,874)
Investment earnings	57,714	50,581	62,974	16,909	5,011	193,189
Net cash provided by/(used in) investing activities	57,714	50,581	(48,195)	31,029	(42,164)	48,965
Net increase/(decrease) in cash and cash equivalents	980,525	70,521	(200,843)	12,123	(5,785)	856,541
Cash and cash equivalents, restricted cash and cash equivalents at the beginning of the fiscal year	3,281,894	1,628,357	750,059	459,772	277,288	6,397,370
Cash and cash equivalents, restricted cash and cash equivalents at the end of the fiscal year	\$ 4,262,419	\$ 1,698,878	\$ 549,216	\$ 471,895	\$ 271,503	\$ 7,253,911
Reconciliation of net operating revenues and expenses to cash used by operating activities:						
Operating income/(loss)	\$ 7,304	\$ 17,539	\$ (936,252)	\$ (347,523)	\$ (476,008)	\$ (1,734,940)
Adjustments to reconcile operating income/(loss) to net cash provided by/(used in) operating activities:						
Depreciation expense	—	—	314,340	108,669	52,484	475,493
Amortization expense	—	—	30,532	65,586	14,443	110,561
Fringe benefits paid by the Commonwealth	—	—	—	116,063	125,450	241,513
Changes in assets and liabilities:						
Accounts receivable, prepaids and other assets	(55,060)	(162)	(818,635)	(448,175)	(556,741)	(1,878,773)
Accounts payable, accrued liabilities and benefits	36,305	5,242	(36,885)	695	16,364	21,721
Student deposits and other unearned and deferred revenues	—	—	29,137	(18,451)	12,822	23,508
Other noncurrent assets - restricted and liabilities	—	—	(83,868)	(51,890)	(38,706)	(174,464)
Net cash provided by/(used in) operating activities	\$ (11,451)	\$ 22,619	\$ (1,501,631)	\$ (575,026)	\$ (849,892)	\$ (2,915,381)

Non-cash investing, capital and financing activities:

The University System, the State Universities and Community Colleges had \$103.2 million, \$220.7 million and \$268.9 million, respectively, of non-cash activities.

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

**Dinosaur Track (ichnite),
Official State Fossil of Massachusetts**



Fiduciary Fund Financial Statements

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2023

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Custodial Funds
ASSETS				
Cash and cash equivalents	\$ 435,347	\$ 7,829,072	\$ 1,158	\$ 752,234
Short-term investments	—	27,202	—	—
Net investment in PRIT at fair value	74,018,365	22,535,507	—	—
Investments, restricted investments	—	—	—	483,629
Receivables, net of allowance for uncollectibles:				
Taxes	—	—	—	45,805
Other receivables	257,421	24,101	—	149,819
Due from federal government	—	—	—	1,605
Other assets	378	—	—	—
Total assets	74,711,511	30,415,882	1,158	1,433,092
LIABILITIES				
Accounts payable and other accrued liabilities	63,430	32,414	—	7,477
Due to cities and towns	—	—	—	117,369
Due to federal government	—	—	—	1
Other liabilities	—	—	—	6,559
Total liabilities	63,430	32,414	—	131,406
NET POSITION				
Restricted for:				
Employees' pension	72,381,239	—	—	—
Employees' post-employment benefits	2,266,842	—	—	—
External investment trust fund participants	—	30,383,468	—	—
Individuals, organizations, and other governments	—	—	1,158	1,301,686
Total net position	\$ 74,648,081	\$ 30,383,468	\$ 1,158	\$ 1,301,686

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, 2023

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS				
Contributions:				
Employer contributions - Commonwealth	\$ 2,021,601	\$ —	\$ —	\$ —
Non-employer contributions - Commonwealth	2,212,498	—	—	—
Employer contributions - other employers	13,764	—	—	—
Employee contributions	1,666,311	—	—	—
ERIP funding contribution - Commonwealth	28,449	—	—	—
Boston teachers' contribution from Commonwealth	196,833	—	—	—
Proceeds from sale of units	—	23,530,155	—	—
Sales tax collections for other governments	—	—	—	666,643
Child support collections	—	—	—	611,875
Local school aid collections	—	—	—	998,656
Municipal health insurance deposit collections	—	—	—	803,244
Court escrow account collections	—	—	—	122,405
ARPA local pass-through collections	—	—	—	472,872
Other additions	253,341	1,358,328	—	378,174
Total contributions	6,392,797	24,888,483	—	4,053,869
Net investment gain/(loss):				
Investment gain/(loss)	4,373,946	1,764,722	20	(4,269)
Less: investment expense	(349,101)	(354,524)	—	—
Net investment gain/(loss)	4,024,845	1,410,198	20	(4,269)
Total additions	10,417,642	26,298,681	20	4,049,600
DEDUCTIONS				
Administration	37,698	—	—	—
Retirement benefits and refunds	6,917,378	1,519,387	—	—
Payments to State Boston Retirement System	196,833	—	—	—
Cost of units redeemed	—	22,280,779	—	—
Distribution to unit holders	—	304,319	—	—
Sales tax payments to other governments	—	—	—	666,644
Child support payments to individuals	—	—	—	629,407
Local school aid payments	—	—	—	998,656
Municipal health insurance deposit payments	—	—	—	763,173
Court escrow account payments	—	—	—	120,953
ARPA local pass-through payments	—	—	—	472,872
Other deductions	122,023	—	100	351,207
Total deductions	7,273,932	24,104,485	100	4,002,912
Change in net position	3,143,710	2,194,196	(80)	46,688
Net position - beginning	71,504,371	28,189,272	1,238	1,254,998
Net position - ending	\$ 74,648,081	\$ 30,383,468	\$ 1,158	\$ 1,301,686

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

Cranberry Juice,
Official State Beverage of Massachusetts



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

Statement of Net Position
Discretely Presented Component Units
June 30, 2023
(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	\$ 142,027	\$ 654,290	\$ 118,398	\$ 1,315,598	\$ 286,078	\$ 2,516,391
Short-term investments	—	357,545	—	211,334	228,161	797,040
Restricted cash and investments	1,713,479	409,536	—	—	848,586	2,971,601
Assets held in trust	—	—	—	39,006	54,937	93,943
Receivables, net of allowance for uncollectibles:						
Federal grants and reimbursement receivable	61,206	12,232	—	226,165	2,903	302,506
Loans	—	—	—	599,097	61,769	660,866
Lease receivables	45,646	4,324	—	—	15,692	65,662
Other receivables	226,593	99,253	8,269	38,593	82,600	455,308
Due from primary government	466,720	143,096	8,081	—	41,593	659,490
Inventory	—	71,112	—	—	165	71,277
Other current assets	12,008	17,330	2,651	—	16,177	48,166
Total current assets	2,667,679	1,768,718	137,399	2,429,793	1,638,661	8,642,250
Noncurrent assets:						
Cash and cash equivalents - restricted	—	700,189	—	—	47,691	747,880
Long-term investments	—	—	—	358,029	1,321,824	1,679,853
Restricted investments and annuity contracts	—	—	—	—	46,830	46,830
Lease receivables	340,757	116,761	—	—	65,184	522,702
Other receivables, net	24,329	—	—	—	26,876	51,205
Loans receivables, net	—	—	—	3,492,657	638,109	4,130,766
Due from primary government	7,042	—	—	—	—	7,042
Non-depreciable capital assets	12,474,926	5,064,894	—	—	267,574	17,807,394
Depreciable capital and right-to-use assets, net	14,511,610	10,702,500	14,097	—	766,134	25,994,341
Other noncurrent assets	382	—	—	3,028	13,233	16,643
Total noncurrent assets	27,359,046	16,584,344	14,097	3,853,714	3,193,455	51,004,656
Total assets	30,026,725	18,353,062	151,496	6,283,507	4,832,116	59,646,906
Deferred outflows of resources:						
Change in fair value of interest rate swaps	—	3,373	—	—	14,006	17,379
Loss on refunding	52,590	99,074	—	5,279	—	156,943
Deferred outflows from leases	2,049	—	—	—	—	2,049
Pension and OPEB	296,119	510,284	3,654	—	8,865	818,922
Total deferred outflows of resources	350,758	612,731	3,654	5,279	22,871	995,293
Total assets and deferred outflows	30,377,483	18,965,793	155,150	6,288,786	4,854,987	60,642,199
LIABILITIES AND DEFERRED INFLOWS						
Current liabilities:						
Accounts payable and other liabilities	646,052	487,105	16,224	64,012	119,425	1,332,818
Accrued payroll	—	58,901	336	—	3,023	62,260
Compensated absences	38,692	—	800	—	3,913	43,405
Accrued interest payable	25,311	107,639	—	52,543	2,195	187,688
Due to primary government	—	—	—	—	14,498	14,498
Unearned revenue	212,793	—	54,761	81,279	298,462	647,295
Right-to-use asset liabilities	12,091	7,326	832	—	7,273	27,522
Bonds, notes payable and other obligations	131,341	399,166	—	213,705	36,320	780,532
Total current liabilities	1,066,280	1,060,137	72,953	411,539	485,109	3,096,018
Noncurrent liabilities:						
Compensated absences	25,133	—	—	—	1,272	26,405
Accrued interest payable	139,642	—	—	—	—	139,642
Due to primary government	—	—	—	—	24,773	24,773
Unearned revenue	1,957	66,516	—	—	605	69,078
Right-to-use asset liabilities	44,031	99,350	1,864	—	54,683	199,928
Bonds, notes payable and other obligations	1,601,441	5,593,458	—	2,376,421	603,976	10,175,296
Net pension liability	706,157	1,682,895	—	—	35,985	2,425,037
Net OPEB liability	717,886	1,878,657	9,968	—	4,050	2,610,561
Liability for derivative instruments	18,645	3,373	—	—	—	22,018
Other noncurrent liabilities	44,696	104,334	—	—	176,944	325,974
Total noncurrent liabilities	3,299,588	9,428,583	11,832	2,376,421	902,288	16,018,712
Total liabilities	4,365,868	10,488,720	84,785	2,787,960	1,387,397	19,114,730
Deferred inflows of resources:						
Gain on refundings	—	—	—	254	—	254
Service concession arrangements	—	—	—	—	108	108
Pension and OPEB	403,883	759,596	7,268	—	6,336	1,177,083
Deferred inflows related to Leases	374,916	114,330	—	—	75,474	564,720
Deferred inflows to Others	15,270	—	—	—	—	15,270
Total deferred inflows of resources	794,069	873,926	7,268	254	81,918	1,757,435
Total liabilities and deferred inflows	5,159,937	11,362,646	92,053	2,788,214	1,469,315	20,872,165
NET POSITION						
Net investment/(deficit) in capital assets	25,486,557	10,634,606	14,097	—	909,275	37,044,535
Restricted for:						
Other purposes	1,237,879	31,054	—	2,779,169	1,893,154	5,941,256
Unrestricted	(1,506,890)	(3,062,513)	49,000	721,403	583,243	(3,215,757)
Total net position	\$ 25,217,546	\$ 7,603,147	\$ 63,097	\$ 3,500,572	\$ 3,385,672	\$ 39,770,034

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, 2023

(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	\$ 944,244	\$ 376,357	\$ 724,135	\$ 5,260	\$ 444,242	\$ 2,494,238
Other	—	76,616	1	193,412	117,062	387,091
Total operating revenues	944,244	452,973	724,136	198,672	561,304	2,881,329
Operating expenses:						
Cost of services	2,968,688	822,671	683,378	197,476	326,539	4,998,752
Administration costs	—	968,312	79,034	3,905	201,695	1,252,946
Depreciation & Amortization	781,179	562,247	5,396	—	65,718	1,414,540
Total operating expenses	3,749,867	2,353,230	767,808	201,381	593,952	7,666,238
Operating income/(loss)	(2,805,623)	(1,900,257)	(43,672)	(2,709)	(32,648)	(4,784,909)
Nonoperating revenues/(expenses):						
Net decrease in fair value of investments	—	—	—	—	(2,458)	(2,458)
Operating grants	1,063,374	194,079	47,372	—	195,126	1,499,951
Interest income	8,377	82,238	2,606	—	153,904	247,125
Other nonoperating revenue/(expense)	—	1,536,263	283	—	(29,488)	1,507,058
Nonoperating revenues/(expenses), net	1,071,751	1,812,580	50,261	—	317,084	3,251,676
Income/(loss) before contributions	(1,733,872)	(87,677)	6,589	(2,709)	284,436	(1,533,233)
Capital contributions	2,102,010	1,008,130	—	406,681	55,863	3,572,684
Change in net position	368,138	920,453	6,589	403,972	340,299	2,039,451
Net position - beginning, as restated *	24,849,408	6,682,694	56,508	3,096,600	3,045,373	37,730,583
Net position - ending	\$ 25,217,546	\$ 7,603,147	\$ 63,097	\$ 3,500,572	\$ 3,385,672	\$ 39,770,034

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

* As restated, see note 1T on pages 83-84



Garter Snake (*thamnophis sirtalis*),
Official State Reptile of Massachusetts

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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 \$22.536 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 \$7.848 billion at June 30, 2023, 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 major component units are as follows:

Major component units:

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

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 parties for goods or services. In these services, debt may be issued backed solely by these fees and charges.

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

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

The Commonwealth reports the following fund types:

Governmental Fund Types:

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

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

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

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

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

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

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

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

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:

The proprietary funds include the following major funds:

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

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

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

Fiduciary Fund Types:

Pension and Other Employee Benefit (OPEB) Trust Funds report resources that are required to be held in trust for the members and beneficiaries of the Commonwealth's pension and OPEB benefit plans. These funds recognize employer contributions when legally due and employee contributions in the period when due. Further information on the significant accounting policies for pension and OPEB benefit trust funds may be found in [Notes 9 and 10](#) to the basic financial statements on [pages 111-129](#).

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, 2023, 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 FY23 governmental fund balances are shown below (amounts in thousands);

	Nonspendable Purposes	Restricted Purposes	Committed Purposes	Assigned Purposes	Unassigned Purposes	Totals
General Fund						
General Government	\$ —	\$ —	\$ —	\$ —	\$ 3,182,298	\$ 3,182,298
Stabilization Fund	—	—	8,036,051	—	—	8,036,051
FY23 Authorizations Reappropriated in FY24	—	—	—	2,322,991	—	2,322,991
Transitional Escrow Fund	—	—	—	—	1,073,507	1,073,507
Subtotals, General Fund	—	—	8,036,051	2,322,991	4,255,805	14,614,847
Lottery Funds						
Investments, Restricted Investments, Annuity Contracts and Lottery Operations	526,385	—	—	826	—	527,211
Massachusetts School Building Authority (MSBA)						
Debt Service	—	637,306	—	—	—	637,306
OPEB	—	2,093	—	—	—	2,093
Grants to Cities, Towns and Local School Districts	—	—	—	1,198,152	—	1,198,152
Subtotals, MSBA	—	639,399	—	1,198,152	—	1,837,551
Federal Grants						
Restricted by Federal Grantors	—	100,302	—	—	—	100,302
Other Governmental Funds						
Environmental	—	—	23,379	—	—	23,379
Regional Greenhouse Gas Auction and Mitigation	—	—	274,446	—	—	274,446
Dam and Seawall Repair	—	—	21,267	—	—	21,267
Public Safety - Enhanced 911 Services	—	—	267,272	—	—	267,272
Public Safety - Other	—	—	29,120	—	—	29,120
Health Care	—	—	970,753	—	—	970,753
Vaccine Purchase	—	—	92,013	—	—	92,013
Opioid Recovery and Remediation	—	—	104,204	—	—	104,204
Marijuana Regulation	—	—	14,408	—	—	14,408
Workforce Training	—	—	29,632	—	—	29,632
Department of Industrial Accidents	—	—	27,505	—	—	27,505
Convention Centers	—	8,393	462,549	—	—	470,942
General Government Capital Projects Fund	—	—	—	—	(1,675,827)	(1,675,827)
Highway Capital Projects Fund	—	—	—	—	(1,759,008)	(1,759,008)
General Government Debt Service	—	12,036	25,457	—	—	37,493
Transportation (GANS*/Commonwealth Transportation Fund)	—	16,644	106,816	—	—	123,460
Gaming -- Community Mitigation	—	—	52,882	—	—	52,882
Race Horse Development	—	—	22,852	—	—	22,852
Housing Preservation	—	—	79,878	—	—	79,878
Expendable Trusts	—	147,991	508,351	138,865	—	795,207
Student Opportunity Act Investment Fund	—	—	500,000	—	—	500,000
Behavioral Health Funds	—	—	240,116	—	—	240,116
Education and Transportation Fund	—	—	241,987	—	—	241,987
Population Health Investment Trust Fund	—	—	73,842	—	—	73,842
Debt and Long-Term Liability Reduction Trust Fund	—	—	25,457	—	—	25,457
High-Quality Early Education & Care Affordability Trust Fund	—	—	490,000	—	—	490,000
Other	—	—	401,116	6,712	(50,785)	357,043
Subtotals, Other Governmental Funds	—	185,064	5,085,302	145,577	(3,485,620)	1,930,323
Totals	\$ 526,385	\$ 924,765	\$ 13,121,353	\$ 3,667,546	\$ 770,185	\$ 19,010,234

*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 [111](#).

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 FY23, 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 FY23 with a balance of \$8.036 billion, an increase of \$1.098 billion from FY22. For the fiscal year ending June 30, 2023, the Stabilization Fund's balance increased by \$750 million from capital gains tax revenue transfer, \$265 million from investment income, due to a mark-to-market loss in the value of the Fund's short-term bond fund, \$56 million abandoned property transfer, approximately \$154 thousand in statutorily mandated deposits of withholding taxes on certain Lottery proceeds, and increased \$26 million from gaming tax revenue. In accordance with GASB 54 requirements, balances in the Stabilization Fund are classified as committed.

Fiscal Year-End

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

Program Revenue

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

Operating and non-operating revenues and expenses

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

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

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

The Office of the Treasurer and Receiver-General (Treasury) manages the Commonwealth's short-term external mixed investment pool, the Massachusetts Municipal Depository Trust (MMDT), which is comprised of two portfolios: a Cash Portfolio and a Short Term Bond Portfolio. The Cash Portfolio is a money-market-like investment pool; its investments are carried at amortized cost. As of June 30, 2023, 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, 2023, the MMDT's entire bond fund is included as short-term investments in the accompanying financial statements.

Investors in MMDT are not allowed to overdraw their shares. For a complete copy of MMDT's separately issued financial statements, please contact the Office of the State Treasurer's Cash Management Department, at (617) 367-9333 or download the statements from the Cash Management section of the Office of the State Treasurer's

website at www.mass.gov/treasury. Massachusetts General Law Chapter 29, Section 38 enumerates the Commonwealth's investment policy for non-pension assets.

The post-employment and OPEB benefit trust funds invest in the Pension Reserves Investment Trust (PRIT) Fund, a diversified external investment pool managed by the Pension Reserves Investment Management (PRIM) Board and are reported at fair value in the accompanying financial statements. The State Employees' Retirement System, the Teachers' Public Employee Retirement Systems (PERS) and the State Retirees' Benefit Trust (SRBT) are required to invest in the PRIT Fund and comprise approximately 36.4%, 38.1% and 2.2% 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, 2023, the Commonwealth had no plans or intentions to sell investments at amounts different from NAV.

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

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

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

E. RECEIVABLES AND UNEARNED REVENUE

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

Reimbursements due to the Commonwealth for its expenditures on federally-funded-reimbursement and grant programs are reported as "Federal grants and reimbursements" 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 FY23 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 \$91 million, representing 50% of the amounts expected to be received during FY23. As of June 30, 2023, the Commonwealth has recognized a receivable for opioid settlements entered into to date totaling \$258 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, 2023 were \$56 million, of which \$6 million is due in FY23. During FY23, 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 to use assets

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

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

H. INTERFUND / INTRAFUND TRANSACTIONS

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

I. STATEWIDE COST ALLOCATION PLAN – FRINGE BENEFIT COST RECOVERY

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

J. SCHOOL CONSTRUCTION GRANTS, CONTRACT ASSISTANCE AND OTHER PAYABLES

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. As of June 30, 2023, the liability for prior grant projects has been fully paid.

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, 2023, the liability outstanding for Waiting List projects under the lump sum method is \$5 million.

New Program - The MSBA funds New Program projects on a progress payment basis. Under this process, communities may submit reimbursement requests no more frequently than once per month. Upon review, audit, and approval, the MSBA processes payment for its share of eligible costs incurred. The MSBA's share of costs incurred for New Program projects are recognized as eligible project costs are incurred and measurable. Final project hold back payments subject to final audit and Board approval after year end are estimated to be \$43 million and are recognized in grants payable. As of June 30, 2023, there are \$1.7 billion of commitments outstanding for the New Program projects that will be recognized as expense when eligible costs are incurred and measurable.

For all projects, 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.

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 \$174 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 \$747 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, 2023 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 FY23, approximately \$1.420 billion and \$1.265 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, 2023, taxes within the Convention Center districts support approximately \$426 million of outstanding principal and approximately \$153 million of interest on debts related to these Convention Centers. Taxes collected in FY23 were approximately \$204 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 FY23, approximately \$555 million in motor vehicle sales tax revenue was transferred to MassDOT. From the Commonwealth Transportation Fund, \$299 million was dedicated to funding the operations of the MBTA while an additional \$97 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 receive benefits and to pay the administrative costs of the department under Section 7 of Chapter 175M of the Massachusetts General Laws.

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

"Higher education" – identifies amounts solely for expendable and nonexpendable endowment, 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 Commonwealth enters into service concession agreements for the operation of certain skating rinks. In exchange for these agreements, the operators provide maintenance on the facilities as well as revenue sharing arrangements. Any improvements and equipment remains the property of the Commonwealth. The contracts range

from 20 to 25 years in duration and remit 1-3% of revenue to the Commonwealth. All facilities are fully depreciated on the Commonwealth's books. For the year ended June 30, 2023, approximately \$323,000 in shared revenue was remitted to the Commonwealth.

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, 2023 (amounts in thousands):

State Universities	\$	19,362
Community Colleges (Nonmajor)		<u>75</u>
Total	\$	<u><u>19,437</u></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.

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

R. ESTIMATES

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

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

S. PENSIONS AND OPEB

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

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

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

T. SIGNIFICANT NEW ACCOUNTING PRONOUNCEMENTS/PRIOR PERIOD ADJUSTMENTS

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

GASB Statement No. 91, *Conduit Debt Obligations*. The requirements of this Statement took effect for financial statements starting with the fiscal year ending on or after December 31, 2022. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations, and improves required note disclosures.

The Commonwealth does not engage in debt instruments that meet all the requirements of a conduit debt obligation. This pronouncement has no impact on the Commonwealth of Massachusetts.

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.

The Commonwealth adopted the requirements of GASB 94 effective July 1, 2022, and has applied the provisions of this standard in the financial statements. The implementation of this standard has no impact on either the previously reported net position for governmental activities, nor on the previously reported net position for business-type activities and discretely presented component units.

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.

The Commonwealth adopted the requirements of GASB 96 effective July 1, 2022, and has applied the provisions of this standard in these financial statements, including footnote disclosure, see [Note 5](#), and [Note 11C](#). The implementation of this standard has no impact on the previously reported net position for governmental activities, business-type activities and discretely presented component units.

GASB Statement No. 99, *Omnibus 2022*. The requirements related to leases, PPPs, and SBITAs take effect for financial statements starting with the fiscal year that ends June 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 will take effect for financial statements starting with the fiscal year that ends June 30, 2024.

The Commonwealth adopted the paragraphs related to leases, PPPs, and SBITAs effective July 1, 2022 and has applied the provisions in these financial statements. Implementation of the remainder of GASB 99 is planned for Commonwealth fiscal year 2024.

The following details the cumulative effect of the prior period adjustment of GASB implementation and the correction of error related grant account receivable and payable recognition (amounts in thousands):

	<u>Governmental Fund</u>		<u>Governmental activities</u>		
	Massachusetts School Building Authority		Total		
Fund balance / net position as of June 30, 2022 as previously reported	\$	1,912,547	\$	(72,757,543)	
Correction of error related to revenues and expenditures / expenses recognition		(208,583)		(96,743)	
Fund balance / net position as of July 1, 2022, as adjusted	\$	<u>1,703,964</u>	\$	<u>(72,854,286)</u>	
Discretely presented component units					
	<u>Massachusetts Clean Water Trust</u>		<u>Nonmajor Component Units</u>		<u>Aggregate Discretely Presented Component Units</u>
Net position as of June 30, 2022 as previously reported	\$	2,978,080	\$	3,038,918	\$ 37,605,608
Correction of error related to revenues and expenses recognition ...		118,520		6,455	124,975
Net position as of July 1, 2022, as adjusted	\$	<u>3,096,600</u>	\$	<u>3,045,373</u>	<u>\$ 37,730,583</u>

The GASB has issued the following statements:

1. GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2024.
2. GASB Statement No. 101, *Compensated Absences* - The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2025.
3. GASB Statement No. 102, *Certain Risk Disclosures* - The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2025.

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

2. DEPOSITS, SHORT-TERM INVESTMENTS AND INVESTMENTS

Primary Government

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

	Governmental Activities	Business-Type Activities	Government Wide Total	Fiduciary Funds
Cash	\$ 505,303	\$ 4,748,869 (1)	\$ 5,254,172	\$ 1,105,889
MMDT - cash fund	18,508,657	1,840,653 (1)	20,349,310	7,911,922
Restricted cash with fiscal agent	451,264	664,389	1,115,653	—
Total	<u>\$ 19,465,224</u>	<u>\$ 7,253,911</u>	<u>\$ 26,719,135</u>	<u>\$ 9,017,811</u>

(1) of which \$398,686 (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, 2023, the amortized cost of annuities was approximately \$79 million. At June 30, 2023, the U.S Treasury Strips have a fair value of approximately \$447 million. Approximately 85.0% of these amounts are held in United States Treasury strips at a custodial bank. No insurance company has an amount of annuities over 7.0% 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, 2023, the MSBA held the following deposits and investments which are a component of Governmental Activities above (amounts in thousands):

Cash and cash equivalents	\$ 914,066
Restricted investments	<u>1,023,496</u>
Total	<u>\$ 1,937,562</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, 2023, the bank balances of uninsured and uncollateralized deposits exposed to custodial credit risk totaled \$142 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, 2023, 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, 2023, the Cash Portfolio's securities had a weighted average maturity of 33 days and a weighted average life of 74 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, 2023 duration was 2.66 years. At June 30, 2023, investments in the MMDT Short Term Bond Portfolio had a total net position of \$782 million with investment maturities ranging from less than one year to ten years. At June 30, 2023, 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	24.3 %
One to five years	67.8 %
Six to ten years	6.6 %
Cash equivalents	0.8 %
Other assets and liabilities, net ...	0.5 %
Total	<u>100.0 %</u>

Interest Rate Risk – Higher Education

As of June 30, 2023, the Institutions of Higher Education had debt investments stated at fair value of approximately \$866 million and had investment maturities ranging from less than one year to more than ten years, with 16.7% of the investment's fair values maturing in less than 1 year, 72.1% maturing in one to five years, 8.2% maturing in six to ten years, and 3.0% maturing in more than ten years.

Interest Rate Risk - MSBA

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

As of June 30, 2023, the MSBA had approximately \$647 million invested in U.S. Treasury Bonds and approximately \$184 million invested in Federal Home Loan Bank Securities. These investments are included in restricted investments on the balance sheet. The U. S. Treasury Bonds mature from May 2027 to February 2045. These investments represent approximately 54% 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, 2023, these investments had a fair value of approximately \$484 million, with investment maturities ranging from less than one year to more than ten years. Of the total fair value, approximately 36.9% has maturities of less than one year, 42.3% from one to five years, 11.7% from six to ten years and 9.1% 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, 2023, the Cash Portfolio's securities were all rated as First Tier.

At June 30, 2023, the Short Term Bond Portfolio's follows:

Portfolio Composition	Percentage of Total Net Position
AAA.....	72.2 %
AA.....	2.0 %
A.....	9.9 %
BBB.....	14.6 %
Cash equivalents.....	0.8 %
Other assets and liabilities, net ...	0.5 %
Total.....	<u>100.0 %</u>

Credit Risk – Higher Education

For the Institutions of Higher Education presented in the Business-Type Activities, fair values of debt investments were \$391 million at AAA, \$205 million from AA+ to A- and \$270 million either unrated, BBB+ or less.

Credit Risk – MSBA

The MSBA's investment policy generally limits investments in fixed income products with institutions that have an investment grade rating as determined by one of the nationally recognized rating agencies. The MSBA's policy requires issuers of investment contracts to be rated AA or above by at least two of the nationally recognized rating agencies or A with pledged collateral equal to 102% of the principal balance.

Credit Risk – Custodial Funds

The custodial funds had debt investments with a fair value of \$484 million, of which \$312 million were in U.S Government securities, \$85 million were in money market securities, \$55 million were in state and local government securities, and \$32 million were in corporate debt securities.

Interest Rate Risk – PRIT Funds

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

The PRIM Board compares the effective duration of a manager's portfolio to their relevant benchmark including Bloomberg Aggregate Bond index, US Treasury STRIPS 20+ Year index, Bloomberg Treasury 1-3 Year index, Bloomberg US TIPS index, Bloomberg Inflation Linked Bonds index, Morningstar LSTA Leveraged Loan index, JP

Morgan Emerging Markets Bond index, and the Intercontinental Exchange Bank of America High Yield index. The PRIT Fund had fixed income and short-term investments totaling approximately \$25.2 billion at fair value with an effective weighted average duration range from 2.98 to 14.57 years at June 30, 2023.

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 at June 30, 2023 and June 30, 2022.

Credit ratings associated with the Commonwealth's investment in the PRIT Fund ranged from AAA to A- investments with a fair value of approximately \$2.873 billion, BBB+ to B- investments with a fair value of approximately \$3.577 billion, CCC+ to D investments with a fair value of approximately \$675 million, nonrated investments with a fair value of approximately \$9.740 billion, and the remaining \$8.446 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, 2023 were approximately \$244 million in cash and short-term investments, \$13.593 billion in equities, \$718 million in fixed income investments, \$602 million in portfolio completion strategies, \$1.900 billion in private equity investments and \$424 million in timberland investments. An additional \$3.491 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, 2023 and 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 Exchange Contracts - PRIT

PRIT enters into forward currency exchange contracts to hedge the exposure to changes in foreign currency exchange rates on foreign portfolio holdings. The fair value of the contracts will fluctuate with changes in currency

exchange rates. Risks may arise from the potential inability of counterparties to meet the terms of their contracts and from unanticipated movements in the value of a foreign currency relative to the U.S. dollar. The contracts are marked-to-market daily and the change in fair value is recorded as an unrealized gain or loss by PRIT. When a contract is closed, PRIT records a realized gain or loss equal to the difference between the cost of the contract at the time it was opened and the value at the time it was closed.

As of June 30, 2023, PRIT had open foreign exchange contracts with combined net unrealized loss of approximately \$20 million with various delivery dates.

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

Futures Contracts - PRIT

PRIT may purchase and sell financial futures contracts to hedge against changes in the values of securities the fund owns or expects to purchase. Upon entering such contracts, they must pledge to the broker an amount of cash or securities equal to a percentage of the contract amount. The potential risk is that the change in the value of futures contracts may not correspond to the change in the value of underlying instruments, which may not correspond to the change in value of the hedged instruments. In addition, there is a risk that PRIT may not be able to close out its future positions due to a non-liquid secondary market. Risks may also arise from the potential inability of a counterparty to meet the terms of a contract and from unanticipated movements in the value of a foreign currency relative to the U.S. dollar. PRIT may also invest in financial futures contracts for non-hedging purposes. Payments are made or received by PRIT each day, depending on the daily fluctuations in the value of the underlying security and are recorded as unrealized gains or losses. When the contracts are closed, the PRIT Fund recognizes a realized gain or loss.

PRIT held contracts outstanding at June 30, 2023 with various expirations from FY24 to FY27. 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, 2023 was approximately \$1.610 billion with a fair value of \$1.614 billion, yielding an unrealized net gain of approximately \$4 million.

Swaps – PRIT

PRIT has entered into swap agreements to gain exposure to certain markets and actively hedge other exposures to market and credit risk. The swap contracts are reported at fair value, which represents their estimated liquidation values on costs. PRIT either receives cash from the swap counterparties or pays the swap counterparties monthly depending on whether the fixed-rate interest is lower or higher than the variable-rate interest. Changes in fair value are included as part of investment income.

As of June 30, 2023, PRIT had contracts in effect with an aggregated notional amount of approximately \$28.500 billion to various investment banks that had maturity dates from FY24 to FY73. The contracts have an aggregate fair value loss of approximately \$72 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, 2023 were as follows (amounts in thousands):

Counterparty	Credit Ratings	Interest Rate Swaps		Credit Default Swaps		Total Return and Other Swaps	
		Gross Notional	Fair Value	Gross Notional	Fair Value	Gross Notional	Fair Value
Bank of America NA	A+	\$ —	\$ —	\$ 7,423	\$ (1,364)	\$ 150	\$ (73)
Barclays Bank PLC	A+	—	—	590,398	(5,104)	699	(96)
BNP Paribas SA	A+	43,119	—	86,085	(38,461)	—	—
Goldman Sachs & Co	A+	695,514	65,096	1,885,784	(29,460)	—	—
Goldman Sachs International	A+	—	—	93,572	(12,729)	1,454	153
JPMorgan Chase Bank NA	A+	273,187	(7,740)	19,005	(6,577)	221,036	8,873
JPMorgan Securities	A+	22,216,016	(2,518)	92,186	(8,950)	13,239	713
LCH Ltd	AA-	815,893	(6,299)	—	—	59,874	(28)
Morgan Stanley & Co LLC	A+	—	—	158,573	(21,724)	8,022	(213)
Morgan Stanley Capital Services	A+	—	—	144,669	(22,286)	—	—
SMBC Capital Markets Inc.	A+	250,000	16,551	—	—	—	—
All others	Various	640,171	787	146,290	873	37,273	(1,227)
Totals		<u>\$ 24,933,900</u>	<u>\$ 65,877</u>	<u>\$ 3,223,985</u>	<u>\$ (145,782)</u>	<u>\$ 341,747</u>	<u>\$ 8,102</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, 2023 (amounts in thousands):

<i>Primary government</i>	Total	Level		
		1	2	3
Debt securities:				
US Treasury and agency securities	\$ 1,615,321	\$ 697,904	\$ 917,417	\$ —
Municipal securities	34,410	25,736	8,674	—
Institutional money market funds	334,233	324,283	9,950	—
Corporate debt/bonds	247,257	15,249	232,007	1
Corporate stock	22,610	22,610	—	—
Asset backed securities	67,400	—	67,400	—
Registered investment companies	75,144	75,144	—	—
Mortgage backed securities	49,739	—	49,739	—
Other fixed income	149,826	148,875	951	—
Total debt securities	2,595,940	1,309,801	1,286,138	1
Equity securities	342,531	340,746	—	1,785
Investments measured at the Net Asset Value (NAV):				
Commonfund (pooled investment funds)	575,492			
Private equity	88,187			
Private debt	25,023			
Private real estate	7,224			
Other	8,049			
Total investments measured at the NAV	703,975			
Other investments at fair value:				
MMDT - bond fund	372,257			
Total other investments at fair value	372,257			
Subtotal investments at fair value	4,014,703	\$ 1,650,547	\$ 1,286,138	\$ 1,786
Other investments:				
MMDT	300,000			
Annuity contracts	79,170			
Certificates of deposit	11,105			
Total other investments	390,275			
Total investments - primary government	\$ 4,404,978			
Derivative instruments:				
Interest rate swaps (liabilities)	\$ 282	\$ —	\$ —	\$ 282

Included in the preceding schedule is approximately \$8 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 \$526 million as of June 30, 2023 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	\$ 311,734	\$ 311,734	\$ —	\$ —
Bonds	87,079	32,062	55,017	—
Total debt securities	398,813	343,796	55,017	—
Investments measured at the Net Asset Value (NAV):				
Mutual funds	84,816			
Other investments at fair value:				
MMDT - bond fund	27,202			
Net investment in PRIT	96,553,872			
Total other investments at fair value	96,581,074			
Total investments - fiduciary funds	\$ 97,064,703	\$ 343,796	\$ 55,017	\$ —

3. RECEIVABLES AND TAX ABATEMENTS

A. RECEIVABLES

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

<i>Primary Government</i>	Taxes	Federal Grants and Reimbursements	Loans	Leases	Other	Total
Governmental Activities:						
Gross receivables	\$ 7,033,960	\$ 2,135,455	\$ 158,044	\$ 71,137	\$ 2,193,507	\$ 11,592,103
Less: allowance for uncollectibles	(1,563,447)	(107,810)	—	—	(564,766)	(2,236,023)
Receivables, net allowance for uncollectibles ..	5,470,513	2,027,645	158,044	71,137	1,628,741	9,356,080
Less: current portion	(5,076,051)	(1,966,974)	(14,004)	(1,381)	(1,246,367)	(8,304,777)
Noncurrent receivables	\$ 394,462	\$ 60,671	\$ 144,040	\$ 69,756	\$ 382,374	\$ 1,051,303
Business-Type activities:						
Gross receivables	\$ —	\$ 36,330	\$ 23,617	\$ 1,273,249	\$ 2,524,136	\$ 3,857,332
Less: allowance for uncollectibles	—	(662)	(2,188)	—	(1,432,877)	(1,435,727)
Receivables, net allowance for uncollectibles ..	—	35,668	21,429	1,273,249	1,091,259	2,421,605
Less: current portion	—	(35,668)	(3,032)	(54,381)	(1,068,880)	(1,161,961)
Noncurrent receivables	\$ —	\$ —	\$ 18,397	\$ 1,218,868	\$ 22,379	\$ 1,259,644

B. TAX ABATEMENTS

As of June 30, 2023, 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 2023 (amounts in thousands):

	Total estimated revenue reduced by
Tax abatement program	
Economic Development Incentive Program (EDIP)	\$ 8,858 (1)
Life Sciences Tax Incentive Program	24,489 (2)
Film Tax Incentive Program:	
Film Tax Credit	100,481 (3)
Sales Tax Exemption	319 (4)
Total	<u>\$ 134,147</u>

Sources:

(1) Massachusetts Office of Business Development, credits approved in FY2023.

(2) <https://www.masslifesciences.com/healey-driscoll-administration-and-massachusetts-life-sciences-center-announce-24-4-million-job-creation-incentives-for-43-massachusetts-life-sciences-companies/>, incentives awarded in FY2023.

(3) Massachusetts Department of Revenue, film tax credits approved during FY2023.

(4) Massachusetts Department of Revenue, FY2024 Tax Expenditure Budget, sales tax exemption approved to motion picture production companies or to accredited film school students during FY2023 (<https://budget.digital.mass.gov/govbudget/fy24/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	Federal COVID-19 Response	Other Governmental Funds	Total
<u>Transfers in:</u>						
Debt service	\$ —	\$ —	\$ —	\$ —	\$ 2,587,468	\$ 2,587,468
Transfers in	2,306,889	—	5,680	—	2,682,630	4,995,199
Subtotal	2,306,889	—	5,680	—	5,270,098	7,582,667
<u>Transfers out:</u>						
Appropriations	(1,828,970)	—	(304)	—	(14,558)	(1,843,832)
Bond proceeds	—	—	—	—	(234,360)	(234,360)
Debt service	(1,349,722)	—	—	—	(1,237,746)	(2,587,468)
Transfers out	(1,435,152)	(1,308,341)	(128,023)	(245)	(1,973,379)	(4,845,140)
Subtotal	(4,613,844)	(1,308,341)	(128,327)	(245)	(3,460,043)	(9,510,800)
Total governmental funds	\$ (2,306,955)	\$ (1,308,341)	\$ (122,647)	\$ (245)	\$ 1,810,055	\$ (1,928,133)
<u>Proprietary funds:</u>						
	Unemployment Compensation Trust	Family and Employment Security Trust	University of Massachusetts	State Universities	Community Colleges (Nonmajor)	Total
<u>Transfers in:</u>						
Transfers in from governmental funds	\$ 96,809	\$ —	\$ 936,937	\$ 477,539	\$ 566,907	\$ 2,078,192
<u>Transfers out:</u>						
Transfers out to governmental funds	—	(2,679)	(96,010)	(28,144)	(23,226)	(150,059)
Total proprietary funds	\$ 96,809	\$ (2,679)	\$ 840,927	\$ 449,395	\$ 543,681	\$ 1,928,133
Net transfers in/(out) between funds						\$ —

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

Remaining receivables and payables between funds as of June 30, 2023 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, 2023. 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, 2023 (amounts in thousands):

Receivable Fund	Payable Fund	Amount
Governmental Funds:		
General	Non-major Governmental Funds	\$ 2,713,138
Non-major Governmental Funds	Non-major Governmental Funds	96,865
Total Governmental Funds		\$ 2,810,003

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, 2022 *	Increases	Decreases and Reclassifications	Ending Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 972,506	\$ 9,149	\$ (696)	\$ 980,959
Construction in process	975,386	270,990	(132,117)	1,114,259
Total capital assets not being depreciated	1,947,892	280,139	(132,813)	2,095,218
Capital assets being depreciated and amortized:				
Buildings	6,425,421	146,082	(3,538)	6,567,965
Machinery and equipment	1,824,248	138,347	(73,340)	1,889,255
Right-to-use lease assets	1,254,689	81,900	(17,341)	1,319,248
Right-to-use subscription (SBITAs) assets	—	69,866	—	69,866
Infrastructure non - central artery/tunnel project	456,544	977	—	457,521
Total capital assets being depreciated and amortized	9,960,902	437,172	(94,219)	10,303,855
Less, accumulated depreciation:				
Buildings	(3,776,438)	(110,982)	1,313	(3,886,107)
Machinery and equipment	(1,394,666)	(104,212)	14,076	(1,484,802)
Infrastructure non - central artery/tunnel project	(303,309)	(8,268)	—	(311,577)
Total accumulated depreciation	(5,474,413)	(223,462)	15,389	(5,682,486)
Less accumulated amortization:				
Right-to-use lease assets	(343,547)	(196,371)	17,341	(522,577)
Right-to-use subscription (SBITAs) assets	—	(25,908)	—	(25,908)
Total accumulated amortization	(343,547)	(222,279)	17,341	(548,485)
Total accumulated depreciation and amortization	(5,817,960)	(445,741)	32,730	(6,230,971)
Governmental activities capital assets, net	6,090,834	271,570	(194,302)	6,168,102
<i>Business - Type Activities</i>				
Capital assets not being depreciated or amortized:				
Land	249,435	656	(18,500)	231,591
Construction in process	617,141	604,584	(323,917)	897,808
Historical treasures	3,073	2	—	3,075
Total capital assets not being depreciated or amortized	869,649	605,242	(342,417)	1,132,474
Capital assets being depreciated and amortized:				
Buildings	12,419,091	402,377	(71,888)	12,749,580
Machinery and equipment *	1,234,987	70,249	(75,979)	1,229,257
Right-to-use lease assets *	1,341,839	28,200	(39,148)	1,330,891
Right-to-use subscription (SBITAs) assets *	65,160	26,924	(295)	91,789
Library collections, not including historical treasures	42,401	106	(7,295)	35,212
Total capital assets being depreciated and amortized	15,103,478	527,856	(194,605)	15,436,729
Less, accumulated depreciation:				
Buildings	(5,432,991)	(429,368)	47,856	(5,814,503)
Machinery and equipment	(1,027,592)	(42,084)	62,011	(1,007,665)
Library collections, not including historical treasures	(19,953)	(4,041)	3,582	(20,412)
Total accumulated depreciation	(6,480,536)	(475,493)	113,449	(6,842,580)
Less, accumulated amortization:				
Right-to-use lease assets *	(174,417)	(88,934)	27,170	(236,181)
Right-to-use subscription (SBITAs) assets *	(12,002)	(21,627)	580	(33,049)
Total accumulated amortization	(186,419)	(110,561)	27,750	(269,230)
Total accumulated depreciation and amortization	(6,666,955)	(586,054)	141,199	(7,111,810)
Business - type activities capital assets, net - as restated *	9,306,172	547,044	(395,823)	9,457,393
Total Primary Government capital assets, net	\$ 15,397,006	\$ 818,614	\$ (590,125)	\$ 15,625,495

* As restated, total net change to business-type capital assets is \$53 million.

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

<u>Function</u>	<u>Depreciation</u>	<u>Amortization</u>
General government	\$ 98,114	\$ 57,712
Judiciary	24,519	43,084
Energy and environmental affairs	—	11,085
Health and human services	22,197	67,209
Early elementary and secondary education	12,633	7,035
Public safety and security	65,006	19,977
Housing and economic development	43	9,169
Labor and workforce development	950	7,008
Total, governmental activities	<u>\$ 223,462</u>	<u>\$ 222,279</u>
University of Massachusetts	\$ 314,340	\$ 30,532
State universities	108,669	65,586
Community colleges (Nonmajor)	52,484	14,443
Total, business-type activities	<u>\$ 475,493</u>	<u>\$ 110,561</u>

6. SHORT-TERM FINANCING AND CREDIT AGREEMENTS

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

A. GENERAL FUND

In order to manage cash flows through the COVID-19 pandemic, the Commonwealth obtained a line of credit in the aggregate principal amount of \$1.750 billion from a syndicate of banks. As of February 17, 2021, the line of credit was reduced to the principal amount of \$500 million. In May 2023, the line of credit was amended to change the interest rate index from LIBOR to Secured Overnight Financing Rate (SOFR) in anticipation of the expiration of LIBOR at the end of June. In addition, the maturity of the line was extended to May 1, 2026. As of June 30, 2023, the Commonwealth did not draw on the line of credit.

B. CREDIT FACILITIES

Effective July 28, 2022, the Commonwealth executed \$200 million of directly placed bond anticipation notes with RBC Capital Markets, LLC under its note purchase agreement to refund the Series 2014D-2 Bonds, which had a mandatory tender date of August 1, 2022. On October 25, 2023, the Commonwealth issued its 2023A Refunding Bonds for the purpose of refunding these bond anticipation notes. It is currently anticipated that these bond anticipation notes were redeemed on January 22, 2024.

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, 2023, 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.....	\$ 27,467,329
General obligation bonds - direct placement, net proceeds.....	677,180
Special obligation bonds (including GANs) - public offering, net proceeds.....	4,843,177
MSBA bonds, - public offering, net proceeds.....	5,915,372
Outstanding governmental activities, net proceeds.....	38,903,058
Less:	
Unamortized premiums on general obligation bonds - public offering*.....	(2,875,799)
Unamortized premiums on special obligation bonds.....	(591,027)
Unamortized premiums on MSBA bonds.....	(294,977)
Total governmental activities, principal.....	\$ 35,141,255

* - As of June 30, 2023, 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, 2023, 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, 2023, (amounts in thousands):

General Obligation Bonds	Principal Outstanding	Percent of Total GO
Fixed rate bonds.....	\$ 24,301,454	96.2 %
Variable rate bonds.....	967,256	3.8 %
Total.....	<u>\$ 25,268,710</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
Direct purchase bonds.....	677,180	2.7 %
LIBOR index bonds.....	\$ 132,395	0.5 %
College opportunity bonds.....	157,681	0.6 %
Total.....	<u>\$ 967,256</u>	<u>3.8 %</u>

The following is a table of SO bond principal, by rate structure, outstanding as of June 30, 2023, (amounts in thousands):

<u>Special Obligation Bonds</u>	<u>Principal Outstanding</u>	<u>Percent of Total SO</u>
Fixed rate bonds	\$ 4,252,150	100.0 %
Total	<u>\$ 4,252,150</u>	<u>100.0 %</u>

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

<u>Special Obligation Bonds</u>	<u>Amount Outstanding</u>
Special obligation dedicated tax revenue bonds, net proceeds:	
Fixed rate convention center bonds	\$ 426,235
Special obligation revenue bonds, net proceeds:	
CTF Accelerated bridge program	1,701,664
CTF Rail enhancement program	2,216,108
Total revenue bonds, net proceeds	<u>3,917,772</u>
Special obligation GANS, net proceeds:	
Federal highway grant anticipation notes and accelerated bridge program	499,170
Total special obligation bonds, net proceeds	<u>4,843,177</u>
Less: unamortized premiums	<u>(591,027)</u>
Outstanding special obligation principal	<u>\$ 4,252,150</u>

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

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, 2023, the Commonwealth had approximately \$158 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, 2023, approximately 96.2% of the Commonwealth's outstanding GO debt is in the form of fixed-rate bonds. The remaining 3.8% 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, 2023, the Commonwealth had \$677 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
General Obligation Tax Exempt Bond Anticipation Note Series A	\$ 200,000	2/08/2024	1 Month SIFMA/ Monthly Pay	RBC	7/28/2022	02/08/2024
2016 Series B	100,000	4/1/2036 ⁽¹⁾	1 Month SIFMA/ Monthly Pay	RBC	4/1/2021	4/1/2026 ⁽²⁾
2016 Series C	200,000	4/1/2046 ⁽¹⁾	1 Month SOFR/ Monthly Pay	TD Bank	6/1/2023	4/1/2024 ⁽²⁾
2023 Series A (Multi- Modal)	177,180	5/1/2024	Daily SOFR/ Monthly Pay	Bank of America	5/30/2023	05/01/2024
Total	<u>\$ 677,180</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. On October 25, 2023, the Commonwealth issued its 2023C Refunding Bonds for the purpose of refunding these bond anticipation notes. It is currently anticipated that these bond anticipation notes were redeemed on January 22, 2024.

The remaining outstanding GO variable-rate debt pays interest to bondholders based on certain indices. For example, as of June 30, 2023, the Commonwealth had \$132 million of bonds that pay interest based on the three-month London Interbank Offered Rate (LIBOR). These bonds make up approximately 0.5% of total outstanding general obligation indebtedness.

To fund the FY23 capital budget and prior capital spending, the Commonwealth borrowed by issuing \$1.610 billion in new money general obligation long-term bonds. In addition, \$813 million in refunding bonds were issued in three 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, 2023, the MSBA had outstanding approximately \$5.915 billion of Dedicated Sales Tax bonds, which includes approximately \$295 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 \$5.620 billion of debt outstanding as of June 30, 2023, \$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 FY23, the federal government continued automatic budget cuts imposed through sequestration required pursuant to the Budget Control Act of 2011. The sequestration rate for FY23 was 5.7%. Subsidy payments were reduced by approximately \$1.4 million due to sequestration during FY2023.

B. SPECIAL OBLIGATION BONDS*Commonwealth Transportation Fund (CTF)*

The largest amount of special obligation bonds outstanding (by par) are bonds secured by certain revenues of the Commonwealth Transportation Fund. These bonds mature from FY24 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, 2023, approximately \$1.507 billion and \$1.929 billion in principal was outstanding on the Accelerated Bridge Program (ABP) and the Rail Enhancement Program (REP) bonds, respectively, and approximately \$834 million and \$1.819 billion of interest (net of the federal subsidy) was expected to be paid through maturity related to the ABP and REP bonds, respectively.

Convention Center Fund

Chapter 152 of the Acts of 1997, as amended, authorized \$694 million of special obligation bonds to be issued for the purpose of building a new convention center in Boston (\$609 million), the Springfield Civic Center (\$66 million) and the Worcester Convention Center (\$19 million). The bonds are payable from monies credited to the Convention Center Fund created by that legislation, which include certain hotel tax receipts from hotels in Boston, Cambridge, Springfield and Worcester, a surcharge on car rentals in Boston, a parking surcharge at all three facilities, a surcharge on sightseeing tours and cruises in Boston, and sales tax receipts from certain hotels and other retail establishments in Boston, Cambridge, and Springfield. The trust agreement requires a capital reserve fund to be maintained at a level equal to maximum annual debt service and provides that if the fund falls below its required balance, the 2.75% convention center financing fee in Boston is to be increased (though the overall hotel tax in Boston, including the fee, cannot exceed 14%). As of June 30, 2023, taxes within the Convention Center districts support approximately \$426 million of outstanding principal and approximately \$153 million of interest on debts related to these Convention Centers. Taxes collected in FY23 were approximately \$204 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 \$375 million as of June 30, 2023.

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 FY23. As of June 30, 2023, total principal remaining to be paid is approximately \$390 million. Maturities are from FY24 through FY27. Debt service paid during FY23 was approximately \$114 million.

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

D. THE BUILD AMERICA BOND PROGRAM

As part of the federal America Recovery and Reinvestment Act (ARRA) in 2009, municipal issuers were authorized to issue taxable bonds to fund new capital expenditures and receive an interest rate subsidy from the U.S. Treasury. As part of the temporary Build America Bond (BABs) program issuers, including the Commonwealth, issued taxable bonds in calendar years 2009 and 2010 in return for a subsidy from the federal government equal to 35% to 45% of the interest costs on the bonds, depending on whether the proceeds were used for projects in economically distressed areas. Such interest subsidy payments are treated under federal law as overpayments of tax and, accordingly, are subject to offset against certain amounts that may be owed by the Commonwealth to the federal government or its agencies. Commencing in federal fiscal year 2016, such payments were subject to sequestration reduction and the United States Department of Treasury has projected that such payments during fiscal year 2021 through fiscal year 2030 will be reduced by 5.7% as a result of sequestration. The sequestration may be subject to change if a law is enacted that modifies or amends the current sequestration reduction. Such interest subsidy payments could become subject to a much larger sequestration reduction, and potentially be eliminated altogether, under the Statutory Pay-As-You-Go Act of 2010 (PAYGO Act), which is designed to limit federal deficit spending. Since the enactment of the PAYGO Act, the U. S. Congress has consistently acted to prevent its implementation, but there can be no assurance that it will continue to do so. Between the GO bond program and the special obligation bond programs, the Commonwealth issued a total of \$2.791 billion in Build America Bonds and Recovery Zone Economic Development Bonds in six separate financings over the two-year period of the program. All of the bonds were issued as “direct pay to issuer”, meaning that the interest rate subsidies would be paid to the Commonwealth from the U.S. Treasury and not pledged to bondholders. As of June 30, 2023, the expected interest rate subsidy to be received through final maturity of all of the bonds issued as part of this program totaled \$425 million. The Commonwealth’s repayment obligation to bondholders is based on the gross interest rate. From a budgetary perspective, the bonds’ debt service is net of the interest-rate subsidy.

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

E. OUTSTANDING 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.

Route 3 Swap LIBOR debt was paid off and the last swap agreement was terminated on March 31, 2023. As of June 30, 2023, there are no outstanding swap agreements.

Business - Type Activities – Swapped Debt

The business-type activities have various swaps. At June 30, 2023, the fair value liability of the outstanding interest rate swaps was \$282,000. For complete details, see separate Bunker Hill Community College financial statements issued on October 23, 2023.

Component Unit – Swapped Debt

At June 30, 2023, the majority of interest rate swaps outstanding are held by MassDOT, which in aggregate have a negative fair value of approximately \$19 million. For complete details, see separate MassDOT financial statements issued on March 11, 2024 at www.mass.gov/orgs/massachusetts-department-of-transportation.

F. 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, 2023 is as follows (amounts in thousands):

Purpose	Principal Outstanding	Fiscal Year Maturities	Authorized and Unissued
GANs.....	\$ 389,675	2024 - 2027	\$ —
Capital projects:			
General.....	14,711,317	2024 - 2053	21,789,604
Highway.....	13,631,139	2024 - 2053	27,356,165
Local aid.....	362,494	2024 - 2042	11,105
Other.....	426,235	2024 - 2034	—
Subtotal.....	29,131,185		49,156,874
MSBA debt.....	5,620,395		
Governmental activities debt.....	<u>\$ 35,141,255</u>		

Interest rates on the Commonwealth's outstanding debt at the end of FY23 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, 2023 are as follows (amounts in thousands):

	Governmental Funds (excluding MSBA)	MSBA	Total Governmental Funds Bonded Debt	Authorized and Unissued
Balance July 1, 2022.....	\$ 29,335,406	\$ 5,991,695	\$ 35,327,101	\$ 38,201,424
Plus: Increases in bonds authorized.....	—	—	—	13,110,313
General and special obligation bonds:				
Proceeds, defined as principal, plus premium, less discount.....	2,675,882	—	2,675,882	(2,154,863)
Less: Premium/discount.....	(248,197)	—	(248,197)	—
Less: Principal on refunded bonds.....	(881,845)	(371,300)	(1,253,145)	—
Less: Bonds retired.....	(1,360,386)	—	(1,360,386)	—
Outstanding principal June 30, 2023.....	<u>\$ 29,520,860</u>	<u>\$ 5,620,395</u>	<u>\$ 35,141,255</u>	<u>\$ 49,156,874</u>

Business - Type Activities

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.

On August 30, 2022, the Commonwealth issued \$2.681 billion of Special Obligation Revenue Bonds, 2022 Series A of \$1.997 billion issuance and 2022 Series B of \$684 million issuance. The proceeds of the bonds are being used to (i) repay outstanding Federal Advances received by the Commonwealth under the federal unemployment insurance program, along with accrued interest, (ii) to fund a deposit to the federal Unemployment Insurance Trust Fund to pay unemployment compensation benefits, and (iii) to pay the costs of issuance of the bonds. The bonds have maturity dates of July 2023 through July 2033. A special COVID-19 recovery assessment on Commonwealth employers is collected to pay debt service.

At June 30, 2023, debt service requirements to maturity for principal and interest are as follows (amounts in thousands):

Fiscal Year Ended June 30	Governmental Activities								Business - Type Activities					
	Excluding MSBA Debt				MSBA Debt				Total Governmental Activities		Special Obligation UI Bonds		Revenue Obligation	
	Public Offering Debt		Direct Placement Debt		Principal		Interest		Interest net of Interest subsidies	Principal	Interest	Principal	Interest	
	Principal	Interest	Principal	Interest	Principal	Interest	Interest subsidies (1)							
2024	\$ 1,233,296	\$ 1,253,761	\$ —	\$ 19,025	\$ 175,450	\$ 208,383	\$ (22,833)	\$ 1,408,746	\$ 1,458,336	\$ 786,145	\$ 91,119	\$ 249,193	\$ 182,424	
2025	1,302,900	1,195,097	—	19,000	177,625	205,884	(22,833)	1,480,525	1,397,148	216,305	69,954	216,524	175,305	
2026	1,272,691	1,135,291	—	19,000	183,865	201,861	(22,833)	1,456,556	1,333,319	217,870	62,056	215,592	167,598	
2027	1,183,251	1,076,501	20,000	18,900	346,225	197,445	(22,833)	1,549,476	1,270,013	216,660	54,095	219,799	159,756	
2028	1,063,894	1,021,949	20,000	18,300	208,115	184,520	(15,047)	1,292,009	1,209,722	215,125	46,165	281,623	154,622	
2029 - 2033	5,892,726	4,287,901	100,000	82,500	1,175,245	807,267	(50,645)	7,167,971	5,127,023	1,028,875	102,634	1,128,075	602,311	
2034 - 2038	4,992,766	3,063,018	105,000	67,900	1,486,100	641,221	(22,794)	6,583,866	3,749,345	—	—	1,022,568	400,066	
2039 - 2043	4,929,631	2,022,827	339,480	39,156	1,134,090	207,062	(2,159)	6,403,201	2,266,886	—	—	835,585	202,750	
2044 - 2048	4,513,010	1,015,880	92,700	1,946	628,600	96,719	—	5,234,310	1,114,545	—	—	414,859	79,755	
2049 - 2053	2,459,515	210,202	—	—	105,080	6,191	—	2,564,595	216,393	—	—	184,184	18,967	
Total long-term debt	28,843,680	16,282,427	677,180	285,727	5,620,395	2,756,553	(181,977)	35,141,255	19,142,730	2,680,980	426,023	4,768,002	2,143,554	
Less: current portion	(1,233,296)	(1,253,761)	—	(19,025)	(175,450)	(208,383)	22,833	(1,408,746)	(1,458,336)	(786,145)	(91,119)	(249,193)	(182,424)	
Long-term debt	<u>\$ 27,610,384</u>	<u>\$ 15,028,666</u>	<u>\$ 677,180</u>	<u>\$266,702</u>	<u>\$5,444,945</u>	<u>\$2,548,170</u>	<u>\$ (159,144)</u>	<u>\$ 33,732,509</u>	<u>\$ 17,684,394</u>	<u>\$ 1,894,835</u>	<u>\$ 334,904</u>	<u>\$ 4,518,809</u>	<u>\$ 1,961,130</u>	

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

G. PRIOR DEFEASANCE*Business - Type Activities*

The Massachusetts State College Building Authority (MSCBA) defeased various bonds by issuing refunding bonds and placing the proceeds in irrevocable trusts to provide for all future debt service payments on the defeased bonds. The trust assets and the liabilities of the defeased bonds are not included in the business-type activities financial statements. As of June 30, 2023, approximately \$247 million of bonds outstanding from advanced refunding transactions are considered defeased.

H. 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 FY23 was approximately \$29.195 billion. Outstanding debt subject to the limit at June 30, 2023 was approximately \$24.408 billion.

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

	Principal Outstanding
Statutory debt June 30, 2023	\$ 29,520,860
Less amounts excluded:	
Central artery project bonds	(618,232)
Accelerated bridge program	(1,897,032)
MBTA forward funding	(207)
SMART bonds	(242,630)
Convention center bonds	(426,235)
Rail enhancement program bonds	(1,928,881)
Outstanding direct debt June 30, 2023	<u>\$ 24,407,643</u>

I. 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 policy limits future growth in annual bond issuance (the "bond cap") to not more than \$125 million through fiscal 2023. This additional constraint is designed to ensure that projected growth in the bond cap will be held to stable and sustainable levels.

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

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

	Fiscal 2023
Bond cap as approved by the Governor	\$ 2,780,000
Total annual debt service obligations	3,527,748
Statutory basis budgeted fund revenues	62,969,663
Debt service as % of budgeted revenues	5.6%

J. 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	\$ 760,580	\$ 788,945	\$ (760,580)	\$ 788,945	\$ 551,197
Claims and judgments	67,718	28,542	(29,638)	66,622	66,622
Prizes payable	615,882	23,670	(113,167)	526,385	106,642
School construction grants payable ⁽²⁾	248,901	580,108	(619,327)	209,682	209,682
Environmental remediation liability	481,613	14,519	(109,687)	386,445	8,708
Workers' compensation	271,891	60,406	(59,744)	272,553	37,076
Arbitrage rebate - MSBA	1,557	—	(1,557)	—	—
Group insurance claims	153,384	1,957,507	(1,919,340)	191,551	188,415
Cost of living adjustment	90,000	—	(9,000)	81,000	—
Total other long-term obligations	2,691,526	3,453,697	(3,622,040)	2,523,183	1,168,342
Liability for derivative instruments	32,062	—	(32,062)	—	—
Bonded debt:					
Bonds and notes payable ⁽¹⁾	35,327,102	2,427,685	(2,613,532)	35,141,255	1,408,746
Unamortized bonds and note premium	3,770,915	248,197	(257,309)	3,761,803	156,253
Other financing arrangements:					
Right-to-use lease liability	946,044	79,756	(192,853)	832,947	169,453
Subscription liability	—	57,148	(18,556)	38,592	16,058
Total bonded debt and other financing arrangements	40,044,061	2,812,786	(3,082,250)	39,774,597	1,750,510
Long-term liabilities, governmental activities	\$ 42,767,649	\$ 6,266,483	\$ (6,736,352)	\$ 42,297,780	\$ 2,918,852

(1) \$5,389 of accreted interest on college opportunity bonds that are included in the total principal outstanding as of June 30, 2023.

(2) Beginning balance of MSBA grants payable has been restated - note 1T on pages 83-84.

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	\$ 240,996	\$ 17,612	\$ (14,829)	\$ 243,779	\$ 179,209
Workers' compensation	38,709	4,520	(3,981)	39,248	6,205
Environmental remediation liability	1,567	—	(1,567)	—	—
Total other long-term obligations	281,272	22,132	(20,377)	283,027	185,414
Liability for derivative instruments	515	—	(233)	282	—
Bonded Debt:					
Bonds and notes payable	4,991,863	2,698,429	(241,310)	7,448,982	1,035,338
Federal unemployment insurance borrowing	1,768,015	—	(1,768,015)	—	—
Overdraws of federal pandemic-related unemployment insurance benefits	2,490,802	8,350	—	2,499,152	—
Other financing arrangements:					
Right-to-use asset liabilities*	1,308,376	51,903	(104,862)	1,255,417	81,451
Total bonded debt and other financing arrangements	10,559,056	2,758,682	(2,114,187)	11,203,551	1,116,789
Long-term liabilities, business - type activities	\$ 10,840,843	\$ 2,780,814	\$ (2,134,797)	\$ 11,486,860	\$ 1,302,203

* As restated, total change to business-type lease liability is \$51 million.

Discretely Presented Component Units – The change in bonds and notes outstanding at June 30, 2023, net of unamortized discounts and premiums, compensated absences, and right-to-use asset liabilities are as follows (amounts in thousands):

Debt	Interest Rates	Maturities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Major component units:							
MassDOT	2.87 - 5.50%	2023 - 2039	\$ 1,802,270	\$ 374,793	\$ (444,281)	\$ 1,732,782	\$ 131,341
MBTA	0.00 - 5.87%	2023 - 2053	5,870,553	1,201,858	(1,079,787)	5,992,624	399,166
MCWT	2.00 - 5.75%	2023 - 2047	2,689,048	594,058	(692,980)	2,590,126	213,705
Nonmajor component units	1.00 - 6.20%	2023 - 2052	590,023	131,041	(80,768)	640,296	36,320
Total bonds and notes payable			10,951,894	2,301,750	(2,297,816)	10,955,828	780,532
Compensated absences, net			56,306	14,586	(1,082)	69,810	43,405
Right-to-use asset liabilities*			193,509	44,412	(10,471)	227,450	27,522
Total long term liabilities			\$ 11,201,709	\$ 2,360,748	\$ (2,309,369)	\$ 11,253,088	\$ 851,459

* As restated

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, 2023. None of these funds were in deficit due to finance-related contractual provisions and all were allowed to be in deficit by General Law. The amounts are as follows (amounts in thousands):

Other Governmental Funds	Amount
Other Special Revenue Funds:	
Community Preservation Trust Fund	\$ (6,049)
Government Land Bank Fund	(35,033)
General Capital Projects Fund	(1,675,827)
Highway Capital Projects Fund	(1,759,008)
Government Land Bank Capital Projects Fund	(500)
Federal Highway Construction Program Capital Projects Fund	(9,203)
	<u>\$ (3,485,620)</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, 2023, 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	69,167	70,769
Vested terminated employees entitled to benefits but not yet receiving them	5,221	—
Non-Vested terminated entitled only to a refund of their accumulated total deductions	29,372	—
Subtotal	103,760	70,769
Current members	87,554	101,286
Total	<u>191,314</u>	<u>172,055</u>

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

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

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

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

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

Chapter 32, section 22C of the General Laws directs the Secretary of Administration and Finance to prepare a funding schedule to meet actuarially determined requirements, and to update this funding schedule every three years on the basis of new actuarial valuation reports prepared under the Secretary's direction. Any such schedule is subject to legislative approval. If a schedule is not so approved, payments are to be made in accordance with the most recently approved schedule. Under the current schedule adopted in January 2023 and was based on the results of the January 1, 2023 Commonwealth Actuarial Valuation, the amortization payments increases 9.63% per year until FY28 with a final amortization payment in FY36 (four years before the statutory deadline of FY40). The funding schedule as published follows an acceptable actuarial funding methodology to compute normal cost and the unfunded accrued actuarial liability.

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

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

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

- SERS:
 - Members of Group 1 will have their withholding rate reduced to 6%.
- MTRS:
 - Members of Group 1 will have their withholding rate reduced by 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, 2023:

Asset Class	Target Allocation
Global Equity	37.0 %
Core Fixed Income	15.0 %
Private Equity	16.0 %
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 FY2023 were 5.70% and 5.70% 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, 2023 are as follows (amounts in thousands):

	SERS	MTRS
Total pension liability	\$ 50,005,000	\$ 63,314,000
Plan fiduciary net position	(35,357,510)	(37,023,729)
Net pension liability	<u>\$ 14,647,490</u>	<u>\$ 26,290,271</u>
Fiduciary net position as a percentage of the total pension liability	70.7%	58.5%

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, 2023 rolled forward to June 30, 2023, 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-2021, set forward 1 year for females.
- Post-retirement mortality reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2021, set forward 1 year for females.
- For disabled retirees, mortality reflects the post-retirement mortality described above, set forward 1 year.

b. MTRS:

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate arithmetic expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These assumptions are converted into nominal assumptions by adding inflation, then combined by weighting them by the target asset allocation percentages. Finally, the arithmetic portfolio expected return is converted into a geometric expected return using assumed asset class standard deviations and correlations. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2023 (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	7.4%
Global Equity	4.9%
Value Added Fixed Income	5.1%
Timberland/Natural Resources	4.3%
Real Estate	3.0%
Portfolio Completion Strategies	3.8%
Core Fixed Income	1.9%

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.....	\$ 20,131,000	\$ 14,647,490	\$ 10,007,000
MTRS net pension liability.....	33,378,000	26,290,271	20,292,000

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

Proportionate Share of Net Pension Liability

As of the respective measurement dates below, the net pension liability for SERS, MTRS and BRS were \$13.910 billion, \$25.888 billion, and \$4.775 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, 2022. The BRS net pension liability was determined by an actuarial valuation as of January 1, 2022 and rolled forward to December 31, 2022. 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, 2022	94.2%	\$ 13,101,342
Massachusetts Teachers' Retirement System.....	June 30, 2022	100.0%	25,888,138
Boston Retirement System - Teachers.....	December 31, 2022	56.2%	2,682,386
Total net pension liability.....			<u>\$ 41,671,866</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, 2022	5.0%	<u>\$ 700,670</u>

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

As of the measurement dates, the Commonwealth (primary government) recognized pension expense of approximately \$3.285 billion and the discretely presented component units recognized approximately \$225 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.....	\$ 360,702	\$ —	\$ 1,218,016	\$ —	\$ 76,636	\$ —	\$ 17,855	\$ 55,808
Changes in proportion	272,516	303,468	—	—	—	—	34,625	6,041
Net difference between projected and actual earnings on pension plan investments	—	69,844	—	46,431	—	(147,238)	—	(187,634)
Differences between expected and actual experience	325,902	511,349	287,552	693,652	8,200	80,416	98,789	41,629
Payments made after the measurement date	1,373,321	—	2,148,676	—	—	—	128,505	—
Totals	<u>\$ 2,332,441</u>	<u>\$ 884,661</u>	<u>\$ 3,654,244</u>	<u>\$ 740,083</u>	<u>\$ 84,836</u>	<u>\$ (66,822)</u>	<u>\$ 279,774</u>	<u>\$ (84,156)</u>

The \$1.373 billion for SERS, the \$2.149 billion for MTRS and \$129 million for the discretely presented component units reported as deferred outflows of resources are the contributions made subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the next fiscal year. Other amounts reported above as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amounts in thousands):

Fiscal Year Ending June 30	Primary Government			Discretely Presented Component Units
	SERS	MTRS	BRS-Teachers	
2024	\$ 71,786	\$ 341,718	\$ (9,603)	\$ 14,243
2025	(156,587)	73,035	32,576	39,675
2026	(568,346)	(332,143)	28,165	52,384
2027	733,792	746,488	97,761	129,444
2028	(6,186)	(63,613)	2,759	(321)
Thereafter	—	—	—	—
Totals	<u>\$ 74,459</u>	<u>\$ 765,485</u>	<u>\$ 151,658</u>	<u>\$ 235,425</u>

The SERS and MTRS total pension liabilities were based on an actuarial valuation as of January 1, 2021 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 4.00% 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, 2022 rolled forward to December 31, 2022 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, 2022:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Global Equity	38.00%	4.20%
Core Fixed Income	15.00%	0.50%
Private Equity	15.00%	7.30%
Portfolio Completion Strategies	10.00%	2.70%
Real Estate	10.00%	3.30%
Value Added Fixed Income	8.00%	3.70%
Timberland/Natural Resources	4.00%	3.90%
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, 2022 measurement date and 7.00% for BRS-Teachers as of the December 31, 2022 measurement date.

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
SERS net pension liability	\$ 18,069,733	\$ 13,101,342	\$ 8,897,361
MTRS net pension liability	32,734,080	25,888,138	20,094,302
BRS-Teachers net pension liability	\$ 3,252,901	\$ 2,682,386	\$ 2,210,985

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, 2023 (amounts in thousands):

	Pension Trust Funds		
	State Employees' PERS	Teachers' PERS	Total
ASSETS			
Cash and cash equivalents	\$ 154,656	\$ 112,850	\$ 267,506
Net investment in PRIT at fair value	35,127,333	36,792,015	71,919,348
Other receivables	132,909	124,512	257,421
Other assets	10	368	378
Total assets	35,414,908	37,029,745	72,444,653
LIABILITIES			
Accounts payable	57,398	6,016	63,414
Net position available for pension	\$ 35,357,510	\$ 37,023,729	\$ 72,381,239
ADDITIONS			
Contributions:			
Employer contributions - Commonwealth and MassDOT	\$ 1,368,423	\$ —	\$ 1,368,423
Non-employer contributions - Commonwealth	63,822	2,148,676	2,212,498
Employer and non-employer contributions - other	13,764	—	13,764
Employee contributions	722,382	943,929	1,666,311
ERIP funding contribution - Commonwealth	28,449	—	28,449
Boston teachers' contributions from Commonwealth	—	196,833	196,833
Other additions	130,982	122,183	253,165
Total contributions	2,327,822	3,411,621	5,739,443
Net investment gain/(loss):			
Investment gain/(loss)	2,082,243	2,170,229	4,252,472
Less: investment expense	(166,067)	(173,015)	(339,082)
Net investment gain/(loss)	1,916,176	1,997,214	3,913,390
Total additions	4,243,998	5,408,835	9,652,833
DEDUCTIONS			
Administration	16,120	21,332	37,452
Retirement benefits and refunds	2,946,815	3,484,459	6,431,274
Payments to State Boston Retirement System	—	196,833	196,833
Other deductions	54,679	67,344	122,023
Total deductions	3,017,614	3,769,968	6,787,582
Change in net position	1,226,384	1,638,867	2,865,251
Net position available for pension at beginning of year	34,131,126	35,384,862	69,515,988
Net position available for pension at end of year	\$ 35,357,510	\$ 37,023,729	\$ 72,381,239

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, 2023 were as follows (amounts in thousands):

	SERS	MTRS	Purpose
Annuity Savings Fund.....	\$ 7,432,024	\$ 10,312,047	Active members' contribution balance
Annuity Reserve Fund.....	1,843,061	948,000	Retired members' contribution account
Special Military Service Fund ...	34	339	Members' contribution account while on military leave
Pension Reserve Fund.....	26,082,391	25,763,343	Amounts appropriated to fund future retirement benefits
Total.....	<u>\$ 35,357,510</u>	<u>\$ 37,023,729</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, 2023 the date of the most recent actuarial valuation, plan membership consisted of the following:

	SRBT
Inactive plan members or beneficiaries currently receiving benefit payments.....	86,846
Inactive plan members entitled to but not yet receiving benefit payments.....	4,915
Active plan members.....	67,859
Total.....	<u>159,620</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, 2023 and as of the valuation date (January 1, 2023), 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 FY23 totaled approximately \$486 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 FY23, 10% of tobacco settlement proceeds or approximately \$26 million was allocated to the SRBT. The percentage of proceeds to be transferred to the SRBT in FY23 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, 2023, 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 2023 was 5.65%. 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, 2023 are as follows (amounts in thousands):

	SRBT
Total OPEB liability.....	\$ 16,470,056
Plan fiduciary net position.....	(2,266,842)
Net OPEB liability.....	<u>\$ 14,203,214</u>
Fiduciary net position as a percentage of the total OPEB liability.....	13.8%

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, 2023 rolled forward to June 30, 2023, 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 2023_1f. The short-term trend assumptions were based on a review of the Commonwealth's emerging experience and enrollment by plan type (including migration assumptions for discontinued plans), along with industry surveys, separately for non-Medicare and Medicare benefits. The industry surveys were used to predict short-term future per capita cost increases. The most recently published SOA-Getzen model was then used to determine the trend rates beginning in 2027 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
2023.....	5.79%	7.50%
2024.....	7.26%	8.59%
2025.....	7.14%	8.29%
2026.....	5.45%	6.59%
2027.....	5.33%	6.28%
2032.....		4.77%
2042.....		4.50%
2052.....		4.44%
2062.....		4.38%
2072.....		4.06%
2075+.....		3.94%

2. Mortality rate was in accordance with RP 2014 Blue Collar Mortality Table projected with scale MP-2021, with females set forward one year.
3. Participation rates:
 - a. 100% of employees currently electing healthcare coverage are assumed to elect coverage at retirement.
 - b. 35% of employees currently opting out of active employee health coverage are assumed to elect to enroll in retiree coverage.
 - c. 85% of current and future vested terminated participants will elect health care benefits at age 55, or if later, the participant's current age.
 - d. Retirees who currently elect to waive their coverage are assumed to remain uncovered in the future.
 - e. 100% of spouses are assumed to elect to continue coverage after the retiree's death.
 - f. Current non-Medicare eligible retirees and spouses (if covered) under age 65 who are in a POS/PPO plan are assumed to move to an Medicare Supplement plan if they are Medicare eligible at 65. All others are assumed to remain in their currently elected product type (Indemnity-Medicare Supplement/HMO-Medicare Advantage/POS/PPO).

Future retirees are assumed to enroll in the existing plans in the same proportion as the current retiree mix, as show in the table below. These proportions are established separately for non-Medicare and Medicare coverage for each product type and reflect the migration of the members to the new plans, as stated in the GIC Provisions section.

	Retirement Age	
	Under 65	Age 65+
Indemnity.....	27.0%	Medicare Supplement..... 96.0%
HMO.....	10.0%	Medicare Advantage..... 4.0%
POS/PPO.....	63.0%	—%

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 4.34%. This rate was based on a blend of the Bond Buyer Index rate 3.65% 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 4.34%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 3.34% or 1-percentage-point higher 5.34% than the current rate (amounts in thousands):

	1% Decrease 3.34%	Current Discount Rate 4.34%	1% Increase 5.34%
Net OPEB liability	<u>\$ 16,595,061</u>	<u>\$ 14,203,214</u>	<u>\$ 12,240,566</u>

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 4.79%-6.50%	Current Healthcare Cost Trend Rate 5.79%-7.50%	1% Increase 6.79%-8.50%
Net OPEB liability	<u>\$ 11,901,215</u>	<u>\$ 14,203,214</u>	<u>\$ 17,115,101</u>

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

The Commonwealth's net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2022 rolled forward to June 30, 2022.

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

	Net OPEB Liability	
Primary government	\$ 12,691,524	(A)
Discretely presented component unit	2,610,561	(B)
Total net OPEB liability	<u>\$ 15,302,085</u>	

(A) - includes \$797 million of business-type activities and special funding arrangements that participate in the Commonwealth's OPEB plan. Nothing is related to non-participating governmental entities.

(B) - Of this amount \$1.950 billion relates to discretely presented component units not participating in the Commonwealth's OPEB plan. +

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

As of June 30, 2022, the measurement date, the Commonwealth (primary government) and the discretely presented component units recognized OPEB expense of approximately \$569 million and \$44 million, respectively. The following details the components of deferred outflows of resources and deferred inflows of resources related to OPEB (amounts in thousands):

	Primary Government		Discretely Presented Component Units	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 673,997	\$ 725,693	\$ 58,178	\$ 6,482
Differences between expected and actual experience	233,895	2,101,584	162,652	330,054
Change of assumptions	935,693	4,598,510	232,887	925,890
Net difference between projected and actual earnings on OPEB plan investments	—	(19,440)	—	(1,187)
Payments made after the measurement date	630,606	—	85,431	—
Totals	<u>\$ 2,474,191</u>	<u>\$ 7,406,347</u>	<u>\$ 539,148</u>	<u>\$ 1,261,239</u>

The \$631 million and \$85 million reported as deferred outflows of resources in the primary government and the discretely presented component units, respectively, are the contributions made subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the next fiscal year. Other amounts reported above as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts in thousands):

	Primary Government	Discretely Presented Component Units
2024	\$ (1,357,766)	\$ (214,445)
2025	(1,338,510)	(184,795)
2026	(1,265,072)	(173,646)
2027	(1,179,680)	(153,281)
2028	(420,757)	(80,090)
Thereafter	(977)	(1,265)
Total	<u>\$ (5,562,762)</u>	<u>\$ (807,522)</u>

Actuarial Assumptions

The total OPEB liability based on the actuarial valuation as of January 1, 2022 rolled forward to June 30, 2022 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 2022_f4. The short-term trend assumptions were based on a review of the plan's historical trend rates during fiscal years 2021 and 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. The mortality rate was in accordance with RP2014 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).

	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, 2022 was 4.30%. This rate was based on a blend of the Bond Buyer Index rate of 3.54% 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 2042. 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, 2022.

Investments

The long-term expected rate of return as of June 30, 2022 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, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	38.0 %	4.2 %
Core Fixed Income	15.0 %	0.5 %
Private Equity	15.0 %	7.3 %
Portfolio Completion Strategies	10.0 %	2.7 %
Real Estate	10.0 %	3.3 %
Value Added Fixed Income	8.0 %	3.7 %
Timber/Natural Resources	4.0 %	3.9 %
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, 2022 (amounts in thousands):

	Increase/(Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2021	\$ 17,910,405	\$ 1,910,940	\$ 15,999,465
Changes for the year:			
Service cost	774,039	—	774,039
Interest	510,542	—	510,542
Differences between expected and actual experience	(16,054)	—	(16,054)
Changes of assumptions	(3,328,161)	—	(3,328,161)
Contributions-employer	—	660,800	(660,800)
Net investment income	—	(73,126)	73,126
Benefit payments	(510,166)	(510,166)	—
Administrative expense	—	(240)	240
Other additions	—	175	(175)
Net changes	(2,569,800)	77,443	(2,647,243)
Balances at June 30, 2022	<u>\$ 15,340,605</u>	<u>\$ 1,988,383</u>	<u>\$ 13,352,222</u>

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

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

	1% Decrease 3.30%	Current Discount Rate 4.30%	1% Increase 5.30%
Net OPEB liability	\$ 15,576,808	\$ 13,352,222	\$ 11,524,887
Less: MassDOT Share	(770,776)	(660,698)	(570,277)
Commonwealth Net OPEB liability	<u>\$ 14,806,032</u>	<u>\$ 12,691,524</u>	<u>\$ 10,954,610</u>

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

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

	1% Decrease 4.0%-6.6%	Current Rate 5.0%-7.6%	1% Increase 6.0%-8.6%
Net OPEB liability	\$ 11,192,984	\$ 13,352,222	\$ 16,085,558
Less: MassDOT Share	(553,854)	(660,698)	(795,950)
Commonwealth Net OPEB liability	<u>\$ 10,639,130</u>	<u>\$ 12,691,524</u>	<u>\$ 15,289,608</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, 2023 (amounts in thousands):

	OPEB Trust Fund
	State Retiree Benefits
ASSETS	
Cash and cash equivalents	\$ 167,841
Net investment in PRIT at fair value	2,099,017
Total assets	2,266,858
LIABILITIES	
Accounts payable	16
Net position available for other post-employment benefits	\$ 2,266,842
ADDITIONS	
Contributions:	
Employer contributions - Commonwealth	\$ 653,178
Other additions	176
Total contributions	653,354
Net investment gain/(loss):	
Investment gain/(loss)	121,474
Less: investment expense	(10,019)
Net investment gain/(loss)	111,455
Total additions	764,809
DEDUCTIONS	
Administration	246
Retirement benefits and refunds	486,104
Total deductions	486,350
Change in net position	278,459
Net position available for other post-employment benefits at beginning of year	1,988,383
Net position available for other post-employment benefits at end of year	\$ 2,266,842

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

The Commonwealth has entered into various right to use leases for land, buildings, and equipment, infrastructure, facilities, and improvements. These agreements contain provisions indicating that continuation is subject to appropriation by the Legislature. One of the lease agreements calls for both fixed and variable (based on changes in index rates) payments; the latter of which are not included in the initial measurement of the lease liability. These variable payments totaled \$3,330,719 and were recognized as expense during the year ended June 30, 2023.

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, 2023 (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	
2024	\$ 168,302	\$ 8,691	\$ 1,151	\$ 65	\$ 178,209	\$ 62,050	\$ 47,475	\$ 109,525
2025	136,040	7,325	1,160	23	144,548	62,343	44,946	107,289
2026	100,563	6,313	—	—	106,876	63,871	42,185	106,056
2027	87,916	5,399	—	—	93,315	64,809	39,213	104,022
2028	78,303	4,576	—	—	82,879	65,587	36,467	102,054
2029-2033	140,463	15,077	—	—	155,540	329,770	128,615	458,385
2034 - 2038	28,390	10,551	—	—	38,941	320,999	71,925	392,924
2039 - 2043	29,843	7,602	—	—	37,445	184,189	21,873	206,062
2044 - 2048	31,909	4,521	—	—	36,430	42,348	3,987	46,335
2049 - 2053	26,825	1,242	—	—	28,067	4,831	256	5,087
2054 - 2058	442	187	—	—	629	—	—	—
2059 - 2063	488	141	—	—	629	—	—	—
2064 - 2068	540	89	—	—	629	—	—	—
2069 - 2073	597	32	—	—	629	—	—	—
2074 - 2078	15	—	—	—	15	—	—	—
Total lease obligations	830,636	71,746	2,311	88	904,781	1,200,797	436,942	1,637,739
Less: current portion	(168,302)	(8,691)	(1,151)	(65)	(178,209)	(62,050)	(47,475)	(109,525)
Long-term lease obligations	<u>\$ 662,334</u>	<u>\$ 63,055</u>	<u>\$ 1,160</u>	<u>\$ 23</u>	<u>\$ 726,572</u>	<u>\$ 1,138,747</u>	<u>\$ 389,467</u>	<u>\$ 1,528,214</u>

Right-to-use lease assets as of June 30, 2023 (amounts in thousands):

Asset type:	Primary Government	
	Governmental Activities	Business - Type Activities
Buildings	1,273,106	\$ 1,307,096
Machinery and equipment	46,142	23,795
Total assets	1,319,248	1,330,891
Less: accumulated amortization	(522,577)	(236,181)
Total	<u>\$ 796,671</u>	<u>\$ 1,094,710</u>

B. Primary Government - as Lessor

The Commonwealth acts as Lessor on a ground lease associated with re-development of the Saltonstall Building in Boston. Additionally, the Commonwealth acts as Lessor for several properties under a historic curatorship program. For the year ended June 30, 2023, the Commonwealth recognized lease revenue of \$2.4 million and interest revenue of \$1.5 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, 2023 (amounts in thousands):

Fiscal Year Ended June 30	Governmental Activities			Business - Type Activities		
	Principal	Interest	Governmental Activities Total	Principal	Interest	Business - Type Activities Total
2024	\$ 1,381	\$ 1,487	\$ 2,868	\$ 54,381	\$ 45,392	\$ 99,773
2025	2,271	1,439	3,710	59,763	43,773	103,536
2026	1,443	1,394	2,837	61,630	41,984	103,614
2027	1,484	1,368	2,852	63,741	40,191	103,932
2028	1,524	1,345	2,869	64,037	41,020	105,057
2029-2033	9,981	6,060	16,041	355,456	126,956	482,412
2034 - 2038	12,052	4,888	16,940	340,956	72,883	413,839
2039 - 2043	13,698	3,477	17,175	204,371	25,667	230,038
2044 - 2048	14,423	2,022	16,445	45,301	6,959	52,260
2049 - 2053	12,768	502	13,270	23,613	40,506	64,119
2054 - 2058	102	12	114	—	—	—
2059 - 2063	10	—	10	—	—	—
Total lease receivable	71,137	23,994	95,131	1,273,249	485,331	1,758,580
Less: current portion	(1,381)	(1,487)	(2,868)	(54,381)	(45,392)	(99,773)
Long-term lease receivable	<u>\$ 69,756</u>	<u>\$ 22,507</u>	<u>\$ 92,263</u>	<u>\$ 1,218,868</u>	<u>\$ 439,939</u>	<u>\$ 1,658,807</u>

C. Subscription-Based Information Technology Arrangements (SBITAs)

The Commonwealth has entered into various agreements for software as a service. These agreements contain provisions indicating that continuation is subject to appropriation by the Legislature. The following schedule summarizes future minimum payments under non-cancelable leases for governmental activities and for the Institutions of Higher Education – reported as a business-type activity, for the fiscal year ended June 30, 2023 (amounts in thousands):

Fiscal Year Ended June 30	Governmental Activities				Business - Type Activities			
	Principal	Interest	MSBA Principal	MSBA Interest	Governmental Activities Total	Principal	Interest	Business - Type Activities Total
2024	\$ 15,890	\$ 1,031	\$ 168	\$ 13	\$ 17,102	\$ 19,401	\$ 1,343	\$ 20,744
2025	10,852	549	164	13	11,578	16,344	1,071	17,415
2026	6,319	218	67	5	6,609	9,849	599	10,448
2027	4,803	39	—	—	4,842	5,990	289	6,279
2028	329	2	—	—	331	2,756	50	2,806
2029-2033	—	—	—	—	—	280	7	287
Total SBITAs obligation	38,193	1,839	399	31	40,462	54,620	3,359	57,979
Less: current portion	(15,890)	(1,031)	(168)	(13)	(17,102)	(19,401)	(1,343)	(20,744)
Long-term SBITAs obligation	<u>\$ 22,303</u>	<u>\$ 808</u>	<u>\$ 231</u>	<u>\$ 18</u>	<u>\$ 23,360</u>	<u>\$ 35,219</u>	<u>\$ 2,016</u>	<u>\$ 37,235</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, 2023 is estimated to be \$273 million of which approximately \$37 million is expected to be paid during FY24.

Changes in the Commonwealth's liability relating to workers' compensation claims in FY23 and FY22 were (amounts in thousands):

	FY23	FY22
Claims liability, beginning of year	\$ 271,891	\$ 260,504
Increase in liability estimate	60,406	70,227
Payments and decreases in liability estimate	(59,744)	(58,840)
Claims liability, end of year	<u>\$ 272,553</u>	<u>\$ 271,891</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 FY23 and FY22 were (amounts in thousands):

	FY23	FY22
Claims liability, beginning of year	\$ 153,384	\$ 136,525
Increase in liability estimate	1,957,507	1,863,413
Payments and decreases in liability estimate	(1,919,340)	(1,846,554)
Claims liability, end of year	<u>\$ 191,551</u>	<u>\$ 153,384</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 FY23 and FY22 (amounts in thousands):

	FY23	FY22
Unpaid claims, beginning of year	\$ 67,718	\$ 33,271
Incurred claims	28,542	48,539
Claim payments and reductions	(29,638)	(14,092)
Unpaid claims end of year	<u>\$ 66,622</u>	<u>\$ 67,718</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 FY23, 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	\$ 481,613	\$ 1,567	\$ 483,180
Expected additional future outlays, changes in liability estimates	(85,687)	(1,567)	(87,254)
FY23 outlays for environmental remediation	(9,481)	—	(9,481)
Environmental remediation liability, end of year	<u>\$ 386,445</u>	<u>\$ —</u>	<u>\$ 386,445</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 2023, there was a decrease of approximately \$9 million in the liability for COLAs granted to participants in retirement systems of cities, towns and counties.

As of June 30, 2023, the Commonwealth's liability for COLA was approximately \$81 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 FY23 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. The Court approved the final settlement on May 10, 2023 and subsequently Treasury transferred \$40 million to Plaintiffs on January 8, 2024.

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, 2023, 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, 2023, 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 FY23, the Commonwealth received approximately \$257 million, or 70.6% of the estimated amounts shown in the MSA. Amounts received in FY23 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 \$8.599 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, 2023, 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 \$258 million as of June 30, 2023, of which \$239 million is considered long-term and remaining \$19 million as short-term receivable. As of June 30, 2023, \$87 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, 2023, the Commonwealth had commitments of approximately \$1.029 billion related to ongoing construction projects.

Charles F. Hurley Building Redevelopment. The Commonwealth has entered into a term sheet with Leggatt McCall Properties LLC for redevelopment of the Charles F. Hurley building, including a ground lease, open space, and over one million gross square footage of construction improvement. Reserves, financing terms and conditions are to be established in the future.

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

In October 2022, the Massachusetts Senior Action Council and seven individuals who are residents of various nursing facilities sued the Commonwealth that the plaintiffs claim a putative class of up to 22,000 individuals with disabilities are unduly segregated in nursing facilities in violation of the Americans Disabilities Act (ADA) and that they are entitled to, among other things, the receipt of services in integrated community-based settings. The parties intend to file a joint motion for court approval of settlement. The settlement would require the Commonwealth to 1)

provide in-reach in nursing facilities to identify persons interested in transitioning to the community and provide interested individuals with transition assistance; 2) expand group homes and subsidized housing opportunities for eligible persons seeking to transition from a nursing facility to the community; and 3) provide behavioral health care coordination for eligible persons in nursing facilities determined to have serious mental illness. The settlement further requires the Commonwealth to identify and transition a minimum of 2,400 individuals from nursing facilities to either group homes in the community or to individuals' own homes with a rental subsidy and/or substantial home modification (if the absence of the home modification was a barrier to transition). The settlement agreement has an 8-year term. The estimated cost is \$1.300 billion over eight years to achieve the required transitions.

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, 2023 to be \$1.7 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, 2023 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, 2023 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
Massachusetts Clean Energy Center (CEC)

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:**

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 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 (24 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

Bristol Community College Foundation
 Bunker Hill Community College Foundation
 Cape Cod Community College Educational Foundation, Inc.
 Greenfield Community College Foundation, Inc.
 Holyoke Community College Foundation
 Massachusetts Bay Community College Foundation, Inc.
 Massasoit Community College Foundation
 Middlesex Community College Foundation, Inc.
 North Shore Community College Foundation
 Springfield Technical Community College Foundation
 Springfield Technical Community College Assistance Corporation
 The Mount Wachusett Community College Foundation, Inc.
 The Northern Essex Community College Foundation, Inc.
 The Quinsigamond Community College Foundation, Inc.
 The Roxbury Community College Foundation, Inc.

15. SUBSEQUENT EVENTS

SUBSEQUENT BOND ISSUANCES

On July 13, 2023, the Commonwealth issued \$970 million in GO Bonds, Consolidated Loan of 2023, Series A. These bonds carry interest rate of 5.00%. The first principal payment is due on May 1, 2025 with final maturity on May 1, 2053.

On July 13, 2023, the Commonwealth issued approximately \$271 million in GO Refunding Bonds 2023, Series B. The bonds were issued to refund, on a current basis, approximately \$310 million of various GO bonds and carries interest rates of 5.00% with final maturity on May 1, 2044. The refunding resulted in reduced debt service of approximately \$68 million and a present value savings of approximately \$46 million over the life of the bonds.

On October 03, 2023, the Commonwealth issued \$300 million in Commonwealth Transportation Fund Revenue Bonds 2023 Series A. These bonds carry an interest rate of 5.00% with the first principal payment on June 1, 2052 and final maturity on June 1, 2053.

On October 03, 2023, the Commonwealth issued \$200 million in Commonwealth Transportation Fund Revenue Bonds 2023 Series B. These bonds carry an interest rate of 5.00% with the first principal payment on June 1, 2047 and final maturity on June 1, 2051.

On October 05, 2023, the Commonwealth issued approximately \$7 million in General Obligation (GO) Bonds, Consolidated Loan of 2023 Series A (College Opportunity Bonds). These bonds carry an interest rate of 0.50%. The first principal payment is due on August 1, 2028 with final maturity on August 1, 2043.

On October 25, 2023, the Commonwealth issued \$275 million in GO Bonds, Consolidated Loan of 2023, Series B. These bonds carry interest rate of 4.00% to 5.00%. The first principal payment is due on October 1, 2026 with final maturity on October 1, 2038.

On October 25, 2023, the Commonwealth issued \$200 million in GO Bonds, Consolidated Loan of 2023, Series C. These bonds carry interest rate of 5.00%. The first principal payment is due on October 1, 2046 with final maturity on October 1, 2049.

On October 25, 2023, the Commonwealth issued \$550 million in GO Bonds, Consolidated Loan of 2023, Series D. These bonds carry interest rate of 5.00%. The first principal payment is due on October 1, 2050 with final maturity on October 1, 2053.

On October 25, 2023, the Commonwealth issued \$260 million in GO Bonds, Consolidated Loan of 2023, Series E. These bonds carry interest rate of 5.00% to 5.70%. The first principal payment is due on October 1, 2026 with final maturity on October 1, 2038.

On October 25, 2023, the Commonwealth issued approximately \$188 million in GO Refunding Bonds 2023, Series C. The bonds were issued to refund, on a current basis, approximately \$200 million of various GO bonds and carries interest rates of 5.00% with final maturity on August 1, 2044. The refunding resulted in reduced debt service of approximately \$21 million and a present value savings of approximately \$12 million over the life of the bonds.

On January 23, 2024, the Commonwealth issued \$1,045 million in GO Bonds, Consolidated Loan of 2024, Series A. These bonds carry interest rate of 5.00%. The first principal payment is due on January 1, 2026 with final maturity on January 1, 2054.

On January 23, 2024, the Commonwealth issued approximately \$837 million in GO Refunding Bonds 2024, Series A. The bonds were issued to refund, on a current basis, approximately \$970 million of various GO bonds and carries interest rates of 5.00% with final maturity on March 1, 2044. The refunding resulted in reduced debt service of approximately \$182 million and a present value savings of approximately \$128 million over the life of the bonds.

On February 14, 2024, the Commonwealth issued approximately \$659 million in GO Refunding Bonds 2024, Series B. The bonds were issued to refund, on a current basis, approximately \$862 million of various GO bonds and carries interest rates of 5.00% with final maturity on November 1, 2044. The refunding resulted in reduced debt

service of approximately \$162 million and a present value savings of approximately \$103 million over the life of the bonds.

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, 2023
 (Amounts in thousands)

	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 35,273,300	\$ 35,273,300	\$32,049,916	\$(3,223,384)
Assessments	449,185	449,185	397,561	(51,624)
Federal grants and reimbursements	14,051,838	14,051,838	15,215,504	1,163,666
Tobacco settlement revenue	254,645	254,645	256,786	2,141
Departmental	3,439,190	3,439,190	4,177,101	737,911
Miscellaneous	337,676	337,676	1,024,762	687,086
Total revenues	53,805,834	53,805,834	53,121,630	(684,204)
Other financing sources:				
Fringe benefit cost recovery	505,754	505,754	520,483	14,729
Lottery reimbursements	134,864	134,864	130,231	(4,633)
Lottery distributions	1,112,502	1,112,502	1,164,436	51,934
Operating transfers in	265,029	265,029	3,193,113	2,928,084
Stabilization transfer	1,456,110	1,456,110	832,544	(623,566)
Other fund deficit support	—	—	244,575	244,575
Total other financing sources	3,474,259	3,474,259	6,085,382	2,611,123
Total revenues and other financing sources	57,280,093	57,280,093	59,207,012	1,926,919
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Legislature	137,642	137,725	82,542	55,183
Judiciary	1,288,499	1,271,486	1,192,021	79,465
Office of Inspector General	7,671	7,860	6,962	898
Governor and Lieutenant Governor	7,967	10,152	7,339	2,813
Secretary of the Commonwealth	75,219	77,068	74,757	2,311
Treasurer and Receiver-General	2,416,036	350,492	267,838	82,654
State Auditor	22,776	23,151	21,438	1,713
Attorney General	88,064	89,128	84,265	4,863
State Ethics Commission	2,954	2,999	2,968	31
District Attorneys	158,228	160,575	159,131	1,444
Office of Campaign & Political Finance	2,034	2,022	1,894	128
Sheriff's	695,360	752,116	744,224	7,892
Disabled Persons Protection Commission	10,493	11,630	10,579	1,051
Commission on the Status of Women	1,206	1,206	1,093	113
Massachusetts Gaming Commission	—	—	—	—
Office of the Comptroller	67,153	67,153	26,441	40,712
Administration and Finance	5,684,974	4,531,615	2,823,568	1,708,047
Energy and Environmental Affairs	415,289	536,234	391,757	144,477
Health and Human Services	8,400,898	9,271,758	8,669,257	602,501
Technology Services and Security	237,806	238,369	184,883	53,486
Veterans' Services	—	56,791	37,081	19,710
Housing and Livable Communities	—	243,210	156,872	86,338
Massachusetts Department of Transportation	1,054	11,769	10,765	1,004
Office of the Child Advocate	8,150	7,148	4,518	2,630
Commission Against Discrimination	11,671	11,671	7,706	3,965
Cannabis Control Commission	—	—	—	—
Board of Library Commissioners	40,957	40,957	40,918	39
Education	4,166,671	4,424,735	4,231,367	193,368
Center for Health Information and Analysis	32,400	34,637	34,116	521
Public Safety and Security	1,514,588	1,562,676	1,456,745	105,931
Massachusetts Peace Officer Standards and Training Commission	5,000	7,899	6,629	1,270
Commission on the Status of African Americans	150	150	—	150
Commission on the Status of Latinos and Latinas	150	150	—	150

(continued)

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

General Fund*

Fiscal Year Ended June 30, 2023

(Amounts in thousands)

	Original Budget	Final Budget	Actual	Variance
Commission on the Status of Persons with Disabilities	150	150	44	106
Commission on the Social Status of Black Men and Boys	150	150	—	150
Economic Development	1,251,811	1,109,120	1,029,577	79,543
Labor and Workforce Development	180,020	145,326	134,926	10,400
Direct local aid	7,180,907	7,179,708	7,177,125	2,583
Medicaid	19,482,096	21,708,923	21,700,190	8,733
Post employment benefits	—	4,657,496	4,656,546	950
Debt service:				
Principal retirement	38,478	801,759	759,271	42,488
Interest and fiscal charges	—	625,256	590,451	34,805
Total expenditures	53,634,672	60,172,420	56,787,804	3,384,616
Other financing uses:				
Fringe benefit cost assessment	—	—	8,537	(8,537)
Operating transfers out	—	4,240,824	4,254,616	(13,792)
Medical assistance transfer	575,899	575,899	84,914	490,985
Stabilization transfer	—	1,399,700	750,263	649,437
Total other financing uses	575,899	6,216,423	5,098,330	1,118,093
Total expenditures and other financing uses	54,210,571	66,388,843	61,886,134	4,502,709
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ 3,069,522	\$ (9,108,750)	(2,679,122)	\$ 6,429,628
Fund balances/(deficits) at beginning of year			14,111,670	
Fund balances/(deficits) at end of year			<u>\$11,432,548</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, 2023
 (Amounts in thousands)

	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Federal grants and reimbursements	\$ —	\$ —	\$ —	\$ —
Total revenues	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other financing sources:				
Operating transfers in	—	—	—	—
Other fund deficit support	—	—	—	—
Total other financing sources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenues and other financing sources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Treasurer and Receiver-General	—	201,865	201,865	—
Administration and Finance	3,362,851	1,259,685	—	1,259,685
Energy and Environmental Affairs	4,929	168,989	101,849	67,140
Health and Human Services	26,000	815,733	425,109	390,624
Housing and Livable Communities	—	80,666	7,383	73,283
Massachusetts Department of Transportation	700	7,075	1,312	5,763
Education	7,801	121,319	16,303	105,016
Public Safety and Security	375	13,165	4,216	8,949
Economic Development	25,250	454,866	228,551	226,315
Labor and Workforce Development	—	18,158	11,473	6,685
Total expenditures	<u>3,427,906</u>	<u>3,141,521</u>	<u>998,061</u>	<u>2,143,460</u>
Other financing uses:				
Fringe benefit cost assessment	—	—	245	(245)
Operating transfers out	—	170,298	170,298	—
Total other financing uses	<u>—</u>	<u>170,298</u>	<u>170,543</u>	<u>(245)</u>
Total expenditures and other financing uses	<u>3,427,906</u>	<u>3,311,819</u>	<u>1,168,604</u>	<u>2,143,215</u>
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (3,427,906)</u>	<u>\$ (3,311,819)</u>	<u>(1,168,604)</u>	<u>\$ 2,143,215</u>
Fund balances/(deficits) at beginning of year			3,495,486	
Fund balances/(deficits) at end of year			<u>\$ 2,326,882</u>	



New England Neptune (*neptunea lyrata decemcostata*),
Official State Shell of Massachusetts

**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	\$ 53,121,630
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:	
Tax receivable, net	(400,695)
Tax refunds and abatements payable, net	3,185,752
Federal reimbursements and other receivables	740,842
Reclassifications:	
Higher education revenue is reclassified for GAAP reporting	(105,983)
Inflows from component units and other miscellaneous financing sources	124,569
Certain revenue is reclassified to fiduciary funds for GAAP reporting	39,182
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 56,705,297
OTHER FINANCING SOURCES	
Actual amounts (budgetary basis) "other financing sources" from the budgetary comparison schedule	\$ 6,085,382
Adjustments and Reclassifications:	
Higher education revenue is reclassified for GAAP reporting	(4)
Capital outlay on GAAP basis	58,296
Consolidation of transfers between funds	(3,653,940)
Inflows from component units and other miscellaneous financing sources	(124,549)
Total other financing sources as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 2,365,185
EXPENDITURES	
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedule	\$ 56,787,804
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:	
Medicaid payments	110,437
Compensated absences and other accrued liabilities	99,282
Reclassifications:	
Leases and SBITAs additions are additions to expenditures for GAAP purposes on a fund perspective	58,296
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	(1,349,722)
Higher education expenditures are reclassified for GAAP reporting	(1,934,957)
Expenditures to component units reported on a GAAP basis	(36,881)
Certain expenditures are reclassified to fiduciary funds for GAAP reporting	39,182
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 53,773,441
OTHER FINANCING USES	
Actual amounts (budgetary basis) "other financing uses" from the budgetary comparison schedule	\$ 5,098,330
Adjustments and Reclassifications:	
Consolidation of transfers between funds	(3,653,940)
Budgetary higher education amounts are reclassified to transfers under the modified accrual basis	1,828,970
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	1,349,722
Transfers to component units reported on a GAAP basis	(9,238)
Total other financing uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 4,613,844

* 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):**

<u>REVENUES</u>	
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:	
Federal reimbursements and other receivables	998,306
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 998,306</u>
<u>OTHER FINANCING SOURCES</u>	
Actual amounts (budgetary basis) "other financing sources" from the budgetary comparison schedule	\$ —
Adjustments and Reclassifications:	
Consolidation of transfers between funds	—
Total other financing sources as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ —</u>
<u>EXPENDITURES</u>	
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedule	\$ 998,061
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:	
Miscellaneous adjustments	—
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 998,061</u>
<u>OTHER FINANCING USES</u>	
Actual amounts (budgetary basis) "other financing uses" from the budgetary comparison schedule	\$ 170,543
Adjustments and Reclassifications:	
Consolidation of transfers between funds	—
Operating Transfer out are reclassified to Federal revenue under the modified accrual basis	(170,298)
Total other financing uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 245</u>

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 FY23 (amounts in thousands):

General Appropriation Act, Chapter 126 of the Acts of 2022:	Revenues	Expenditures
Direct appropriations	\$ 54,827,100	\$ 51,717,843
Estimated revenues, transfers, retained revenue appropriations, and appropriations carried forward from FY 2022	—	7,524,767
Total original budget	54,827,100	59,242,610
Supplemental Acts of 2022:		
Chapter 268	—	350,000
Supplemental Acts of 2023:		
Chapter 2	—	388,658
Chapter 26	—	200,000
Chapter 77	—	2,769,386
	—	—
Total budgeted revenues and expenditures per Legislative action	—	3,708,045
Plus: Pension contributions and revenue authorized in the General Appropriation Act, and other transfers of revenue and spending	5,143,694	9,472,197
Budgeted revenues and expenditures as reported	<u>\$ 59,970,794</u>	<u>\$ 72,422,852</u>

As the budget is not passed taking into account the structure of funds, but of appropriations, reports contained within the Commonwealth's MMARS accounting system demonstrate budgetary compliance by appropriation. Those reports are available upon request at the Office of the Comptroller, Statewide Financial Reporting Team, at (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)

	2023	2022	2021	2020*	2019
Total pension liability, July 1	\$ 48,041,000	\$ 46,476,000	\$ 45,725,000	\$ 43,398,000	\$ 41,225,000
Service cost	1,043,783	981,998	968,648	963,828	897,600
Interest	3,332,796	3,223,993	3,243,594	3,124,187	2,965,890
Change in benefit terms	—	—	—	—	—
Differences between expected and actual experience	424,236	160,909	(904,845)	336,183	303,066
Changes of assumptions	110,000	—	101,000	442,000	434,000
Benefit payments, including refunds of member contributions	(2,946,815)	(2,801,900)	(2,657,397)	(2,539,198)	(2,427,556)
Net change in total pension liability	1,964,000	1,565,000	751,000	2,327,000	2,173,000
Total pension liability, June 30 (a)	<u>\$ 50,005,000</u>	<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	\$ 34,131,126	\$ 36,039,471	\$ 28,567,300	\$ 28,763,796	\$ 27,995,021
Contributions:					
Employers - Commonwealth and MassDOT	1,368,423	1,310,596	1,105,838	1,003,828	919,545
Non-employer contributions - Commonwealth	63,822	56,988	41,963	38,381	37,359
Employer and non-employer contributions - other	13,764	11,454	13,352	9,718	10,191
ERIP funding contribution - Commonwealth	28,449	28,449	28,449	28,724	28,724
Plan members	722,382	693,853	652,911	659,015	632,730
Other additions	130,982	138,957	90,879	90,944	104,765
Total contributions	2,327,822	2,240,297	1,933,392	1,830,610	1,733,314
Net investment income (loss)	1,916,176	(1,297,464)	8,232,417	567,319	1,543,398
Benefit payments, including refunds of member contributions	(2,946,815)	(2,801,900)	(2,657,397)	(2,539,198)	(2,427,556)
Administrative expense	(16,120)	(14,461)	(21,685)	(18,089)	(15,853)
Other changes	(54,679)	(34,817)	(14,556)	(37,138)	(64,528)
Net change in plan fiduciary net position	1,226,384	(1,908,345)	7,472,171	(196,496)	768,775
Plan fiduciary net position, June 30 (b)	<u>\$ 35,357,510</u>	<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>\$ 14,647,490</u>	<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	70.7%	71.0%	77.5%	62.5%	66.3%
Covered payroll (as of the actuarial valuation date)	\$ 7,088,063	\$ 6,651,010	\$ 6,544,575	\$ 6,354,473	\$ 6,354,473
Net pension liability as a percentage of covered employee payroll	206.7%	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

FY2023 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in mortality

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

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

FY2022 Changes in Actuarial Assumptions

No changes.

FY2021 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

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

Change in mortality

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

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

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

FY2020 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

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

FY2019 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

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

NOTES TO THE SERS SCHEDULE

FY2018 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

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

Change in mortality

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

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

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

FY2017 Changes in Actuarial Assumptions

Changes of Benefit Terms:

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

Changes of Assumptions:

Change in mortality

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

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

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

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.

NOTES TO THE SERS SCHEDULE

FY2015 Changes in Actuarial Assumptions

Changes in Benefit Terms:

In May 2015, Chapter 19 of the Acts of 2015 created an Early Retirement Incentive (ERI) for certain members of SERS who upon election of the ERI retired effective June 30, 2015. As a result, the total pension liability has increased by approximately \$230 million.

Changes of Assumptions:

Change in the investment rate of return

The Commonwealth revised its discount rate to 7.50% from 7.75%. This change resulted in an increase to the total pension liability of approximately \$933 million.

Change in mortality

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

- Pre-retirement - was changed to RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct) from RP-2000 Employees table projected 22 years with Scale AA.
- Post-retirement - was changed to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct) from RP-2000 Healthy Annuitant table projected 17 years with Scale AA.
- 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

Tabby Cat (*Felis catus*),
Official State Cat of Massachusetts



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

(Amounts in thousands, except for percentages)

	2023	2022	2021	2020 *	2019
Total pension liability, July 1	\$ 61,273,000	\$ 59,795,000	\$ 57,862,841	\$ 54,751,000	\$ 52,503,000
Service cost	1,182,258	1,084,503	1,085,414	1,019,331	949,262
Interest	4,249,912	4,143,763	4,097,558	3,927,724	3,763,191
Differences between expected and actual experience	(17,711)	(384,483)	(555,322)	495,599	50,910
Changes of assumptions	111,000	—	584,000	859,000	577,000
Benefit payments, including refunds of plan member contributions	(3,484,459)	(3,365,783)	(3,279,491)	(3,189,813)	(3,092,363)
Net change in total pension liability	2,041,000	1,478,000	1,932,159	3,111,841	2,248,000
Total pension liability, June 30 (a)	<u>\$ 63,314,000</u>	<u>\$ 61,273,000</u>	<u>\$ 59,795,000</u>	<u>\$ 57,862,841</u>	<u>\$ 54,751,000</u>
Plan fiduciary net position, July 1	\$ 35,384,862	\$ 37,088,124	\$ 29,317,997	\$ 29,536,980	\$ 28,791,711
Contributions:					
Non-employer	2,148,676	2,104,604	1,748,483	1,553,433	1,443,710
Plan members	943,929	892,123	833,236	821,105	782,431
Other additions	319,016	276,758	254,903	233,222	234,532
Total contributions	3,411,621	3,273,485	2,836,622	2,607,760	2,460,673
Net investment income (loss)	1,997,214	(1,353,547)	8,455,507	581,648	1,584,770
Benefit payments, including refunds of plan member contributions	(3,484,459)	(3,365,783)	(3,279,491)	(3,189,813)	(3,092,363)
Administrative expense	(21,332)	(19,196)	(21,783)	(22,391)	(18,324)
Other changes	(264,177)	(238,221)	(220,728)	(196,187)	(189,487)
Net change (deficits) in plan fiduciary net position	1,638,867	(1,703,262)	7,770,127	(218,983)	745,269
Plan fiduciary net position, June 30 (b)	<u>\$ 37,023,729</u>	<u>\$ 35,384,862</u>	<u>\$ 37,088,124</u>	<u>\$ 29,317,997</u>	<u>\$ 29,536,980</u>
Plan net pension liability - June 30 (a) - (b)	<u>\$ 26,290,271</u>	<u>\$ 25,888,138</u>	<u>\$ 22,706,876</u>	<u>\$ 28,544,844</u>	<u>\$ 25,214,020</u>
Plan fiduciary net position as a percentage of the total pension liability	58.5%	57.7%	62.0%	50.7%	53.9%
Covered payroll (as of actuarial valuation date)	\$ 8,371,450	\$ 7,704,176	\$ 7,670,306	\$ 7,074,960	\$ 7,074,960
Net pension liability as a percentage of covered employee payroll	314.0%	336.0%	296.0%	403.5%	356.4%

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

See Independent Auditors' Report and notes to the schedule.

2018	2017	2016	2015	2014
\$ 50,024,000	\$ 47,300,000	\$ 45,918,711	\$ 41,435,000	\$ 39,931,000
901,234	891,760	843,800	768,032	720,712
3,633,027	3,505,761	3,402,525	3,166,728	3,227,025
92,317	47,046	(74,025)	153,000	—
845,000	1,176,000	—	3,080,000	108,000
(2,992,578)	(2,896,567)	(2,791,011)	(2,684,049)	(2,551,737)
2,479,000	2,724,000	1,381,289	4,483,711	1,504,000
<u>\$ 52,503,000</u>	<u>\$ 50,024,000</u>	<u>\$ 47,300,000</u>	<u>\$ 45,918,711</u>	<u>\$ 41,435,000</u>
\$ 27,138,609	\$ 24,942,072	\$ 25,429,068	\$ 25,538,646	\$ 22,697,302
1,314,783	1,235,515	1,124,583	1,021,930	937,379
755,688	730,212	699,422	669,941	653,328
231,734	223,746	202,796	190,925	150,522
2,302,205	2,189,473	2,026,801	1,882,796	1,741,229
2,542,576	3,100,352	441,363	845,503	3,771,883
(2,992,578)	(2,896,567)	(2,791,011)	(2,684,049)	(2,551,737)
(19,528)	(24,053)	(24,220)	(23,444)	(20,499)
(179,573)	(172,668)	(139,929)	(130,384)	(99,532)
1,653,102	2,196,537	(486,996)	(109,578)	2,841,344
<u>\$ 28,791,711</u>	<u>\$ 27,138,609</u>	<u>\$ 24,942,072</u>	<u>\$ 25,429,068</u>	<u>\$ 25,538,646</u>
<u>\$ 23,711,289</u>	<u>\$ 22,885,391</u>	<u>\$ 22,357,928</u>	<u>\$ 20,489,643</u>	<u>\$ 15,896,354</u>
54.8%	54.3%	52.7%	55.4%	61.6%
\$ 6,829,012	\$ 6,583,871	\$ 6,388,732	\$ 6,204,274	\$ 5,962,650
347.2%	347.6%	350.0%	330.3%	266.6%

NOTES TO THE MTRS SCHEDULE

FY2023 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in mortality

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

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

FY2022 Changes in Actuarial Assumptions

No changes.

FY2021 Changes in Actuarial Assumptions

Changes of assumptions:

Change in the investment rate of return

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

Change in mortality

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

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

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

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).

NOTES TO THE MTRS SCHEDULE

- Disabled members - was changed to be in accordance with Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).

These changes resulted in an increase to the total pension liability of approximately \$300 million.

FY2019 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

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

FY2018 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

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

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:

NOTES TO THE MTRS SCHEDULE

- 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.

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



Boston Terrier (*canis familiaris*),
Official State Dog of Massachusetts

**Schedule of Changes in the State Retirees' Benefit Trust (SRBT)
Net OPEB Liability and Related Ratios**

(Amounts in thousands, except for percentages)

	2023	2022	2021	2020	2019
Total OPEB liability, July 1	\$ 15,340,605	\$ 17,910,405	\$ 22,105,511	\$ 19,662,106	\$ 19,761,333
Service cost	530,964	774,039	992,669	785,689	806,023
Interest	672,136	510,542	521,143	732,808	796,880
Differences between expected and actual experience	591,887	(16,054)	(2,926,517)	(600,057)	715,192
Changes of assumptions	(179,432)	(3,328,161)	(2,297,649)	2,050,139	(1,935,139)
Benefit payments, including refunds of member contributions	(486,104)	(510,166)	(484,752)	(525,174)	(482,183)
Net change in total pension liability	1,129,451	(2,569,800)	(4,195,106)	2,443,405	(99,227)
Total OPEB liability, June 30 (a)	<u>\$ 16,470,056</u>	<u>\$ 15,340,605</u>	<u>\$ 17,910,405</u>	<u>\$ 22,105,511</u>	<u>\$ 19,662,106</u>
Plan fiduciary net position, July 1	\$ 1,988,383	\$ 1,910,940	\$ 1,414,312	\$ 1,368,548	\$ 1,187,569
Contributions:					
Employer	653,178	660,800	569,989	547,611	594,916
Other additions	176	175	200	122	188
Total contributions	653,354	660,975	570,189	547,733	595,104
Net investment income (loss)	111,455	(73,126)	411,438	23,380	68,229
Benefit payments, including refunds of plan member contributions	(486,104)	(510,166)	(484,752)	(525,174)	(482,183)
Administrative expenses	(246)	(240)	(247)	(175)	(171)
Other changes	—	—	—	—	—
Net change in plan fiduciary net position	278,459	77,443	496,628	45,764	180,979
Plan fiduciary net position, June 30 (b)	<u>\$ 2,266,842</u>	<u>\$ 1,988,383</u>	<u>\$ 1,910,940</u>	<u>\$ 1,414,312</u>	<u>\$ 1,368,548</u>
Plan net OPEB liability - June 30 (a) - (b)	<u>\$ 14,203,214</u>	<u>\$ 13,352,222</u>	<u>\$ 15,999,465</u>	<u>\$ 20,691,199</u>	<u>\$ 18,293,558</u>
Plan fiduciary net position as a percentage of the total OPEB liability	13.8%	13.0%	10.7%	6.4%	7.0%
Covered payroll *	\$ 5,721,250	\$ 5,772,086	\$ 5,594,324	\$ 5,625,684	\$ 5,491,214
Net OPEB liability as a percentage of covered employee payroll	248.3%	231.3%	286.0%	367.8%	333.1%

* - 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.

	2018	2017
\$	18,480,936	\$ 19,821,600
	792,135	950,800
	691,630	591,900
	218,891	(48,600)
	21,504	(2,393,700)
	(443,763)	(441,064)
	1,280,397	(1,340,664)
\$	<u>19,761,333</u>	<u>\$ 18,480,936</u>
\$	996,407	\$ 866,043
	542,896	465,449
	133	784
	543,029	466,233
	93,308	105,822
	(443,763)	(441,064)
	(150)	(127)
	(1,262)	(500)
	191,162	130,364
\$	<u>1,187,569</u>	<u>\$ 996,407</u>
\$	<u>18,573,764</u>	<u>\$ 17,484,529</u>
	6.0%	5.4%
\$	5,296,859	\$ 5,259,298
	350.7%	332.4%

NOTES TO THE SRBT SCHEDULE

FY2023 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in discount rate

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

Change in mortality projection scale

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

Change in healthcare trend rates

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

Change in per capita claims costs

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

Change in demographic and benefit

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

FY2022 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in discount rate

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

Change in per capita claims costs

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

Change in healthcare trend rates

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

Change in demographic and benefit

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

NOTES TO THE SRBT SCHEDULE

FY2021 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in discount rate

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

Change in mortality projection scale

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

Change in per capita claims costs

Per capita claims costs for the Medicare HMO plan (Tufts Medicare Preferred plan) was no longer age-graded. This change resulted in a decrease in the total OPEB liability of approximately \$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 reflect short-term expectations based on a review of the Commonwealth's historical trend rates during fiscal years 2020 and 2021, along with industry surveys, separately from non-Medicare and Medicare benefits. This change resulted in an increase in the total OPEB liability of approximately \$79 million.

Change in demographic and benefit

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

FY2020 Changes in Actuarial Assumptions

Change in discount rate

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

Change in excise tax

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

Change in per capita claims costs

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

Change in medical trend rates

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

NOTES TO THE SRBT SCHEDULE

Change in salary scale

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

Change in future retirees' plan participation rates

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

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

Change in medical plan election rates

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

FY2019 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in base OPEB rates for medical and prescriptions

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

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

Change in trend on future costs

The healthcare trend rate decreased from 8.0% in FY2018 to 7.5% in FY2019, which impacts the high cost excise tax. This resulted in a decrease to the total OPEB liability of approximately \$1.067 billion.

Change in medical plan election rates

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

Change in future retirees' plan participation rates

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

Change in discount rate

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

FY2018 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in base OPEB rates for medical and prescriptions

NOTES TO THE SRBT SCHEDULE

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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense - SERS	5.70 %	(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	5.70 %	(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	5.65 %	(3.85)%	29.40 %	1.75 %	5.87 %	9.46 %	12.90 %	(1)	(1)	(1)

(1) - GASB 74 implemented in FY2017.

See Independent Auditors' Report



Rhodonite,
Official State Gemstone of Massachusetts

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	2023 (measurement date June 30, 2022)	2022 (measurement date June 30, 2021)	2021 (measurement date June 30, 2020)	2020 (measurement date June 30, 2019)	2019 (measurement date June 30, 2018)
Proportion of the net pension liability	94.2%	94.2%	94.3%	94.7%	94.6%
Proportionate share of the net pension liability	\$ 13,101,342	\$ 9,834,175	\$ 16,180,809	\$ 13,856,209	\$ 12,520,028
Plan net position as a percentage of the total pension liability	70.7%	71.0%	62.5%	66.3%	67.9%
Covered payroll	\$ 5,921,315	\$ 5,734,862	\$ 5,778,859	\$ 5,641,512	\$ 5,440,103
Net pension liability as a percentage of covered payroll	221.3%	171.5%	280.0%	245.6%	230.1%

Contributions	Fiscal Year Ending June 30					
	2023	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 1,432,245	\$ 1,367,584	\$ 1,147,801	\$ 1,042,209	\$ 956,904	\$ 876,174
Contributions in relation to the statutorily required contribution	1,432,245	1,367,584	1,147,801	1,042,209	956,904	876,174
Annual contribution deficiency/(excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ 5,880,270	\$ 5,921,315	\$ 5,734,862	\$ 5,778,859	\$ 5,641,512	\$ 5,440,103
Contributions as a percentage of covered payroll	24.4%	23.1%	20.0%	18.0%	17.0%	16.1%

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

See Independent Auditors' Report and notes to the schedule

2018 (measurement date June 30, 2017)	2017 (measurement date June 30, 2016)	2016 (measurement date June 30, 2015)	2015 (measurement date June 30, 2014)
94.5%	94.3%	93.8%	93.9%
\$ 12,122,363	\$ 12,996,818	\$ 10,682,765	\$ 6,972,443
67.2%	63.5%	67.9%	76.3%
\$ 5,397,203	\$ 5,249,985	\$ 5,136,405	\$ 4,975,346
224.6%	247.6%	208.0%	140.1%

2017	2016	2015	2014
\$ 744,721	\$ 682,648	\$ 619,971	\$ 571,776
744,721	682,648	619,971	571,776
\$ —	\$ —	\$ —	\$ —

\$ 5,397,203	\$ 5,249,985	\$ 5,136,405	\$ 4,975,346
13.8%	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	2023 (measurement date June 30, 2022)	2022 (measurement date June 30, 2021)	2021 (measurement date June 30, 2020)	2020 (measurement date June 30, 2019)	2019 (measurement date June 30, 2018)
Proportion of the net pension liability	100.0%	100.0%	100.0%	100.0%	100.0%
Proportionate share of the net pension liability	\$ 25,888,138	\$ 22,706,876	\$ 28,544,844	\$ 25,214,020	\$ 23,711,289
Plan net position as a percentage of the total pension liability	57.7%	62.0%	50.7%	53.9%	54.8%

Contributions	Fiscal Year Ending June 30					
	2023	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 2,148,676	\$ 2,104,604	\$ 1,748,483	\$ 1,553,433	\$ 1,443,710	\$ 1,314,783
Contributions in relation to the statutorily required contribution	2,148,676	2,104,604	1,748,483	1,553,433	1,443,710	1,314,783
Annual contribution deficiency/(excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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

See Independent Auditors' Report and notes to the schedule

2018 (measurement date June 30, 2017)	2017 (measurement date June 30, 2016)	2016 (measurement date June 30, 2015)	2015 (measurement date June 30, 2014)
100.0%	100.0%	100.0%	100.0%
\$ 22,885,391	\$ 22,357,928	\$ 20,489,643	\$ 15,896,354
54.3%	52.7%	55.4%	61.6%

2017	2016	2015	2014
\$ 1,235,515	\$ 1,124,583	\$ 1,021,930	\$ 937,379
1,235,515	1,124,583	1,021,930	937,379
\$ —	\$ —	\$ —	\$ —

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	2023 (measurement date December 31, 2022)	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)
Proportion of the net pension liability.....	56.2%	65.5%	60.8%	56.5%	55.6%	60.5%
Proportionate share of the net pension liability	\$ 2,682,386	\$ 2,265,594	\$ 2,416,125	\$ 2,572,923	\$ 2,551,190	\$ 2,433,199
Plan net position as a percentage of the total pension liability.....	64.1%	73.3%	67.6%	61.9%	58.3%	62.7%

Contributions	Fiscal Year Ending December 31					
	2022	2021	2020	2019	2018	2017
Statutorily required contribution	\$ 196,833	\$ 179,369	\$ 162,976	\$ 157,041	\$ 143,146	\$ 131,298
Contributions in relation to the statutorily required contribution.....	196,833	179,369	162,976	157,041	143,146	131,298
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.

See Independent Auditors' Report and notes to the schedule

2017 (measurement date December 31, 2016)	2016 (measurement date December 31, 2015)	2015 (measurement date December 31, 2014)
55.9%	54.5%	53.7%
\$ 2,325,286	\$ 2,402,267	\$ 2,066,546
58.4%	55.8%	59.6%

2016	2015	2014	2013
\$ 132,477	\$ 120,434	\$ 109,485	\$ 99,532
132,477	120,434	109,485	99,532
\$ —	\$ —	\$ —	\$ —

**NOTES TO THE SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND CONTRIBUTIONS**

SERS and MTRS:

In accordance with Chapter 32 of the Massachusetts General Laws (MGL), the Commonwealth's statutorily determined contributions to SERS and MTRS are based on a three-year funding schedule adopted by the legislature based upon the previous year's actuarial valuation. The most recent funding schedule was adopted in January 2023 (for fiscal years 2024 through 2026) based upon the January 1, 2022 actuarial valuation as prepared by the Public Employee Retirement Administration Commission (PERAC) using the following assumptions:

1. The annual required contribution for FY2023 was determined as part of the January 1, 2023 actuarial valuation using the entry age normal cost method.
2. The actuarial assumptions included (a) 7.00% investment rate of return, (b) inflation rate of 2.5%, per year (c) 3.50% interest rate credited to the annuity savings fund and (d) 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 is determined in accordance with the deferred recognition method under which 20% of the gains or losses occurring in the prior year are recognized, 40% of those occurring 2 years ago are recognized, etc., so that 100% of gains or losses occurring 5 years ago are recognized. The actuarial value of assets will be adjusted, if necessary, in order to remain between 90% and 110% of the market value. The actuarial value of assets as of January 1, 2023 is 105.2% 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, 2023 was 13 years to FY36.

BRS-Teachers:

The actuarially determined contributions were calculated as of December 31, 2022. The funding requirements are established for the employers' fiscal year ended June 30, 2022 and later years and are analyzed based on the preceding two years' experience. The following actuarial methods and assumptions were used to determine the required contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Prior year's contribution increased by 8.85% for BRS excluding Boston Teachers
Remaining amortization period	14 years remaining as of January 1, 2022 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						
	2023	2022	2021	2020	2019	2018	2017
Statutorily required contribution.....	\$ 630,606	\$ 637,189	\$ 546,664	\$ 526,494	\$ 572,434	\$ 520,703	\$ 419,932
Contributions in relation to the statutorily required contribution.....	630,606	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>	<u>\$ —</u>
Covered payroll*.....	\$ 5,721,250	\$ 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%	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 year of data. Additional years will be presented when available.

See Independent Auditors' Report



**Wild Turkey (*meleagris gallopavo*),
Official State Game Bird of Massachusetts**

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, 2023
(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	\$ 35,273,300	\$ 35,273,300	\$ 32,049,762	\$ (3,223,538)	\$ —	\$ —	\$ 154	\$ 154
Assessments	449,185	449,185	397,561	(51,624)	—	—	—	—
Federal grants and reimbursements	14,051,838	14,051,838	15,215,504	1,163,666	—	—	—	—
Tobacco settlement revenue	254,645	254,645	256,786	2,141	—	—	—	—
Departmental	3,439,190	3,439,190	3,648,163	208,973	—	—	—	—
Miscellaneous	325,676	325,676	759,273	433,597	12,000	12,000	265,489	253,489
Total revenues	53,793,834	53,793,834	52,327,049	(1,466,785)	12,000	12,000	265,643	253,643
Other financing sources:								
Fringe benefit cost recovery	505,754	505,754	520,483	14,729	—	—	—	—
Lottery reimbursements	134,864	134,864	130,231	(4,633)	—	—	—	—
Lottery distributions	1,112,502	1,112,502	1,164,436	51,934	—	—	—	—
Operating transfers in	265,029	265,029	3,193,113	2,928,084	—	—	—	—
Stabilization transfer	—	—	—	—	1,456,110	1,456,110	832,544	(623,566)
Other fund deficit support	—	—	244,575	244,575	—	—	—	—
Total other financing sources	2,018,149	2,018,149	5,252,838	3,234,689	1,456,110	1,456,110	832,544	(623,566)
Total revenues and other financing sources	55,811,983	55,811,983	57,579,887	1,767,904	1,468,110	1,468,110	1,098,187	(369,923)
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Legislature	137,492	137,575	82,407	55,168	—	—	—	—
Judiciary	1,278,914	1,261,901	1,189,586	72,315	—	—	—	—
Office of Inspector General	7,671	7,671	6,825	846	—	—	—	—
Governor and Lieutenant Governor	7,967	10,152	7,339	2,813	—	—	—	—
Secretary of the Commonwealth	75,203	77,052	74,757	2,295	—	—	—	—
Treasurer and Receiver-General	2,416,033	295,917	224,525	71,392	—	—	—	—
State Auditor	22,776	22,776	21,424	1,352	—	—	—	—
Attorney General	88,064	89,128	84,265	4,863	—	—	—	—
State Ethics Commission	2,954	2,999	2,968	31	—	—	—	—
District Attorneys	158,228	160,575	159,131	1,444	—	—	—	—
Office of Campaign & Political Finance	2,034	2,022	1,894	128	—	—	—	—
Sheriffs	695,360	752,116	744,224	7,892	—	—	—	—
Disabled Persons Protection Commission	10,493	10,490	10,470	20	—	—	—	—
Commission on the Status of Women	1,206	1,206	1,093	113	—	—	—	—
Office of the Comptroller	10,254	10,254	10,107	147	—	—	—	—
Administration and finance	4,680,244	3,817,476	2,682,309	1,135,167	—	—	—	—
Energy and environmental affairs	357,749	356,862	338,428	18,434	—	—	—	—
Health and human services	8,213,423	8,960,297	8,449,465	510,832	—	—	—	—
Technology Services and Security	68,815	69,086	67,064	2,022	—	—	—	—
Veterans' Services	—	56,791	37,081	19,710	—	—	—	—
Housing and Livable Communities	—	212,219	154,168	58,051	—	—	—	—
Massachusetts Department of Transportation	—	15	15	—	—	—	—	—
Office of the Child Advocate	8,150	7,148	4,518	2,630	—	—	—	—
Commission Against Discrimination	11,671	11,671	7,706	3,965	—	—	—	—
Board of Library Commissioners	40,957	40,957	40,918	39	—	—	—	—
Education	4,098,361	4,278,309	4,135,308	143,001	—	—	—	—
Center for Health Information and Analysis	32,400	34,233	33,773	460	—	—	—	—
Public Safety and Security	1,435,338	1,479,628	1,401,477	78,151	—	—	—	—
Massachusetts Peace Officer Standards and Training Commission	5,000	7,899	6,629	1,270	—	—	—	—
Commission on the Status of African Americans	150	150	—	150	—	—	—	—
Commission on the Status of Latinos and Latinas	150	150	—	150	—	—	—	—
Commission on the Status of Persons with Disabilities	150	150	44	106	—	—	—	—
Commission on the Social Status of Black Men and Boys	150	150	—	150	—	—	—	—
Economic Development	1,205,550	993,485	965,415	28,070	—	—	—	—
Labor and workforce development	153,535	136,385	126,673	9,712	—	—	—	—
Direct local aid	7,180,907	7,179,708	7,177,125	2,583	—	—	—	—
Medicaid	19,482,096	21,387,009	21,378,276	8,733	—	—	—	—
Post employment benefits	—	4,657,496	4,656,546	950	—	—	—	—
Debt service:								
Principal retirement	—	763,281	720,793	42,488	—	—	—	—
Interest and fiscal charges	—	625,256	590,451	34,805	—	—	—	—
Total expenditures	51,889,445	57,917,645	55,595,197	2,322,448	—	—	—	—
Other financing uses:								
Fringe benefit cost assessment	—	—	7,615	(7,615)	—	—	—	—
Operating transfers out	—	1,137,075	1,150,867	(13,792)	—	—	—	—
Medical assistance transfer	575,899	575,899	84,914	490,985	—	—	—	—
Stabilization transfer	—	1,399,700	750,263	649,437	—	—	—	—
Total other financing uses	575,899	3,112,674	1,993,659	1,119,015	—	—	—	—
Total expenditures and other financing uses	52,465,344	61,030,319	57,588,856	3,441,463	—	—	—	—
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ 3,346,639	\$ (5,218,336)	(8,969)	\$ 5,209,367	\$ 1,468,110	\$ 1,468,110	1,098,187	\$ (369,923)
Fund balances/(deficits) at beginning of year	—	—	1,501,340	—	—	—	6,937,864	—
Fund balances/(deficits) at end of year	—	—	<u>\$ 1,492,371</u>	—	—	—	<u>\$8,036,051</u>	—

See Independent Auditors' Report

Intragovernmental Services Fund				Transitional Escrow Fund				Total General Fund			
Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 35,273,300	\$ 35,273,300	\$ 32,049,916	\$ (3,223,384)
—	—	—	—	—	—	—	—	449,185	449,185	397,561	(51,624)
—	—	—	—	—	—	—	—	14,051,838	14,051,838	15,215,504	1,163,666
—	—	—	—	—	—	—	—	254,645	254,645	256,786	2,141
—	—	528,938	528,938	—	—	—	—	3,439,190	3,439,190	4,177,101	737,911
—	—	—	—	—	—	—	—	337,676	337,676	1,024,762	687,086
—	—	528,938	528,938	—	—	—	—	53,805,834	53,805,834	53,121,630	(684,204)
—	—	—	—	—	—	—	—	505,754	505,754	520,483	14,729
—	—	—	—	—	—	—	—	134,864	134,864	130,231	(4,633)
—	—	—	—	—	—	—	—	1,112,502	1,112,502	1,164,436	51,934
—	—	—	—	—	—	—	—	265,029	265,029	3,193,113	2,928,084
—	—	—	—	—	—	—	—	1,456,110	1,456,110	832,544	(623,566)
—	—	—	—	—	—	—	—	—	—	244,575	244,575
—	—	—	—	—	—	—	—	3,474,259	3,474,259	6,085,382	2,611,123
—	—	528,938	528,938	—	—	—	—	57,280,093	57,280,093	59,207,012	1,926,919
—	—	—	—	150	150	135	15	137,642	137,725	82,542	55,183
—	—	—	—	9,585	9,585	2,435	7,150	1,288,499	1,271,486	1,192,021	79,465
—	—	—	—	—	189	137	52	7,671	7,860	6,962	898
—	—	—	—	—	—	—	—	7,967	10,152	7,339	2,813
16	16	—	16	—	—	—	—	75,219	77,068	74,757	2,311
—	—	—	—	3	54,575	43,313	11,262	2,416,036	350,492	267,838	82,654
—	—	—	—	—	375	14	361	22,776	23,151	21,438	1,713
—	—	—	—	—	—	—	—	88,064	89,128	84,265	4,863
—	—	—	—	—	—	—	—	2,954	2,999	2,968	31
—	—	—	—	—	—	—	—	158,228	160,575	159,131	1,444
—	—	—	—	—	—	—	—	2,034	2,022	1,894	128
—	—	—	—	—	—	—	—	695,360	752,116	744,224	7,892
—	—	—	—	—	1,140	109	1,031	10,493	11,630	10,579	1,051
—	—	—	—	—	—	—	—	1,206	1,206	1,093	113
56,899	56,899	16,334	40,565	—	—	—	—	67,153	67,153	26,441	40,712
228,193	228,192	138,218	89,974	776,537	485,947	3,041	482,906	5,684,974	4,531,615	2,823,568	1,708,047
4,750	4,750	3,851	899	52,790	174,622	49,478	125,144	415,289	536,234	391,757	144,477
167,395	167,395	138,247	29,148	20,080	144,066	81,545	62,521	8,400,898	9,271,758	8,669,257	602,501
168,991	169,283	117,819	51,464	—	—	—	—	237,806	238,369	184,883	53,486
—	—	—	—	—	—	—	—	—	56,791	37,081	19,710
—	—	—	—	—	30,991	2,704	28,287	—	243,210	156,872	86,338
—	—	—	—	1,054	11,754	10,750	1,004	1,054	11,769	10,765	1,004
—	—	—	—	—	—	—	—	8,150	7,148	4,518	2,630
—	—	—	—	—	—	—	—	11,671	11,671	7,706	3,965
—	—	—	—	—	—	—	—	40,957	40,957	40,918	39
1,860	1,860	996	864	66,450	144,566	95,063	49,503	4,166,671	4,424,735	4,231,367	193,368
—	—	—	—	—	404	343	61	32,400	34,637	34,116	521
78,784	78,784	53,348	25,436	466	4,264	1,920	2,344	1,514,588	1,562,676	1,456,745	105,931
—	—	—	—	—	—	—	—	5,000	7,899	6,629	1,270
—	—	—	—	—	—	—	—	150	150	—	150
—	—	—	—	—	—	—	—	150	150	—	150
—	—	—	—	—	—	—	—	150	150	44	106
—	—	—	—	—	—	—	—	150	150	—	150
7,452	7,156	1,959	5,197	38,809	108,479	62,203	46,276	1,251,811	1,109,120	1,029,577	79,543
—	5	4	1	26,485	8,936	8,249	687	180,020	145,326	134,926	10,400
—	—	—	—	—	—	—	—	7,180,907	7,179,708	7,177,125	2,583
—	—	—	—	—	321,914	321,914	—	19,482,096	21,708,923	21,700,190	8,733
—	—	—	—	—	—	—	—	—	4,657,496	4,656,546	950
38,478	38,478	38,478	—	—	—	—	—	38,478	801,759	759,271	42,488
—	—	—	—	—	—	—	—	—	625,256	590,451	34,805
752,818	752,818	509,254	243,564	992,409	1,501,957	683,353	818,604	53,634,672	60,172,420	56,787,804	3,384,616
—	—	—	—	—	—	922	(922)	—	—	8,537	(8,537)
—	24,741	24,741	—	—	3,079,008	3,079,008	—	—	4,240,824	4,254,616	(13,792)
—	—	—	—	—	—	—	—	575,899	575,899	84,914	490,985
—	—	—	—	—	—	—	—	—	1,399,700	750,263	649,437
—	24,741	24,741	—	—	3,079,008	3,079,930	(922)	575,899	6,216,423	5,098,330	1,118,093
752,818	777,559	533,995	243,564	992,409	4,580,965	3,763,283	817,682	54,210,571	66,388,843	61,886,134	4,502,709
<u>\$ (752,818)</u>	<u>\$ (777,559)</u>	<u>(5,057)</u>	<u>\$ 772,502</u>	<u>\$ (992,409)</u>	<u>\$ (4,580,965)</u>	<u>(3,763,283)</u>	<u>\$ 817,682</u>	<u>\$ 3,069,522</u>	<u>\$ (9,108,750)</u>	<u>(2,679,122)</u>	<u>\$ 6,429,628</u>
		17,981				5,654,485				14,111,670	
		<u>\$ 12,924</u>				<u>\$ 1,891,202</u>				<u>\$ 11,432,548</u>	

Combining Balance Sheet

Other Governmental Funds

June 30, 2023

(Amounts in thousands)

	Special Revenue					
	Commonwealth Transportation	Universal Health Care	Environmental	Student Opportunity Act Investment	High-Quality Early Education & Care	Education and Transportation
ASSETS						
Cash and cash equivalents.....	\$ 50,960	\$ 916,297	\$ 22,329	\$ 500,000	\$ 490,000	\$ 241,987
Restricted cash with fiscal agent.....	16,644	—	—	—	—	—
Receivables, net of allowance for uncollectibles:						
Taxes.....	61,661	8,240	79	—	—	—
Due from federal government.....	—	9,600	2,000	—	—	—
Loans receivable.....	—	—	—	—	—	—
Other receivables.....	7,284	74,238	191	—	—	—
Due from cities and towns.....	—	—	—	—	—	—
Due from other funds.....	—	—	—	—	—	—
Total assets.....	\$ 136,549	\$ 1,008,375	\$ 24,599	\$ 500,000	\$ 490,000	\$ 241,987
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable.....	\$ 562	\$ 28,762	\$ 729	\$ —	\$ —	\$ —
Accrued payroll.....	—	177	491	—	—	—
Tax refunds and abatements payable.....	5	—	—	—	—	—
Due to other funds.....	—	—	—	—	—	—
Due to component units.....	12,522	8,081	—	—	—	—
Unearned revenue.....	—	—	—	—	—	—
Other accrued liabilities.....	—	22,418	—	—	—	—
Total liabilities.....	13,089	59,438	1,220	—	—	—
Deferred inflows of resources.....	—	47,146	—	—	—	—
Total liabilities and deferred inflows of resources.....	13,089	106,584	1,220	—	—	—
Fund balances:						
Restricted.....	16,644	—	—	—	—	—
Committed.....	106,816	901,791	23,379	500,000	490,000	241,987
Assigned.....	—	—	—	—	—	—
Unassigned (includes deficits).....	—	—	—	—	—	—
Fund balances (deficits).....	123,460	901,791	23,379	500,000	490,000	241,987
Total liabilities and fund balances.....	\$ 136,549	\$ 1,008,375	\$ 24,599	\$ 500,000	\$ 490,000	\$ 241,987

See Independent Auditors' Report

Special Revenue

Gaming Control	Gaming Revenue	MBTA State & Local Contribution	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
\$ 2,892	\$ —	\$ 128,436	\$ 25,457	\$ 102,145	\$ 290,865	\$ —	\$ 278,641	\$ 24,680
—	—	—	—	—	—	—	—	—
—	—	54,737	—	—	—	—	—	5,279
—	—	—	—	—	—	12,138	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	69	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
\$ 2,892	\$ —	\$ 183,173	\$ 25,457	\$ 102,145	\$ 290,865	\$ 12,207	\$ 278,641	\$ 29,959
\$ 1,099	\$ —	\$ —	\$ —	\$ 10,129	\$ 23,064	\$ 1,533	\$ 4,115	\$ 237
391	—	—	—	3	529	133	80	—
—	—	598	—	—	—	—	—	90
—	—	—	—	—	—	785	—	—
—	—	182,575	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
1,490	—	183,173	—	10,132	23,593	2,451	4,195	327
—	—	—	—	—	—	—	—	—
1,490	—	183,173	—	10,132	23,593	2,451	4,195	327
—	—	—	—	—	—	—	—	—
1,402	—	—	25,457	92,013	267,272	9,756	274,446	29,632
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
1,402	—	—	25,457	92,013	267,272	9,756	274,446	29,632
\$ 2,892	\$ —	\$ 183,173	\$ 25,457	\$ 102,145	\$ 290,865	\$ 12,207	\$ 278,641	\$ 29,959

continued

Combining Balance Sheet

Other Governmental Funds

June 30, 2023

(Amounts in thousands)

	Special Revenue					
	Department of Industrial Accidents	Convention and Exhibition Center	Grant Anticipation Note Trust	Opioid Recovery and Remediation	Expendable Trust	Other
ASSETS						
Cash and cash equivalents	\$ 7,535	\$ 77,122	\$ 10,335	\$ 88,768	\$ 833,520	\$ 1,078,485
Restricted cash with fiscal agent	—	375,002	59,617	—	—	—
Receivables, net of allowance for uncollectibles:						
Taxes	—	10,425	—	—	—	11,924
Due from federal government	—	—	96,865	—	283	491
Loans receivable	—	—	—	—	—	10,844
Other receivables	20,339	—	—	257,659	42,106	2,021
Due from cities and towns	—	—	—	—	—	221
Due from other funds	—	—	—	—	—	—
Total assets	\$ 27,874	\$ 462,549	\$ 166,817	\$ 346,427	\$ 875,909	\$ 1,103,986
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 369	\$ —	\$ —	\$ 3,488	\$ 48,500	\$ 83,089
Accrued payroll	—	—	—	—	1,470	2,607
Tax refunds and abatements payable	—	—	—	—	—	—
Due to other funds	—	—	96,865	—	—	221
Due to component units	—	—	—	—	7,930	—
Unearned revenue	—	—	—	—	22,802	103,650
Other accrued liabilities	—	—	—	—	—	—
Total liabilities	369	—	96,865	3,488	80,702	189,567
Deferred inflows of resources	—	—	—	238,735	—	—
Total liabilities and deferred inflows of resources	369	—	96,865	242,223	80,702	189,567
Fund balances:						
Restricted	—	—	—	—	147,991	—
Committed	27,505	462,549	69,952	104,204	508,351	948,789
Assigned	—	—	—	—	138,865	6,712
Unassigned (includes deficits)	—	—	—	—	—	(41,082)
Fund balances (deficits)	27,505	462,549	69,952	104,204	795,207	914,419
Total liabilities and fund balances	\$ 27,874	\$ 462,549	\$ 166,817	\$ 346,427	\$ 875,909	\$ 1,103,986

See Independent Auditors' Report

Capital Projects						
Debt Service	General Capital Projects	Convention and Exhibition Center	Highway Capital Projects	Federal Highway Construction Program	Other	Total
\$ 8,090	\$ —	\$ 8,393	—	\$ 1,534	\$ —	\$ 5,188,470
—	—	—	—	—	—	451,264
—	—	—	—	—	—	152,345
3,946	36,538	—	—	—	—	161,859
—	—	—	—	—	—	10,844
—	—	—	—	—	—	403,906
—	—	—	—	—	—	221
—	—	—	—	96,865	—	96,865
\$ 12,036	\$ 36,538	\$ 8,393	\$ —	\$ 98,399	\$ —	\$ 6,465,774
\$ —	\$ 411,339	\$ —	\$ —	\$ —	\$ —	\$ 617,014
—	1,805	—	—	—	—	7,684
—	—	—	—	—	—	693
—	1,298,924	—	1,412,709	—	500	2,810,003
—	297	—	346,299	107,602	—	665,306
—	—	—	—	—	—	126,452
—	—	—	—	—	—	22,418
—	1,712,365	—	1,759,008	107,602	500	4,249,570
—	—	—	—	—	—	285,881
—	1,712,365	—	1,759,008	107,602	500	4,535,451
12,036	—	8,393	—	—	—	185,064
—	—	—	—	—	—	5,085,302
—	—	—	—	—	—	145,577
—	(1,675,827)	—	(1,759,008)	(9,203)	(500)	(3,485,620)
12,036	(1,675,827)	8,393	(1,759,008)	(9,203)	(500)	1,930,323
\$ 12,036	\$ 36,538	\$ 8,393	\$ —	\$ 98,399	\$ —	\$ 6,465,774

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Other Governmental Funds

Fiscal Year Ended June 30, 2023

(Amounts in thousands)

	Special Revenue					
	Commonwealth Transportation	Universal Health Care	Environmental	Student Opportunity Act Investment	High-Quality Early Education & Care Affordability	Education and Transportation
REVENUES						
Taxes	\$ 1,492,613	\$ 107,580	\$ 904	\$ —	\$ —	\$ —
Assessments	24,967	456,220	—	—	—	—
Federal grants and reimbursements	—	689,730	10,349	—	—	—
Departmental	643,641	334,958	41,085	—	—	—
Miscellaneous	5,101	4,647	103	—	—	—
Total revenues	2,166,322	1,593,135	52,441	—	—	—
OTHER FINANCING SOURCES						
Bonds premium	—	—	—	—	—	—
Issuance of general and special obligation bonds	—	—	—	—	—	—
Issuance of current refunding bonds	—	—	—	—	—	—
Transfers in for debt service	—	—	—	—	—	—
Transfers in	64,908	213,618	1,720	150,000	490,000	241,987
Total other financing sources	64,908	213,618	1,720	150,000	490,000	241,987
Total revenues and other financing sources	2,231,230	1,806,753	54,161	150,000	490,000	241,987
EXPENDITURES						
Current:						
Judiciary	—	—	—	—	—	—
Office of Inspector General	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—
State Auditor	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—
District Attorneys	—	—	—	—	—	—
Office of Campaign & Political Finance	—	—	—	—	—	—
Sheriffs	—	—	—	—	—	—
Massachusetts Gaming Commission	—	4,804	—	—	—	—
Office of the Comptroller	—	—	—	—	—	—
Administration and Finance	133,132	1,197	9,343	—	—	—
Energy and Environmental Affairs	—	—	15,987	—	—	—
Health and Human Services	—	12,250	—	—	—	—
Technology Services and Security	—	—	—	—	—	—
Veterans' Services	—	—	—	—	—	—
Housing and Livable Communities	—	—	—	—	—	—
Massachusetts Department of Transportation	754,102	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—
Education	—	—	—	—	—	—
Center for Health Information and Analysis	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—
Economic Development	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—
Medicaid	—	1,805,321	—	—	—	—
Post employment benefits	9,728	—	—	—	—	—
Direct local aid	—	—	—	—	—	—
Capital outlay	—	—	—	—	—	—
Debt service	—	—	—	—	—	—
Principal on current refundings	—	—	—	—	—	—
Total expenditures	896,962	1,823,572	25,330	—	—	—
OTHER FINANCING USES						
Transfers out	214,044	67,756	24,693	—	—	—
Transfers of appropriations	—	—	—	—	—	—
Transfers of bond proceeds	—	—	—	—	—	—
Transfers out for debt service	1,070,284	—	—	—	—	—
Total other financing uses	1,284,328	67,756	24,693	—	—	—
Total expenditures and other financing uses	2,181,290	1,891,328	50,023	—	—	—
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	49,940	(84,575)	4,138	150,000	490,000	241,987
Fund balances/(deficits) at beginning of year, as restated	73,520	986,366	19,241	350,000	—	—
Fund balances/(deficits) at end of year	\$ 123,460	\$ 901,791	\$ 23,379	\$ 500,000	\$ 490,000	\$ 241,987

See Independent Auditors' Report

Special Revenue

Gaming Control	Gaming Revenue	MBTA State & Local Contribution	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
\$ —	\$ 318,701	\$ 1,420,341	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 34,915
29,742	—	183,765	—	111,280	—	—	—	—
—	—	—	—	—	—	36,655	—	—
5,205	90	—	—	—	165,840	516	118,149	—
7	—	—	—	—	5,377	—	—	—
34,954	318,791	1,604,106	—	111,280	171,217	37,171	118,149	34,915
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	25,828	133	—	14,178	—	—
—	—	—	25,828	133	—	14,178	—	—
34,954	318,791	1,604,106	25,828	111,413	171,217	51,349	118,149	34,915
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
50	—	1,604,106	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
1,385	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	5,033	—	—	—
26,809	—	—	—	—	—	—	—	—
—	—	—	66,831	—	—	—	—	—
—	—	—	—	—	—	—	14	—
—	—	—	—	104,154	—	—	28,345	—
—	—	—	—	—	48	—	—	—
—	—	—	—	—	17,815	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
25	—	—	—	—	123,579	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	70,142
—	—	—	—	—	—	49,509	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
28,269	—	1,604,106	66,831	104,154	146,475	49,509	28,359	70,142
6,716	318,794	—	—	34	8,303	—	—	3,032
—	—	—	—	68	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
6,716	318,794	—	—	102	8,303	—	—	3,032
34,985	318,794	1,604,106	66,831	104,256	154,778	49,509	28,359	73,174
(31)	(3)	—	(41,003)	7,157	16,439	1,840	89,790	(38,259)
1,433	3	—	66,460	84,856	250,833	7,916	184,656	67,891
\$ 1,402	\$ —	\$ —	\$ 25,457	\$ 92,013	\$ 267,272	\$ 9,756	\$ 274,446	\$ 29,632

continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Other Governmental Funds

Fiscal Year Ended June 30, 2023

(Amounts in thousands)

	Special Revenue					
	Department of Industrial Accidents	Convention and Exhibition Center	Grant Anticipation Note Trust	Opioid Recovery and Remediation	Expendable Trust	Other
REVENUES						
Taxes	\$ —	\$ 204,078	\$ —	\$ —	\$ —	\$ 296,754
Assessments	—	—	—	—	60,666	556,181
Federal grants and reimbursements	—	—	752,233	—	80,259	711,803
Departmental	19,779	—	—	16,638	48,504	134,892
Miscellaneous	116	10,871	2,475	2,945	623,451	12,831
Total revenues	19,895	214,949	754,708	19,583	812,880	1,712,461
OTHER FINANCING SOURCES						
Bonds premium	—	—	—	—	—	—
Issuance of general and special obligation bonds	—	—	—	—	—	—
Issuance of current refunding bonds	—	—	—	—	—	—
Transfers in for debt service	—	—	—	—	—	—
Transfers in	—	—	20,273	—	43,766	621,358
Total other financing sources	—	—	20,273	—	43,766	621,358
Total revenues and other financing sources	19,895	214,949	774,981	19,583	856,646	2,333,819
EXPENDITURES						
Current:						
Judiciary	—	—	—	—	275	—
Office of Inspector General	—	—	—	—	18	—
Secretary of the Commonwealth	—	—	—	—	—	11,003
Treasurer and Receiver-General	—	—	—	—	156,083	5,071
State Auditor	—	—	—	—	—	—
Attorney General	—	—	—	—	6,193	1,009
District Attorneys	—	—	—	—	6,620	198
Office of Campaign & Political Finance	—	—	—	—	—	479
Sheriffs	—	—	—	—	3,624	752
Massachusetts Gaming Commission	—	—	—	—	—	27,785
Office of the Comptroller	—	—	—	—	60	1,714
Administration and Finance	—	—	—	—	82,353	174,247
Energy and Environmental Affairs	—	—	—	—	70,602	38,784
Health and Human Services	—	—	—	5,023	33,557	162,297
Technology Services and Security	—	—	—	—	—	752
Veterans' Services	—	—	—	—	1	—
Housing and Livable Communities	—	—	—	—	6,897	796
Massachusetts Department of Transportation	—	—	—	—	520	—
Cannabis Control Commission	—	—	—	—	—	16,537
Education	—	—	—	—	23,978	26,299
Center for Health Information and Analysis	—	—	—	—	28	—
Public Safety and Security	—	—	—	—	5,847	23,225
Economic Development	—	—	—	—	90,657	69,390
Labor and Workforce Development	1,554	—	—	—	63,495	35,057
Medicaid	—	—	—	—	—	923,106
Post employment benefits	—	—	—	—	—	—
Direct local aid	—	—	—	—	—	117,887
Capital outlay	—	—	—	—	—	—
Debt service	—	—	—	—	—	—
Principal on current refundings	—	—	—	—	—	—
Total expenditures	1,554	—	—	5,023	550,808	1,636,388
OTHER FINANCING USES						
Transfers out	24,989	—	662,723	—	208,331	265,772
Transfers of appropriations	—	—	—	—	288	14,202
Transfers of bond proceeds	—	—	—	—	—	—
Transfers out for debt service	—	52,392	112,087	—	—	2,983
Total other financing uses	24,989	52,392	774,810	—	208,619	282,957
Total expenditures and other financing uses	26,543	52,392	774,810	5,023	759,427	1,919,345
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	(6,648)	162,557	171	14,560	97,219	414,474
Fund balances/(deficits) at beginning of year, as restated	34,153	299,992	69,781	89,644	697,988	499,945
Fund balances/(deficits) at end of year	\$ 27,505	\$ 462,549	\$ 69,952	\$ 104,204	\$ 795,207	\$ 914,419

See Independent Auditors' Report

Capital Projects						
Debt Service	General Capital Projects	Convention and Exhibition Center	Highway Capital Projects	Federal Highway Construction Program	Other	Total
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,875,886
—	—	—	—	—	—	1,422,822
41,787	101,788	—	—	—	—	2,424,604
—	—	—	—	767	—	1,530,065
—	—	—	1,038	—	—	668,962
41,787	101,788	—	1,038	767	—	9,922,339
77,144	102,944	—	68,109	—	—	248,197
—	1,018,671	—	591,045	—	—	1,609,716
812,580	—	—	—	—	—	812,580
2,587,468	—	—	—	—	—	2,587,468
—	—	—	—	794,861	—	2,682,630
3,477,192	1,121,615	—	659,154	794,861	—	7,940,591
3,518,979	1,223,403	—	660,192	795,628	—	17,862,930
—	—	—	—	—	—	275
—	—	—	—	—	—	18
—	—	—	—	—	—	11,003
—	3,227	—	1,767	—	—	1,770,303
2,009	—	—	—	—	—	2,009
—	—	—	—	—	—	8,587
—	—	—	—	—	—	6,818
—	—	—	—	—	—	479
—	—	—	—	—	—	9,409
—	—	—	—	—	—	59,398
—	—	—	—	—	—	1,774
—	—	—	—	—	—	467,119
—	—	—	—	—	—	153,718
—	—	—	—	—	—	317,329
—	—	—	—	—	—	18,567
—	—	—	—	—	—	1
—	—	—	—	—	—	7,693
—	5,282	—	1,233,647	769,997	—	2,763,548
—	—	—	—	—	—	16,537
—	—	—	—	—	—	50,276
—	—	—	—	—	—	28
—	—	—	—	—	—	152,676
—	—	—	—	—	—	160,047
—	—	—	—	—	—	170,250
—	—	—	—	—	—	2,777,936
—	—	—	—	—	—	9,728
—	—	—	—	—	—	117,887
—	1,433,928	—	23,592	90	—	1,457,610
2,640,034	—	—	—	—	—	2,640,034
887,714	—	—	—	—	—	887,714
3,529,757	1,442,437	—	1,259,006	770,087	—	14,038,771
—	17,503	—	132,442	18,248	—	1,973,379
—	—	—	—	—	—	14,558
—	234,360	—	—	—	—	234,360
—	—	—	—	—	—	1,237,746
—	251,863	—	132,442	18,248	—	3,460,043
3,529,757	1,694,300	—	1,391,448	788,335	—	17,498,814
(10,778)	(470,897)	—	(731,256)	7,293	—	364,116
22,814	(1,204,930)	8,393	(1,027,752)	(16,496)	(500)	1,566,207
\$ 12,036	\$ (1,675,827)	\$ 8,393	\$ (1,759,008)	\$ (9,203)	\$ (500)	\$ 1,930,323

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, 2023
 (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	\$ 1,531,400	\$ 1,531,400	\$ 1,491,667	\$ (39,733)	\$ 1,000	\$ 1,000	\$ 903	\$ (97)
Assessments	26,579	26,579	25,134	(1,445)	—	—	—	—
Federal grants and reimbursements	—	—	—	—	8,600	8,600	9,249	649
Departmental	668,118	668,118	643,001	(25,117)	9,137	9,137	9,273	136
Miscellaneous	—	—	5,101	5,101	47	47	93	46
Total revenues	<u>2,226,097</u>	<u>2,226,097</u>	<u>2,164,903</u>	<u>(61,194)</u>	<u>18,784</u>	<u>18,784</u>	<u>19,518</u>	<u>734</u>
Other financing sources:								
Operating transfers in	35,361	35,361	64,908	29,547	2,010	2,010	1,720	(290)
Other fund deficit support	—	—	—	—	—	—	—	—
Total other financing sources	<u>35,361</u>	<u>35,361</u>	<u>64,908</u>	<u>29,547</u>	<u>2,010</u>	<u>2,010</u>	<u>1,720</u>	<u>(290)</u>
Total revenues and other financing sources	<u>2,261,458</u>	<u>2,261,458</u>	<u>2,229,811</u>	<u>(31,647)</u>	<u>20,794</u>	<u>20,794</u>	<u>21,238</u>	<u>444</u>
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Treasurer and Receiver-General	357,245	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	33	—	33
Sheriffs'	—	—	—	—	—	—	—	—
Administration and Finance	125,000	58,531	8,132	50,399	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	18,104	18,071	14,895	3,176
Health and Human services	—	—	—	—	—	—	—	—
Housing and Livable Communities	—	—	—	—	—	—	—	—
Massachusetts Department of Transportation	299,008	299,008	299,008	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—	—	—
Education	—	—	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—	—	—
Housing and Economic Development	—	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—	—
Direct local aid	—	—	—	—	—	—	—	—
Post employment benefits	—	9,728	9,728	—	—	—	—	—
Debt service:								
Principal retirement	—	514,304	483,150	31,154	—	—	—	—
Interest and fiscal charges	—	617,634	587,135	30,499	—	—	—	—
Total expenditures	<u>781,253</u>	<u>1,499,205</u>	<u>1,387,153</u>	<u>112,052</u>	<u>18,104</u>	<u>18,104</u>	<u>14,895</u>	<u>3,209</u>
Other financing uses:								
Fringe benefit cost assessment	—	—	—	—	—	—	3,809	(3,809)
Operating transfers out	565,188	715,292	715,292	—	—	—	—	—
Other fund deficit support	—	—	188,939	(188,939)	—	—	—	—
Total other financing uses	<u>565,188</u>	<u>715,292</u>	<u>904,231</u>	<u>(188,939)</u>	<u>—</u>	<u>—</u>	<u>3,809</u>	<u>(3,809)</u>
Total expenditures and other financing uses	<u>1,346,441</u>	<u>2,214,497</u>	<u>2,291,384</u>	<u>(76,887)</u>	<u>18,104</u>	<u>18,104</u>	<u>18,704</u>	<u>(600)</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 915,017</u>	<u>\$ 46,961</u>	<u>(61,573)</u>	<u>\$(108,534)</u>	<u>\$ 2,690</u>	<u>\$ 2,690</u>	<u>2,534</u>	<u>\$ (156)</u>
Fund balances at beginning of year			128,615				13,681	
Fund balances at end of year			<u>\$ 67,042</u>				<u>\$ 16,215</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
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
1,745	1,745	1,809	64	30,000	30,000	30,000	—	1,069	1,069	746	(323)
—	—	9	9	—	—	—	—	—	—	—	—
1,745	1,745	1,818	73	30,000	30,000	30,000	—	1,069	1,069	746	(323)
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
1,745	1,745	1,818	73	30,000	30,000	30,000	—	1,069	1,069	746	(323)
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	12,869	12,869	9,343	3,526	—	1	1	—
1,854	1,854	1,091	763	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	398	373	25
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
1,854	1,854	1,091	763	12,869	12,869	9,343	3,526	—	399	374	25
—	—	227	(227)	—	—	551	(551)	—	—	42	(42)
—	—	—	—	—	20,106	20,106	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	227	(227)	—	20,106	20,657	(551)	—	—	42	(42)
1,854	1,854	1,318	536	12,869	32,975	30,000	2,975	—	399	416	(17)
<u>\$ (109)</u>	<u>\$ (109)</u>	500	<u>\$ 609</u>	<u>\$ 17,131</u>	<u>\$ (2,975)</u>	—	<u>\$ 2,975</u>	<u>\$ 1,069</u>	<u>\$ 670</u>	330	<u>\$ (340)</u>
		4,394				—				(69)	
		<u>\$ 4,894</u>				<u>\$ —</u>				<u>\$ 261</u>	

(continued)

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual
Other Budgeted Nonmajor Governmental Funds
 Fiscal Year Ended June 30, 2023
 (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	9,775	9,775	11,622	1,847	98,779	98,779	128,265	29,486
Other fund deficit support	—	—	—	—	—	—	—	—
Total other financing sources	9,775	9,775	11,622	1,847	98,779	98,779	128,265	29,486
Total revenues and other financing sources	9,775	9,775	11,622	1,847	98,779	98,779	128,265	29,486
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Treasurer and Receiver-General	—	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—	—
Sheriffs'	—	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—	—	—	—
Health and Human services	—	—	—	—	—	—	—	—
Housing and Livable Communities	—	796	795	1	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—	—	—
Education	—	—	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—	—	—
Economic Development	2,500	8,984	8,984	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—	—
Direct local aid	—	—	—	—	98,742	98,742	98,728	14
Post employment benefits	—	—	—	—	—	—	—	—
Debt service:								
Principal retirement	—	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—
Total expenditures	2,500	9,780	9,779	1	98,742	98,742	98,728	14
Other financing uses:								
Fringe benefit cost assessment	—	—	—	—	—	—	—	—
Operating transfers out	—	—	—	—	—	—	—	—
Other fund deficit support	—	—	1,843	(1,843)	—	—	29,537	(29,537)
Total other financing uses	—	—	1,843	(1,843)	—	—	29,537	(29,537)
Total expenditures and other financing uses	2,500	9,780	11,622	(1,842)	98,742	98,742	128,265	(29,523)
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 7,275</u>	<u>\$ (5)</u>	—	<u>\$ 5</u>	<u>\$ 37</u>	<u>\$ 37</u>	—	<u>\$ (37)</u>
Fund balances at beginning of year			—				—	
Fund balances at end of year			<u>\$ —</u>				<u>\$ —</u>	

See Independent Auditors' Report

Education Fund				Local Aid Stabilization Fund				Gaming Economic Development Fund			
Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
\$ —	—	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
30,412	30,412	36,159	5,747	—	—	—	—	20,637	20,637	24,536	3,899
—	—	—	—	—	—	—	—	—	—	—	—
30,412	30,412	36,159	5,747	—	—	—	—	20,637	20,637	24,536	3,899
30,412	30,412	36,159	5,747	—	—	—	—	20,637	20,637	24,536	3,899
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	4,882	4,882	—	—	—	—	—	—	458	223	235
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	6,579	6,054	525
19,163	19,163	19,159	4	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
19,163	24,045	24,041	4	—	—	—	—	—	7,037	6,277	760
—	—	1,926	(1,926)	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	17,000	17,000	17,000	—
—	—	10,192	(10,192)	—	—	—	—	—	—	857	(857)
—	—	12,118	(12,118)	—	—	—	—	17,000	17,000	17,857	(857)
19,163	24,045	36,159	(12,114)	—	—	—	—	17,000	24,037	24,134	(97)
<u>\$ 11,249</u>	<u>\$ 6,367</u>	—	<u>\$ (6,367)</u>	<u>\$ —</u>	<u>\$ —</u>	—	<u>\$ —</u>	<u>\$ 3,637</u>	<u>\$ (3,400)</u>	402	<u>\$ 3,802</u>
		—				50				357	
		<u>\$ —</u>				<u>\$ 50</u>				<u>\$ 759</u>	

(continued)

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual
Other Budgeted Nonmajor Governmental Funds
 Fiscal Year Ended June 30, 2023
 (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	\$ 165,300	\$ 165,300	\$ 161,468	\$ (3,832)	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—	—	—
Departmental	30,725	30,725	21,512	(9,213)	—	—	—	—
Miscellaneous	7	7	3	(4)	—	—	—	—
Total revenues	<u>196,032</u>	<u>196,032</u>	<u>182,983</u>	<u>(13,049)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other financing sources:								
Operating transfers in	—	—	—	—	20,000	20,000	20,000	—
Other fund deficit support	—	—	—	—	—	—	—	—
Total other financing sources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>—</u>
Total revenues and other financing sources	<u>196,032</u>	<u>196,032</u>	<u>182,983</u>	<u>(13,049)</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>—</u>
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Treasurer and Receiver-General	—	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—	—
Sheriffs'	—	349	289	60	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—	—
Energy and Environmental Affairs	980	980	930	50	—	—	—	—
Health and Human services	—	156,744	124,292	32,452	13,034	13,034	10,999	2,035
Housing and Livable Communities	—	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—	—
Cannabis Control Commission	19,219	19,219	16,537	2,682	—	—	—	—
Education	—	18,401	14,079	4,322	4,228	6,171	5,274	897
Public Safety and Security	—	6,441	6,301	140	—	—	—	—
Economic Development	—	24,085	19,049	5,036	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—	—
Direct local aid	—	—	—	—	—	—	—	—
Post employment benefits	—	—	—	—	—	—	—	—
Debt service:								
Principal retirement	—	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—
Total expenditures	<u>20,199</u>	<u>226,219</u>	<u>181,477</u>	<u>44,742</u>	<u>17,262</u>	<u>19,205</u>	<u>16,273</u>	<u>2,932</u>
Other financing uses:								
Fringe benefit cost assessment	—	—	8,945	(8,945)	—	—	26	(26)
Operating transfers out	—	2,331	2,330	1	—	—	—	—
Other fund deficit support	—	—	13,207	(13,207)	—	—	—	—
Total other financing uses	<u>—</u>	<u>2,331</u>	<u>24,482</u>	<u>(22,151)</u>	<u>—</u>	<u>—</u>	<u>26</u>	<u>(26)</u>
Total expenditures and other financing uses	<u>20,199</u>	<u>228,550</u>	<u>205,959</u>	<u>22,591</u>	<u>17,262</u>	<u>19,205</u>	<u>16,299</u>	<u>2,906</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 175,833</u>	<u>\$ (32,518)</u>	<u>(22,976)</u>	<u>\$ 9,542</u>	<u>\$ 2,738</u>	<u>\$ 795</u>	<u>3,701</u>	<u>\$ 2,906</u>
Fund balances at beginning of year			27,670				18,405	
Fund balances at end of year			<u>\$ 4,694</u>				<u>\$ 22,106</u>	

See Independent Auditors' Report

Student Opportunity Act Investment Fund				Broadband Innovation Fund				High-Quality Early Education & Care Affordability Fund			
Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
\$ —	—	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	150,000	150,000	—	—	—	—	—	—	490,000	490,000
—	—	—	—	—	—	—	—	—	—	—	—
—	—	150,000	150,000	—	—	—	—	—	—	490,000	490,000
—	—	150,000	150,000	—	—	—	—	—	—	490,000	490,000
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	50,000	26,072	—	26,072	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	23,928	12,425	11,503	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	50,000	50,000	12,425	37,575	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	50,000	50,000	12,425	37,575	—	—	—	—
<u>\$ —</u>	<u>\$ —</u>	150,000	<u>\$ 150,000</u>	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	(12,425)	<u>\$ 37,575</u>	<u>\$ —</u>	<u>\$ —</u>	490,000	<u>\$ 490,000</u>
		350,000				50,000				—	
		<u>\$ 500,000</u>				<u>\$ 37,575</u>				<u>\$ 490,000</u>	

(continued)

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual
Other Budgeted Nonmajor Governmental Funds
 Fiscal Year Ended June 30, 2023
 (Amounts in thousands)

	Youth Development and Achievement Fund				Behavioral Health Trust 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	—	—	585	585	—	—	192,650	192,650
Other fund deficit support	—	—	—	—	—	—	—	—
Total other financing sources	—	—	585	585	—	—	192,650	192,650
Total revenues and other financing sources	—	—	585	585	—	—	192,650	192,650
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Treasurer and Receiver-General	—	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—	—
Sheriffs'	—	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—	—	—	—
Health and Human services	—	—	—	—	—	—	—	—
Housing and Livable Communities	—	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—	—	—
Education	—	—	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—	—	—
Economic Development	—	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—	—
Direct local aid	—	—	—	—	—	—	—	—
Post employment benefits	—	—	—	—	—	—	—	—
Debt service:								
Principal retirement	—	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—
Total expenditures	—	—	—	—	—	—	—	—
Other financing uses:								
Fringe benefit cost assessment	—	—	—	—	—	—	—	—
Operating transfers out	—	—	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—	—	—
Total other financing uses	—	—	—	—	—	—	—	—
Total expenditures and other financing uses	—	—	—	—	—	—	—	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ —</u>	<u>\$ —</u>	585	<u>\$ 585</u>	<u>\$ —</u>	<u>\$ —</u>	192,650	<u>\$ 192,650</u>
Fund balances at beginning of year			—				—	
Fund balances at end of year			<u>\$ 585</u>				<u>\$ 192,650</u>	

See Independent Auditors' Report

Castle Island Marine Park Trust Fund				Education and Transportation Fund				Total			
Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,697,700	\$ 1,697,700	\$ 1,654,038	\$ (43,662)
—	—	—	—	—	—	—	—	26,579	26,579	25,134	(1,445)
—	—	—	—	—	—	—	—	8,600	8,600	9,249	649
—	—	—	—	—	—	—	—	740,794	740,794	706,341	(34,453)
—	—	—	—	—	—	—	—	54	54	5,206	5,152
—	—	—	—	—	—	—	—	2,473,727	2,473,727	2,399,968	(73,759)
—	—	250	250	—	—	241,987	241,987	216,974	216,974	1,362,682	1,145,708
—	—	—	—	—	—	—	—	—	—	—	—
—	—	250	250	—	—	241,987	241,987	216,974	216,974	1,362,682	1,145,708
—	—	250	250	—	—	241,987	241,987	2,690,701	2,690,701	3,762,650	1,071,949
—	—	—	—	—	—	—	—	357,245	—	—	—
—	—	—	—	—	—	—	—	—	33	—	33
—	—	—	—	—	—	—	—	—	350	290	60
—	—	—	—	—	—	—	—	187,869	97,472	17,475	79,997
—	—	—	—	—	—	—	—	20,938	20,905	16,916	3,989
—	—	—	—	—	—	—	—	13,034	169,778	135,291	34,487
—	—	—	—	—	—	—	—	—	796	795	1
—	—	—	—	—	—	—	—	299,008	299,008	299,008	—
—	—	—	—	—	—	—	—	19,219	19,219	16,537	2,682
—	—	—	—	—	—	—	—	4,228	29,912	24,458	5,454
—	—	—	—	—	—	—	—	—	6,839	6,674	165
—	—	—	—	—	—	—	—	2,500	56,997	40,458	16,539
—	—	—	—	—	—	—	—	—	6,579	6,054	525
—	—	—	—	—	—	—	—	117,905	117,905	117,887	18
—	—	—	—	—	—	—	—	—	9,728	9,728	—
—	—	—	—	—	—	—	—	—	514,304	483,150	31,154
—	—	—	—	—	—	—	—	—	617,634	587,135	30,499
—	—	—	—	—	—	—	—	1,021,946	1,967,459	1,761,856	205,603
—	—	—	—	—	—	—	—	—	—	15,526	(15,526)
—	—	—	—	—	—	—	—	582,188	754,729	754,728	1
—	—	—	—	—	—	—	—	—	—	244,575	(244,575)
—	—	—	—	—	—	—	—	582,188	754,729	1,014,829	(260,100)
—	—	—	—	—	—	—	—	1,604,134	2,722,188	2,776,685	(54,497)
<u>\$ —</u>	<u>\$ —</u>	<u>250</u>	<u>\$ 250</u>	<u>\$ —</u>	<u>\$ —</u>	<u>241,987</u>	<u>\$ 241,987</u>	<u>\$ 1,086,567</u>	<u>\$ (31,487)</u>	<u>985,965</u>	<u>\$ 1,017,452</u>
										<u>593,103</u>	
		<u>\$ 250</u>				<u>\$ 241,987</u>				<u>\$ 1,579,068</u>	

Combining Budget to GAAP Reconciliation
Other Budgeted Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2023

(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 192-199)	\$ 2,164,903	\$ 19,518	\$ 1,818	\$ 30,000
Adjustments:				
Taxes receivable, net	859	1	—	—
Tax refunds and abatements payable, net	87	—	—	—
Federal grants receivables, net	—	1,100	—	—
Departmental and other receivables, net	473	4	—	—
Miscellaneous adjustments	—	—	—	—
Total actual revenues - GAAP basis (pages 188-191)	<u>\$ 2,166,322</u>	<u>\$ 20,623</u>	<u>\$ 1,818</u>	<u>\$ 30,000</u>
Total actual other financing sources - budgetary basis (pages 192-199)	\$ 64,908	\$ 1,720	\$ —	\$ —
Adjustments:				
Miscellaneous adjustments	—	—	—	—
Total actual other financing sources - GAAP basis (pages 188-191)	<u>\$ 64,908</u>	<u>\$ 1,720</u>	<u>\$ —</u>	<u>\$ —</u>
Total actual expenditures - budgetary basis (pages 192-199)	\$ 1,387,153	\$ 14,895	\$ 1,091	\$ 9,343
Adjustment:				
Due to component units accrual, net	(110,094)	—	—	—
Miscellaneous adjustments	—	—	—	—
Reclassification:				
Compensated absences	—	—	—	—
MassDOT transfers out is reclassified to expenditures	690,188	—	—	—
Higher education expenditures are reclassified to transfers out	—	—	—	—
Debt service principal and interest payments are reclassified to transfers out to the debt service fund	(1,070,285)	—	—	—
Total actual expenditures - GAAP basis (pages 188-191)	<u>\$ 896,962</u>	<u>\$ 14,895</u>	<u>\$ 1,091</u>	<u>\$ 9,343</u>
Total actual other financing uses - budgetary basis (pages 192-199)	\$ 904,231	\$ 3,809	\$ 227	\$ 20,657
Adjustment:				
Miscellaneous adjustments	—	—	—	—
Reclassification:				
MassDOT transfers out is reclassified to expenditures	(690,188)	—	—	—
Higher education expenditures are reclassified to transfers out	—	—	—	—
Debt service principal and interest payments are reclassified to transfers out to the debt service fund	1,070,285	—	—	—
Total actual other financing uses - GAAP basis (pages 188-191)	<u>\$ 1,284,328</u>	<u>\$ 3,809</u>	<u>\$ 227</u>	<u>\$ 20,657</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, the Youth Development and Achievement Fund, the Behavioral Health Trust Fund and the Castle Island Marine Park 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 \$1,712,461; \$621,358; \$1,636,388 and \$282,957, respectively (all amounts in thousands).

See Independent Auditors' Report

Public Safety Trust Fund*	Local Capital Projects Fund*	Gaming Local Aid Fund*	Education Fund*	Local Aid Stabilization Fund*	Gaming Economic Development Fund*	Marijuana Regulation Fund*	Behavioral Health Outreach, Access and Support Trust Fund*	Student Opportunity Act Investment Fund	Broadband Innovation Fund*	High-Quality Early Education & Care Affordability Fund
\$ 746	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 182,983	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	2,946	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	12,425	—
—	—	—	—	—	—	—	—	—	—	—
<u>\$ 746</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 185,929</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 12,425</u>	<u>\$ —</u>
\$ —	\$ 11,622	\$ 128,265	\$ 36,159	\$ —	\$ 24,536	\$ —	\$ 20,000	\$ 150,000	\$ —	\$ 490,000
—	—	—	—	—	—	—	—	—	—	—
<u>\$ —</u>	<u>\$ 11,622</u>	<u>\$ 128,265</u>	<u>\$ 36,159</u>	<u>\$ —</u>	<u>\$ 24,536</u>	<u>\$ —</u>	<u>\$ 20,000</u>	<u>\$ 150,000</u>	<u>\$ —</u>	<u>\$ 490,000</u>
\$ 374	\$ 9,779	\$ 98,728	\$ 24,041	\$ —	\$ 6,277	\$ 181,477	\$ 16,273	\$ —	\$ 12,425	\$ —
—	—	—	—	—	—	—	—	—	—	—
—	1	—	—	—	1	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	(4,882)	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
<u>\$ 374</u>	<u>\$ 9,780</u>	<u>\$ 98,728</u>	<u>\$ 19,159</u>	<u>\$ —</u>	<u>\$ 6,278</u>	<u>\$ 181,477</u>	<u>\$ 16,273</u>	<u>\$ —</u>	<u>\$ 12,425</u>	<u>\$ —</u>
\$ 42	\$ 1,843	\$ 29,537	\$ 12,118	\$ —	\$ 17,857	\$ 24,482	\$ 26	\$ —	\$ —	\$ —
—	—	—	—	—	(1)	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	4,882	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
<u>\$ 42</u>	<u>\$ 1,843</u>	<u>\$ 29,537</u>	<u>\$ 17,000</u>	<u>\$ —</u>	<u>\$ 17,856</u>	<u>\$ 24,482</u>	<u>\$ 26</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

(continued)

Combining Budget to GAAP Reconciliation
Other Budgeted Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2023

(Amounts in thousands)

	Youth Development and Achievement Fund*	Behavioral Health Trust Fund*	Castle Island Marine Park Trust Fund*	Education and Transportation Fund	Totals
Total actual revenues - budgetary basis (pages 192-199)	\$ —	\$ —	\$ —	\$ —	\$ 2,399,968
Adjustments:					
Taxes receivable, net	—	—	—	—	3,806
Tax refunds and abatements payable, net	—	—	—	—	87
Federal grants receivables, net	—	—	—	—	13,525
Departmental and other receivables, net	—	—	—	—	477
Miscellaneous adjustments	—	—	—	—	—
Total actual revenues - GAAP basis (pages 188-191)	\$ —	\$ —	\$ —	\$ —	\$ 2,417,863
Total actual other financing sources - budgetary basis (pages 192-199)	\$ 585	\$ 192,650	\$ 250	\$ 241,987	\$ 1,362,682
Adjustments:					
Miscellaneous adjustments	—	—	—	—	—
Total actual other financing sources - GAAP basis (pages 188-191)	\$ 585	\$ 192,650	\$ 250	\$ 241,987	\$ 1,362,682
Total actual expenditures - budgetary basis (pages 192-199)	\$ —	\$ —	\$ —	\$ —	\$ 1,761,856
Adjustment:					
Due to component units accrual, net	—	—	—	—	(110,094)
Miscellaneous adjustments	—	—	—	—	2
Reclassification:					
Compensated absences	—	—	—	—	—
MassDOT transfers out is reclassified to expenditures	—	—	—	—	690,188
Higher education expenditures are reclassified to transfers out	—	—	—	—	(4,882)
Debt service principal and interest payments are reclassified to transfers out to the debt service fund	—	—	—	—	(1,070,285)
Total actual expenditures - GAAP basis (pages 188-191)	\$ —	\$ —	\$ —	\$ —	\$ 1,266,785
Total actual other financing uses - budgetary basis (pages 192-199)	\$ —	\$ —	\$ —	\$ —	\$ 1,014,829
Adjustment:					
Miscellaneous adjustments	—	—	—	—	(1)
Reclassification:					
MassDOT transfers out is reclassified to expenditures	—	—	—	—	(690,188)
Higher education expenditures are reclassified to transfers out	—	—	—	—	4,882
Debt service principal and interest payments are reclassified to transfers out to the debt service fund	—	—	—	—	1,070,285
Total actual other financing uses - GAAP basis (pages 188-191)	\$ —	\$ —	\$ —	\$ —	\$ 1,399,807

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

Pension and OPEB Trust Funds

June 30, 2023

(Amounts in thousands)

	Pension Trust Funds		OPEB Trust Fund	Total
	State Employees' PERS	Teacher's PERS	State Retiree Benefits	
ASSETS				
Cash and cash equivalents	\$ 154,656	\$ 112,850	\$ 167,841	\$ 435,347
Net investment in PRIT at fair value	35,127,333	36,792,015	2,099,017	74,018,365
Other receivables	132,909	124,512	—	257,421
Other assets	10	368	—	378
Total assets	35,414,908	37,029,745	2,266,858	74,711,511
LIABILITIES				
Accounts payable	57,398	6,016	16	63,430
Net position available for pension and post-employment benefits	\$ 35,357,510	\$ 37,023,729	\$ 2,266,842	\$ 74,648,081

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, 2023

(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	\$ 1,368,423	\$ —	\$ 653,178	\$ 2,021,601
Non-employer contributions - Commonwealth	63,822	2,148,676	—	2,212,498
Employer and non-employer contributions - other	13,764	—	—	13,764
ERIP funding contribution - Commonwealth	28,449	—	—	28,449
Employee contributions	722,382	943,929	—	1,666,311
Boston teachers' contribution from Commonwealth	—	196,833	—	196,833
Other additions	130,982	122,183	176	253,341
Total contributions	2,327,822	3,411,621	653,354	6,392,797
Net investment gain/(loss):				
Investment gain/(loss)	2,082,243	2,170,229	121,474	4,373,946
Less: investment expense	(166,067)	(173,015)	(10,019)	(349,101)
Net Investment gain/(loss)	1,916,176	1,997,214	111,455	4,024,845
Total additions	4,243,998	5,408,835	764,809	10,417,642
DEDUCTIONS				
Administration	16,120	21,332	246	37,698
Retirement benefits and refunds	2,946,815	3,484,459	486,104	6,917,378
Payments to State Boston Retirement System	—	196,833	—	196,833
Other deductions	54,679	67,344	—	122,023
Total deductions	3,017,614	3,769,968	486,350	7,273,932
Change in net position	1,226,384	1,638,867	278,459	3,143,710
Net position available for pension and post-employment benefits at beginning of year	34,131,126	35,384,862	1,988,383	71,504,371
Net position available for pension and post-employment benefits at end of year	\$ 35,357,510	\$ 37,023,729	\$ 2,266,842	\$ 74,648,081

See Independent Auditors' Report

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

June 30, 2023

(Amounts in thousands)

	Massachusetts Municipal Depository Trust	Pension Reserves Investment Trust	Total
ASSETS			
Cash and cash equivalents	\$ 7,829,072	\$ —	\$ 7,829,072
Short-term investments	27,202	—	27,202
Net investment in PRIT at fair value	—	22,535,507	22,535,507
Receivables, net of allowance for uncollectibles:			
Other receivables	24,101	—	24,101
Total assets	7,880,375	22,535,507	30,415,882
LIABILITIES			
Accounts payable	32,414	—	32,414
Net position held in trust for pool/pension participants	\$ 7,847,961	\$ 22,535,507	\$ 30,383,468

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, 2023
(Amounts in thousands)

	Massachusetts Municipal Depository Trust	Pension Reserves Investment Trust	Total
ADDITIONS			
Contributions:			
Other participant contributions	\$ —	\$ 1,358,328	\$ 1,358,328
Proceeds from sale of units	23,530,155	—	23,530,155
Total contributions	23,530,155	1,358,328	24,888,483
Net investment gain/(loss):			
Investment gain/(loss)	306,124	1,458,598	1,764,722
Less: investment expense	(2,312)	(352,212)	(354,524)
Net Investment gain/(loss)	303,812	1,106,386	1,410,198
Total additions	23,833,967	2,464,714	26,298,681
DEDUCTIONS			
Cost of units redeemed	22,280,779	—	22,280,779
Distributions to unit holders from net interest income	304,319	—	304,319
Retirement benefits and refunds	32	1,519,355	1,519,387
Total deductions	22,585,130	1,519,355	24,104,485
Change in net position	1,248,837	945,359	2,194,196
Net position held in trust for pool/participants at beginning of year	6,599,124	21,590,148	28,189,272
Net position held in trust for pool/participants at end of year	\$ 7,847,961	\$ 22,535,507	\$ 30,383,468

See Independent Auditors' Report

Combining Statement of Fiduciary Net Position

Custodial Funds

June 30, 2023

(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	\$	319,697	\$ 183,648	\$ 32,167	\$ 216,722	\$ 752,234
Investments and restricted investments		—	—	—	483,629	483,629
Receivables, net of allowance for uncollectibles:						
Taxes		45,805	—	—	—	45,805
Other receivables		—	—	149,819	—	149,819
Due from federal government		—	—	1,605	—	1,605
TOTAL ASSETS		<u>365,502</u>	<u>183,648</u>	<u>183,591</u>	<u>700,351</u>	<u>1,433,092</u>
LIABILITIES						
Accounts payable		3,680	262	2,705	830	7,477
Due to cities and towns		117,369	—	—	—	117,369
Due to federal government		1	—	—	—	1
Other liabilities		6,559	—	—	—	6,559
TOTAL LIABILITIES		<u>127,609</u>	<u>262</u>	<u>2,705</u>	<u>830</u>	<u>131,406</u>
NET POSITION						
Restricted for:						
Individuals, organizations and other governments	\$	<u>237,893</u>	<u>\$ 183,386</u>	<u>\$ 180,886</u>	<u>\$ 699,521</u>	<u>\$ 1,301,686</u>

See Independent Auditors' Report

Combining Statement of Changes in Fiduciary Net Position
Custodial Funds

Fiscal Year Ended June 30, 2023

(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	\$ 666,643	\$ —	\$ —	\$ —	\$ 666,643
Child support collections	—	—	611,875	—	611,875
Local school aid collections	998,656	—	—	—	998,656
Municipal health insurance deposit collections	—	—	—	803,244	803,244
Court escrow account collections	—	122,405	—	—	122,405
ARPA local pass-through collections	472,872	—	—	—	472,872
Other additions	286,223	91,610	341	—	378,174
Investment income (loss):					
Interest, dividends and other investment income	1,008	4,558	905	(10,740)	(4,269)
Net investment income (loss)	1,008	4,558	905	(10,740)	(4,269)
TOTAL ADDITIONS	\$ 2,425,402	\$ 218,573	\$ 613,121	\$ 792,504	\$ 4,049,600
DEDUCTIONS					
Sales tax payments to other governments	666,644	—	—	—	666,644
Child support payments to individuals	—	—	629,407	—	629,407
Local school aid payments	998,656	—	—	—	998,656
Municipal health insurance deposit payments	—	—	—	763,173	763,173
Court escrow account payments	—	120,953	—	—	120,953
ARPA local pass-through payments	472,872	—	—	—	472,872
Other deductions	270,893	80,314	—	—	351,207
TOTAL DEDUCTIONS	\$ 2,409,065	\$ 201,267	\$ 629,407	\$ 763,173	\$ 4,002,912
Change in fiduciary net position	16,337	17,306	(16,286)	29,331	46,688
Net position - beginning	221,556	166,080	197,172	670,190	1,254,998
Net position - ending	\$ 237,893	\$ 183,386	\$ 180,886	\$ 699,521	\$ 1,301,686

See Independent Auditors' Report

Combining Statement of Net Position
Nonmajor Discretely Presented Component Units
June 30, 2023
(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	\$ 30,665	\$ 29,415	\$ 17,651	\$ 7,319	\$ 14,649	\$ 142,131	\$ 44,248	\$ 286,078
Short-term investments	—	90,836	5,707	—	42,396	44,034	45,188	228,161
Restricted cash and investments	456	163,543	380,918	38,277	115,938	143,079	6,375	848,586
Assets held in trust	54,937	—	—	—	—	—	—	54,937
Receivables, net of allowance for uncollectibles:								
Federal grants and reimbursements	—	—	1,179	558	—	1,166	—	2,903
Loans	518	17,768	—	—	29,094	14,389	—	61,769
Lease receivable	3,507	324	9,109	532	—	—	2,220	15,692
Other receivables	9,103	9,435	9,371	2	27,684	6,424	20,581	82,600
Due from primary government	7,090	2,365	7,930	6,744	—	17,157	307	41,593
Inventory	—	—	—	—	—	75	90	165
Other current assets	3,253	5,277	340	1,195	—	1,406	4,706	16,177
Total current assets	109,529	318,963	432,205	54,627	229,761	369,861	123,715	1,638,661
Noncurrent assets:								
Cash and cash equivalents - restricted	594	11,573	—	35,524	—	—	—	47,691
Long-term investments	—	18,622	—	—	—	2,083	1,301,119	1,321,824
Endowment investments	—	—	—	—	—	—	46,830	46,830
Lease receivables	18,413	4,310	—	2,155	—	—	40,306	65,184
Other receivables, net	221	328	—	—	—	3,563	22,764	26,876
Loans receivables, net	14,989	100,736	—	—	481,818	40,453	113	638,109
Non-depreciable capital assets	224,552	1,873	5,283	295	—	—	35,571	267,574
Depreciable capital assets, net	356,913	93,392	156,297	40,480	6,129	42,896	70,027	766,134
Other noncurrent assets	—	7,536	—	111	2,278	3,121	187	13,233
Total noncurrent assets	615,682	238,370	161,580	78,565	490,225	92,116	1,516,917	3,193,455
Total assets	725,211	557,333	593,785	133,192	719,986	461,977	1,640,632	4,832,116
Deferred outflows of resources:								
Change in fair value of interest rate swaps	—	—	—	—	14,006	—	—	14,006
Pension and OPEB	8,865	—	—	—	—	—	—	8,865
Total deferred outflows of resources	8,865	—	—	—	14,006	—	—	22,871
Total assets and deferred outflows	734,076	557,333	593,785	133,192	733,992	461,977	1,640,632	4,854,987
LIABILITIES AND DEFERRED INFLOWS								
Current liabilities:								
Accounts payable and other liabilities	9,825	15,481	9,227	12,682	2,384	39,193	30,633	119,425
Accrued payroll	—	—	—	129	2,075	819	—	3,023
Compensated absences	1,236	1,314	313	218	—	832	—	3,913
Accrued interest payable	—	183	—	—	2,012	—	—	2,195
Due to primary government	—	638	—	—	—	—	13,860	14,498
Unearned revenue	12,307	49,601	112,350	16,117	—	94,488	13,599	298,462
Right-to-use asset liabilities	381	1,641	709	—	521	998	3,023	7,273
Bonds, notes payable and other obligations	—	490	—	—	24,357	8,974	2,499	36,320
Total current liabilities	23,749	69,348	122,599	29,146	31,349	145,304	63,614	485,109
Noncurrent liabilities:								
Compensated absences	553	—	—	329	—	390	—	1,272
Right-to-use asset liabilities	75	1,939	19,183	1,485	6,689	6,659	18,653	54,683
Due to primary government	—	24,773	—	—	—	—	—	24,773
Unearned revenue	532	—	—	—	—	73	—	605
Bonds, notes payable and other obligations	—	3,645	—	—	464,345	122,166	13,820	603,976
Net pension liability	35,985	—	—	—	—	—	—	35,985
Net OPEB liability	4,050	—	—	—	—	—	—	4,050
Liability for derivative instruments	—	—	—	—	—	—	—	—
Other noncurrent liabilities	—	25,108	—	125	148,083	—	3,628	176,944
Total noncurrent liabilities	41,195	55,465	19,183	1,939	619,117	129,288	36,101	902,288
Total liabilities	64,944	124,813	141,782	31,085	650,466	274,592	99,715	1,387,397
Deferred inflows of resources:								
Service concession arrangements	—	—	—	—	—	108	—	108
Pension and OPEB	6,336	—	—	—	—	—	—	6,336
Leases	21,440	4,388	8,943	2,641	—	—	38,062	75,474
Total deferred inflows of resources	27,776	4,388	8,943	2,641	—	108	38,062	81,918
Total liabilities and deferred inflows	92,720	129,201	150,725	33,726	650,466	274,700	137,777	1,469,315
NET POSITION								
Net investment/(deficit) in capital assets	581,010	65,851	141,171	39,285	(2,097)	38,382	45,673	909,275
Restricted for:								
Other purposes	55,974	211,102	154,467	50,396	19,913	81,677	1,319,625	1,893,154
Unrestricted	4,372	151,179	147,422	9,785	65,710	67,218	137,557	583,243
Total net position	\$ 641,356	\$ 428,132	\$ 443,060	\$ 99,466	\$ 83,526	\$ 187,277	\$ 1,502,855	\$ 3,385,672

Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Discretely Presented Component Units
Fiscal Year Ended June 30, 2023
(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	\$ 77,271	\$ 71,704	\$ 7,029	\$ 3,128	\$ 11,185	\$ 174,370	\$ 99,555	\$ 444,242
Other	5,554	3,132	49,662	52,293	—	1,761	4,660	117,062
Total operating revenues	82,825	74,836	56,691	55,421	11,185	176,131	104,215	561,304
Operating expenses:								
Cost of services	46,762	57,711	35,803	32,969	1,670	151,624	—	326,539
Administration costs	42,818	24,889	12,969	165	12,110	35,776	72,968	201,695
Depreciation and Amortization	37,949	8,180	5,858	5,655	1,091	3,886	3,099	65,718
Total operating expenses	127,529	90,780	54,630	38,789	14,871	191,286	76,067	593,952
Operating income/(loss)	(44,704)	(15,944)	2,061	16,632	(3,686)	(15,155)	28,148	(32,648)
Nonoperating revenues/(expenses):								
Net decrease in fair value of investments	—	—	—	—	(2,458)	—	—	(2,458)
Operating grants	2,366	351	29,620	—	116,796	45,993	—	195,126
Interest income	15,184	10,482	—	1,892	2,828	1,621	121,897	153,904
Other nonoperating revenue/(expense)	3,333	(9,258)	—	—	(108,110)	(19,042)	103,589	(29,488)
Nonoperating revenues/(expenses), net ..	20,883	1,575	29,620	1,892	9,056	28,572	225,486	317,084
Income/(loss) before contributions	(23,821)	(14,369)	31,681	18,524	5,370	13,417	253,634	284,436
Capital contributions	27,189	11,932	1,178	—	—	15,564	—	55,863
Change in net position	3,368	(2,437)	32,859	18,524	5,370	28,981	253,634	340,299
Net position - beginning, as restated *	637,988	430,569	410,201	80,942	78,156	158,296	1,249,221	3,045,373
Net position - ending	\$ 641,356	\$ 428,132	\$ 443,060	\$ 99,466	\$ 83,526	\$ 187,277	\$ 1,502,855	\$ 3,385,672

* As restated, see [note 1T](#) on [pages 83-84](#)

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Statistical Section

(Unaudited)

Schedule of Net Position by Component – Last Ten Fiscal Years
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Statistical Section Narrative and Table of Contents

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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)

	2023	2022	2021	2020	2019
Governmental activities					
Net investment in capital assets	\$ (1,260,939)	\$ (1,783,097)	\$ (1,658,414)	\$ (1,705,745)	\$ (1,433,294)
Restricted	924,765	1,285,776	1,320,793	1,543,264	1,270,844
Unrestricted	(69,430,923)	(72,260,222)	(78,718,279)	(77,514,884)	(73,917,902)
Total governmental activities net position	<u>\$ (69,767,097)</u>	<u>\$ (72,757,543)</u>	<u>\$ (79,055,900)</u>	<u>\$ (77,677,365)</u>	<u>\$ (74,080,352)</u>
Business-type activities					
Net investment in capital assets	\$ 3,972,411	\$ 3,761,986	\$ 3,778,471	\$ 3,938,922	\$ 3,868,576
Restricted	2,906,317	2,175,161	1,908,425	1,319,929	2,271,721
Unrestricted	(756,937)	(603,430)	(2,428,455)	(591,205)	(490,819)
Total business-type activities net position	<u>\$ 6,121,791</u>	<u>\$ 5,333,717</u>	<u>\$ 3,258,441</u>	<u>\$ 4,667,646</u>	<u>\$ 5,649,478</u>
Commonwealth net position					
Net investment in capital assets	\$ 2,711,472	\$ 1,978,889	\$ 2,120,057	\$ 2,233,177	\$ 2,435,282
Restricted	3,831,082	3,460,937	3,229,218	2,863,193	3,542,565
Unrestricted	(70,187,860)	(72,863,652)	(81,146,734)	(78,106,089)	(74,408,721)
Total Commonwealth net position	<u>\$ (63,645,306)</u>	<u>\$ (67,423,826)</u>	<u>\$ (75,797,459)</u>	<u>\$ (73,009,719)</u>	<u>\$ (68,430,874)</u>

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2018	2017	2016	2015	2014
\$ (1,446,934)	\$ (1,320,834)	\$ (1,067,098)	\$ (768,411)	\$ (502,370)
1,546,202	1,926,716	1,538,662	1,541,566	1,455,704
(74,253,756)	(63,992,403)	(59,111,068)	(55,626,250)	(53,381,659)
\$ (74,154,488)	\$ (63,386,521)	\$ (58,639,504)	\$ (54,853,095)	\$ (52,428,325)
\$ 3,777,515	\$ 3,623,966	\$ 3,311,658	\$ 3,055,444	\$ 2,794,845
1,833,109	1,735,575	1,745,840	1,539,785	1,590,545
(595,311)	722,923	678,667	697,056	675,796
\$ 5,015,313	\$ 6,082,464	\$ 5,736,165	\$ 5,292,285	\$ 5,061,186
\$ 2,330,581	\$ 2,303,132	\$ 2,244,560	\$ 2,287,033	\$ 2,292,475
3,379,311	3,662,291	3,284,502	3,081,351	3,046,249
(74,849,067)	(63,269,480)	(58,432,401)	(54,929,194)	(52,705,863)
\$ (69,139,175)	\$ (57,304,057)	\$ (52,903,339)	\$ (49,560,810)	\$ (47,367,139)

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

	2023	2022 *	2021	2020	2019
EXPENSES					
Governmental Activities:					
General government	\$ 3,787,362	\$ 3,902,680	\$ 3,522,506	\$ 2,923,397	\$ 2,766,272
Judiciary	1,334,037	1,243,650	1,429,817	1,396,370	1,221,969
Direct local aid	7,300,065	6,758,880	6,499,305	6,390,233	6,089,548
Medicaid	24,714,689	22,064,800	20,208,100	19,206,749	18,093,807
Group health insurance	1,957,686	1,863,586	1,710,258	1,651,357	1,670,238
Energy and environmental	859,147	822,053	900,326	824,062	701,950
Economic development	2,963,505	2,806,068	2,963,819	1,599,085	1,574,628
Health and human services	14,338,681	13,785,541	11,658,328	9,645,198	8,662,012
Transportation and public works	2,868,870	3,122,013	3,283,352	2,806,861	2,554,289
Early elementary and secondary education	7,811,625	6,961,534	7,687,798	6,618,282	5,607,240
Public safety and security	3,477,565	3,126,435	3,716,834	3,962,024	3,006,893
Labor and workforce development	448,410	440,198	428,225	342,418	298,930
Lottery	4,850,287	4,651,322	4,617,789	4,306,512	4,445,654
Interest (unallocated)	1,488,890	1,445,343	1,510,178	1,491,983	1,522,183
Total governmental activities	78,200,819	72,994,103	70,136,635	63,164,531	58,215,613
Business-type Activities:					
Unemployment compensation	1,889,677	3,904,080	19,438,890	11,948,319	1,483,901
Family and employment security	899,367	686,343	236,361	5,434	—
Higher Education:					
University of Massachusetts	3,973,304	3,669,599	3,419,868	3,446,910	3,282,171
State Universities	1,196,945	1,135,857	1,078,315	1,150,987	1,145,531
Community Colleges (Nonmajor)	993,379	967,202	900,821	886,593	917,967
Total business-type activities	8,952,672	10,363,081	25,074,255	17,438,243	6,829,570
Total Commonwealth expenses	\$ 87,153,491	\$ 83,357,184	\$ 95,210,890	\$ 80,602,774	\$ 65,045,183
REVENUES					
Program Revenues:					
Governmental Activities:					
Charges for services:					
General government	\$ 591,379	\$ 561,303	\$ 747,288	\$ 926,889	\$ 611,834
Judiciary	49,371	65,958	59,074	69,737	81,567
Medicaid	665,633	642,125	1,272,228	1,388,195	1,129,343
Group health insurance	935,591	898,761	860,726	822,420	808,194
Energy and environmental	414,613	386,816	319,315	280,252	279,267
Economic development	246,490	257,188	242,815	225,908	163,315
Health and human services	2,989,732	2,915,732	1,576,692	822,920	1,411,918
Transportation and public works	605,371	602,857	627,594	568,028	627,941
Early elementary and secondary education	6,411	6,366	6,624	7,365	8,445
Public safety and security	361,173	405,960	345,917	370,568	338,099
Labor and workforce development	73,409	192,356	56,603	203,992	307,506
Lottery	6,142,338	5,861,393	5,827,632	5,391,167	5,644,440
Total charges for services	13,081,511	12,796,815	11,942,508	11,077,441	11,411,869
Operating grants and contributions	27,680,603	27,170,190	22,611,465	18,661,840	16,253,915
Capital grants and contributions	101,788	114,296	77,259	77,964	66,085
Total governmental activities	40,863,902	40,081,301	34,631,232	29,817,245	27,731,869
Business-type Activities:					
Charges for services:					
Unemployment Compensation	1,795,731	1,881,248	1,608,603	1,833,362	1,852,195
Family and employment security	916,906	925,337	1,005,102	840,600	—
Higher Education:					
University of Massachusetts	2,125,627	2,001,814	1,636,154	1,844,180	1,860,268
State Universities	634,710	607,506	562,137	644,932	679,801
Community Colleges (Nonmajor)	192,163	176,012	200,278	221,732	237,288
Operating grants and contributions	1,440,425	4,963,847	16,603,329	9,250,714	976,096
Capital grants and contributions	201,144	195,238	174,851	145,646	112,033
Total business-type activities	7,306,706	10,751,002	21,790,454	14,781,166	5,717,681
Total Commonwealth program revenues	\$ 48,170,608	\$ 50,832,303	\$ 56,421,686	\$ 44,598,411	\$ 33,449,550
General Revenues and Other Changes in Net Position (all types consolidated):					
Governmental Activities:					
Taxes (all types)	\$ 39,947,336	\$ 39,803,816	\$ 34,947,335	\$ 30,482,040	\$ 30,609,957
Investment earnings and miscellaneous	2,404,903	1,135,334	697,132	1,169,416	1,513,855
Transfers, net	(1,928,133)	(1,727,991)	(1,517,599)	(1,404,336)	(1,565,932)
Total governmental activities	40,424,106	39,211,159	34,126,868	30,247,120	30,557,880
Business-type Activities:					
Investment earnings and miscellaneous	505,907	(40,636)	356,997	333,608	145,483
Transfers, net	1,928,133	1,727,991	1,517,599	1,404,336	1,565,932
Total business-type activities	2,434,040	1,687,355	1,874,596	1,737,944	1,711,415
Total Commonwealth general revenues	\$ 42,858,146	\$ 40,898,514	\$ 36,001,464	\$ 31,985,064	\$ 32,269,295
CHANGES IN NET POSITION					
Governmental activities	\$ 3,087,189	\$ 6,298,357	\$ (1,378,535)	\$ (3,100,166)	\$ 74,136
Business-type activities	788,074	2,075,276	(1,409,205)	(919,133)	599,526
Total changes in net position including restatements	\$ 3,875,263	\$ 8,373,633	\$ (2,787,740)	\$ (4,019,299)	\$ 673,662

See Independent Auditors' Report

* As restated

	2018	2017	2016	2015	2014
\$	2,792,959	\$ 2,764,634	\$ 2,616,051	\$ 2,703,519	\$ 2,521,454
	1,162,698	1,226,221	1,154,038	1,026,429	1,007,234
	5,900,634	5,734,682	5,598,687	5,469,412	5,353,521
	18,105,722	17,182,691	16,825,110	15,086,742	14,034,862
	1,648,278	1,668,100	1,632,703	1,657,018	1,403,590
	732,161	720,182	1,069,510	671,801	615,854
	1,544,103	1,411,189	1,367,957	1,314,980	1,289,156
	8,298,704	8,131,843	7,912,817	7,605,180	7,308,295
	2,483,768	2,535,121	2,711,910	2,689,975	2,379,178
	6,101,603	6,243,115	5,420,052	4,654,161	4,714,555
	2,757,266	2,913,849	2,746,612	2,486,107	2,451,881
	295,061	312,510	324,678	309,091	352,454
	4,325,321	4,128,209	4,299,592	4,109,611	3,980,980
	1,419,910	1,384,248	1,250,004	1,263,218	1,197,709
	57,568,188	56,356,594	54,929,721	51,047,244	48,610,723
	1,552,404	1,514,002	1,499,811	1,598,084	2,036,431
	—	—	—	—	—
	3,307,087	3,167,596	3,151,215	2,809,062	2,925,013
	1,089,551	1,063,196	1,002,577	994,341	922,383
	887,223	936,241	928,067	891,906	852,946
	6,836,265	6,681,035	6,581,670	6,293,393	6,736,773
\$	64,404,453	63,037,629	61,511,391	57,340,637	55,347,496
\$	652,138	\$ 594,132	\$ 565,434	\$ 634,289	\$ 361,105
	91,500	95,937	100,568	105,521	108,766
	1,054,698	897,542	841,697	1,052,170	1,226,108
	941,946	802,628	799,011	755,712	660,359
	273,504	249,565	289,738	253,856	262,339
	213,530	194,940	173,941	164,438	165,365
	1,292,584	1,359,519	1,224,967	405,710	483,080
	625,595	596,200	577,292	577,430	530,853
	7,846	7,919	7,508	7,649	10,067
	248,234	280,400	284,264	256,596	228,730
	269,293	40,652	38,581	175,130	150,394
	5,436,551	5,254,468	5,405,128	5,193,545	5,049,536
	11,107,419	10,373,902	10,308,129	9,582,046	9,236,702
	16,230,934	15,519,380	15,158,087	13,950,227	13,121,648
	99,002	58,354	85,759	81,475	30,699
	27,437,355	25,951,636	25,551,975	23,613,748	22,389,049
	1,617,394	1,468,492	1,611,096	1,492,067	1,897,495
	—	—	—	—	—
	1,907,824	1,882,899	1,875,144	1,602,043	1,697,585
	658,608	654,170	616,025	583,669	558,170
	259,156	274,868	274,252	266,956	270,512
	931,780	909,228	891,823	936,917	1,347,423
	160,201	238,621	265,714	206,128	122,081
	5,534,963	5,428,278	5,534,054	5,087,780	5,893,266
\$	32,972,318	31,379,914	31,086,029	28,701,528	28,282,315
\$	27,964,093	\$ 25,949,577	\$ 25,676,303	\$ 25,209,826	\$ 23,319,168
	1,283,283	995,073	1,161,089	1,251,288	1,131,848
	(1,123,731)	(1,286,709)	(1,246,055)	(1,429,174)	(1,205,141)
	28,123,645	25,657,941	25,591,337	25,031,940	23,245,875
	423,379	312,347	245,441	7,536	306,690
	1,123,731	1,286,709	1,246,055	1,429,174	1,205,141
	1,547,110	1,599,056	1,491,496	1,436,710	1,511,831
\$	29,670,755	27,256,997	27,082,833	26,468,650	24,757,706
\$	(2,007,188)	\$ (4,747,017)	\$ (3,786,409)	\$ (2,401,556)	\$ (2,975,800)
	245,808	346,299	443,880	231,099	668,324
\$	(1,761,380)	(4,400,718)	(3,342,529)	(2,170,457)	(2,307,476)

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(Modified accrual basis of accounting)

(Amounts in thousands)

	2023	2022 *	2021	2020	2019
General Fund					
Committed (2)	\$ 8,036,051	\$ 6,937,864	\$ 4,626,419	\$ 3,501,181	\$ 3,424,376
Assigned (3)	2,322,991	2,542,037	1,070,523	731,696	445,216
Unassigned	4,255,805	4,451,749	4,045,371	1,697,212	2,000,618
Total General Fund	<u>14,614,847</u>	<u>13,931,650</u>	<u>9,742,313</u>	<u>5,930,089</u>	<u>5,870,210</u>
All other governmental funds					
Nonspendable	526,385	615,882	755,378	—	—
Restricted (1)	924,765	1,285,777	1,320,793	1,294,124	1,316,707
Committed (2)	5,085,302	3,403,602	2,179,151	1,824,616	1,583,112
Assigned	1,344,555	1,254,362	976,474	951,226	811,501
Unassigned	(3,485,620)	(2,358,148)	(1,156,764)	(942,539)	(470,195)
Total all other governmental funds	<u>4,395,387</u>	<u>4,201,475</u>	<u>4,075,032</u>	<u>3,127,427</u>	<u>3,241,125</u>
Total governmental fund balances	<u>\$ 19,010,234</u>	<u>\$ 18,133,125</u>	<u>\$ 13,817,345</u>	<u>\$ 9,057,516</u>	<u>\$ 9,111,335</u>

(1) Restricted fund balance overall decreased from FY23 mainly due to a decrease of \$194 million in the restricted for MSBA.

(2) The majority increase in the committed fund balance from FY23 is mainly due to an increase of approximately \$1.098 billion in the ending balance of the Commonwealth's stabilization fund; Student Opportunity Act Trust fund balance of \$500 million; High-Quality Early Education & Care Affordability Trust Fund fund balance of \$490 million; Convention Center fund balance of \$463 million various Health Care Funds totaling \$338 million.

(3) Assigned fund balance decreased from FY23 mainly as a result of a decrease in authorizations reappropriated from prior years of approximately \$219 million.

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* As restated, see [note 1T](#) on pages [83-84](#)

2018	2017	2016	2015	2014
\$ 2,001,299	\$ 1,300,678	\$ 1,291,514	\$ 1,252,501	\$ 1,248,435
349,927	98,316	109,328	210,347	154,358
1,164,566	939,018	1,173,549	1,280,625	1,432,521
3,515,792	2,338,012	2,574,391	2,743,473	2,835,314
—	—	—	—	—
1,519,833	1,926,716	1,377,671	1,792,461	1,518,671
1,300,923	1,051,009	1,130,574	1,122,866	1,001,722
605,903	586,339	736,239	366,285	355,995
(104,007)	(304,694)	(545,129)	(719,520)	(1,092,016)
3,322,652	3,259,370	2,699,355	2,562,092	1,784,372
\$ 6,838,444	\$ 5,597,382	\$ 5,273,746	\$ 5,305,565	\$ 4,619,686

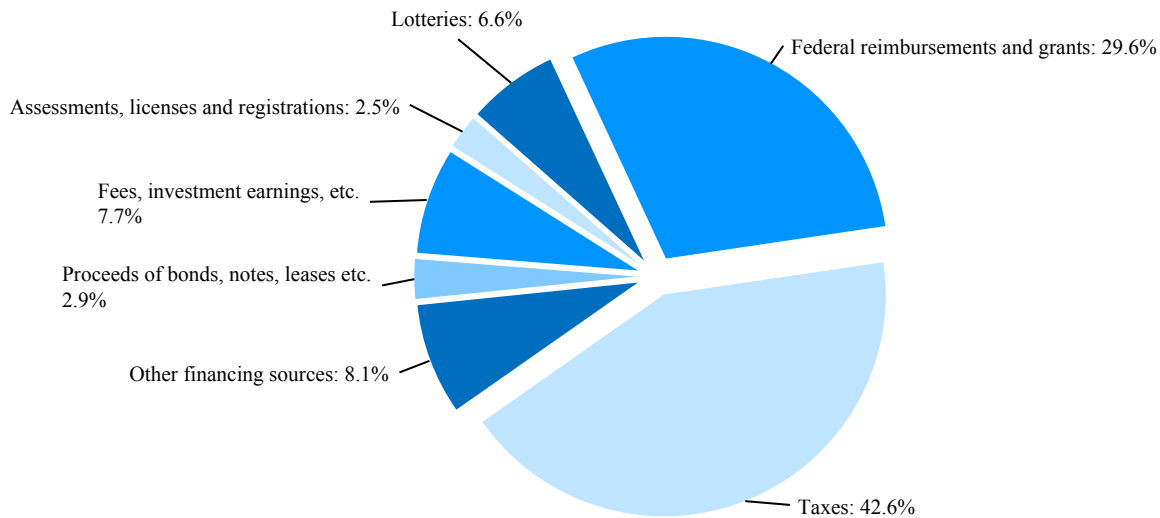
Ten-Year Schedule of Revenues and Other Financing Sources
All Governmental Fund Types - Fund Perspective
(Modified Accrual Basis of Accounting)

(Amounts in millions)

	2023		2022		2021		2020		2019	
	Total	%	Total	%	Total	%	Total	%	Total	%
Taxes	\$ 39,976	42.6	\$ 39,816	43.4	\$ 34,955	41.2	\$ 30,266	41.7	\$ 30,618	43.8
Federal reimbursements	19,320	20.6	17,801	19.4	16,438	19.4	14,427	19.9	12,650	18.1
Federal grants	8,473	9.0	9,413	10.2	6,515	7.7	4,048	5.6	3,678	5.3
Lotteries	6,158	6.6	5,864	6.4	5,829	6.9	5,395	7.4	5,652	8.1
Assessments	1,822	1.9	1,585	1.7	1,350	1.6	1,378	1.9	1,377	2.0
Motor vehicle licenses and registrations	555	0.6	549	0.6	515	0.6	515	0.7	566	0.8
Fees, investment earnings, etc	7,273	7.7	6,166	6.7	5,780	6.8	5,527	7.6	5,794	8.3
Issuance of general and special obligation bonds	1,610	1.7	2,085	2.3	4,216	5.0	2,787	3.8	2,008	2.9
Issuance of refunding bonds	813	0.9	525	0.6	1,766	2.1	1,225	1.7	819	1.2
Bond premiums	248	0.3	369	0.4	786	0.9	276	0.4	470	0.7
Proceeds of capital lease	—	—	—	—	2	—	1	—	—	—
Leases & SBITAs issued	58	—	—	—	—	—	—	—	—	—
Other financing sources	7,583	8.1	7,668	8.3	6,569	7.8	6,662	9.3	6,143	8.8
Total revenues and other financing sources	\$ 93,889	100.0	\$ 91,841	100.0	\$ 84,721	100.0	\$ 72,507	100.0	\$ 69,775	100.0

See Independent Auditors' Report

**Apportionment of Revenues by Source -
Fiscal Year Ended June 30, 2023**



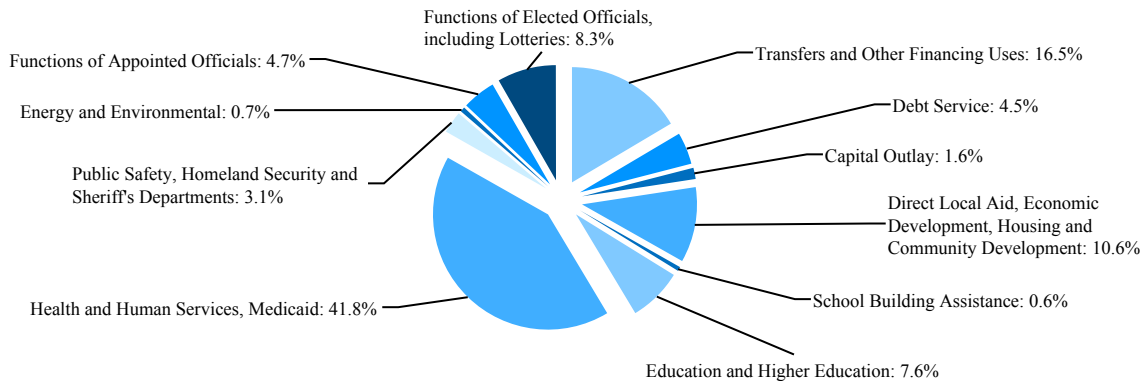
	2018		2017		2016		2015		2014	
	Total	%	Total	%	Total	%	Total	%	Total	%
	\$ 28,243	41.1	\$ 25,828	37.7	\$ 25,746	38.0	\$ 25,258	41.7	\$ 23,786	41.6
	12,647	18.3	11,932	17.4	11,577	17.1	10,462	17.2	9,417	16.5
	3,684	5.3	3,635	5.3	3,656	5.4	3,583	5.9	3,730	6.5
	5,442	7.9	5,258	7.7	5,406	8.0	5,194	8.6	5,049	8.8
	1,354	2.0	1,219	1.8	1,104	1.6	1,026	1.7	1,080	1.8
	566	0.8	554	0.8	546	0.8	546	0.9	495	0.9
	5,518	8.0	4,966	7.3	4,957	7.3	4,540	7.5	4,152	7.3
	2,779	4.0	3,464	5.1	3,969	5.9	3,761	6.2	2,360	4.1
	993	1.4	1,853	2.7	1,463	2.2	632	1.0	1,236	2.2
	562	0.8	812	1.2	613	0.9	379	0.6	193	0.3
	—	—	1	—	31	—	31	0.1	11	—
	—	—	—	—	—	—	—	—	—	—
	7,202	10.4	8,915	13.0	8,682	12.8	5,247	8.6	5,701	10.0
	<u>\$ 68,990</u>	<u>100.0</u>	<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>

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)

	2023	% Total	2022	% Total	2021	% Total	2020	% Total	2019	% Total
Legislature	\$ 83	0.1	\$ 76	0.1	\$ 73	0.1	\$ 70	0.1	\$ 68	0.1
Judiciary	1,199	1.3	1,095	1.3	1,023	1.3	1,022	1.4	985	1.5
Office of Inspector General	7	—	6	—	6	—	6	—	5	—
Governor and Lieutenant Governor	7	—	7	—	9	—	7	—	7	—
Secretary of the Commonwealth	87	0.1	59	0.1	78	0.1	63	0.1	55	0.1
Treasurer and Receiver-General	7,196	7.8	6,743	7.7	6,583	8.1	5,961	8.2	6,092	9.0
State Auditor	23	—	21	—	20	—	19	—	18	—
Attorney General	115	0.1	165	0.2	112	0.1	108	0.2	107	0.2
State Ethics Commission	3	—	3	—	2	—	2	—	2	—
District Attorneys	171	0.2	161	0.2	154	0.2	150	0.2	138	0.2
Office of Campaign and Political Finance	2	—	2	—	2	—	2	—	3	—
Sheriff's	764	0.8	679	0.8	699	0.9	718	1.0	672	1.0
Disabled Persons Protection Commission	12	—	10	—	7	—	6	—	5	—
Commission on the Status of Women	1	—	1	—	—	—	—	—	—	—
Massachusetts Gaming Commission	59	0.1	56	0.1	46	0.1	44	0.1	50	0.1
Office of the Comptroller	28	—	27	—	22	—	17	—	16	—
Administration and Finance	3,161	3.4	3,613	4.2	2,910	3.9	2,490	3.4	2,310	3.4
Energy and Environmental	696	0.7	592	0.7	461	0.6	466	0.6	477	0.7
Health and Human Services	14,060	15.2	13,446	15.4	10,702	13.2	8,817	12.1	8,054	12.0
Technology Services and Security	205	0.2	173	0.2	156	0.2	140	0.2	116	0.2
Veterans' Services	38	—	—	—	—	—	—	—	—	—
Housing and Livable Communities	284	0.3	—	—	—	—	—	—	—	—
Massachusetts Department of Transportation	2,776	3.0	3,002	3.4	2,909	3.6	2,486	3.4	2,349	3.5
Office of the Child Advocate	5	—	3	—	2	—	2	—	1	—
Commission Against Discrimination	8	—	7	—	7	—	—	—	—	—
Cannabis Control Commission	17	—	14	—	11	—	13	—	10	—
Board of Library Commissioners	45	—	43	—	37	—	33	—	30	—
Education*	7,085	7.6	6,579	7.5	5,049	6.2	4,323	6.0	3,972	5.9
Center for Health and Information Analysis	32	—	29	—	21	—	20	—	20	—
Massachusetts School Building Assistance	580	0.6	628	0.7	752	0.9	713	1.0	572	0.9
Public Safety and Security	2,138	2.3	1,839	2.1	1,769	2.2	2,066	2.8	1,463	2.2
Massachusetts Peace Officer Standards and Training Commission	7	—	2	—	—	—	—	—	—	—
Commission on the Status of Persons with Disabilities	—	—	—	—	—	—	—	—	—	—
Economic Development*	2,193	2.4	2,294	2.6	2,440	3.0	1,223	1.7	1,157	1.7
Labor and Workforce Development*	428	0.5	411	0.5	356	0.4	280	0.4	258	0.4
Medicaid	24,715	26.6	22,065	25.3	20,208	25.0	19,207	26.5	18,094	26.8
Pension	2,133	2.3	2,117	2.4	1,657	2.1	1,384	1.9	1,368	2.0
Direct local aid	7,300	7.9	6,759	7.7	6,499	8.0	6,390	8.8	6,090	9.0
Capital outlay	1,516	1.6	1,420	1.6	1,308	1.6	1,051	1.5	1,310	1.9
Debt service:										
Principal/commercial paper repayment	1,732	1.9	1,780	2.0	1,878	2.3	1,948	2.7	1,480	2.2
Interest	1,497	1.6	1,245	1.4	1,230	1.5	1,238	1.7	1,484	2.2
Principal on current refunding	888	1.0	610	0.7	1,065	1.3	409	0.6	956	1.4
Other financing uses:										
Payments to refunding bond escrow agent	—	—	347	0.4	2,469	3.1	1,655	2.3	—	—
Transfers	9,507	10.4	9,396	10.7	8,084	10.0	8,067	11.1	7,709	11.4
Total expenditures and other financing uses	\$ 92,803	100.0	\$ 87,525	100.0	\$ 80,816	100.0	\$ 72,616	100.0	\$ 67,503	100.0
Change in Governmental Fund Balance	\$ 1,086		\$ 4,316		\$ 3,905		\$ (108)		\$ 2,273	
Ratio of debt service expenditures to total noncapital expenditures	5.0%		4.8%		6.1%		5.8%		6.7%	

* 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, 2023



2018	% Total	2017	% Total	2016	% Total	2015	% Total	2014	% Total
\$ 68	0.1	\$ 67	0.1	\$ 61	0.1	\$ 61	0.1	\$ 56	0.1
921	1.4	908	1.3	880	1.3	845	1.4	816	1.4
5	—	4	—	5	—	5	—	6	—
7	—	7	—	7	—	6	—	5	—
45	0.1	51	0.1	44	0.1	50	0.1	51	0.1
5,854	8.6	5,657	8.2	5,799	8.7	5,602	9.6	5,327	9.5
19	—	18	—	19	—	18	—	18	—
98	0.1	76	0.1	67	0.1	41	0.1	88	0.2
2	—	2	—	2	—	2	—	2	—
129	0.2	130	0.2	124	0.2	119	0.2	115	0.2
2	—	2	—	2	—	3	—	1	—
635	0.9	624	0.9	616	0.9	593	1.0	565	1.0
4	—	3	—	3	—	3	—	2	—
—	—	—	—	—	—	—	—	—	—
44	0.1	37	0.1	34	0.1	23	—	23	—
16	—	17	—	17	—	16	—	16	—
2,475	3.7	2,444	3.6	2,416	3.6	2,490	4.2	2,298	4.0
445	0.7	405	0.6	436	0.6	417	0.7	410	0.7
7,813	11.5	7,463	11.0	7,402	10.9	7,211	12.0	6,957	12.1
81	0.1	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
2,387	3.5	2,391	3.5	2,595	3.8	2,611	4.4	2,296	4.0
1	—	1	—	1	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
2	—	—	—	—	—	—	—	—	—
28	—	28	—	28	—	28	—	25	—
3,723	5.5	3,589	5.3	3,478	5.1	3,320	5.5	3,201	5.6
21	—	23	—	27	—	28	—	26	—
550	0.8	621	0.9	626	0.9	732	1.2	869	1.5
1,400	2.1	1,374	2.0	1,385	2.0	1,334	2.2	1,274	2.2
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
1,089	1.6	1,021	1.5	1,048	1.5	1,021	1.7	1,035	1.8
255	0.4	259	0.4	277	0.4	269	0.4	330	0.6
18,106	26.9	17,183	25.2	16,825	24.9	15,087	25.2	14,035	24.4
1,294	1.9	1,127	1.7	1,103	1.6	902	1.5	865	1.5
5,901	8.7	5,735	8.4	5,599	8.3	5,469	9.1	5,353	9.3
1,253	1.8	1,202	1.8	1,162	1.7	1,205	2.0	999	1.7
—	—	—	—	—	—	—	—	—	—
3,706	5.5	4,676	6.9	4,487	6.6	1,781	3.0	1,546	2.7
1,381	2.0	1,262	1.9	1,248	1.8	1,187	2.0	1,223	2.1
522	0.8	188	0.3	250	0.4	203	0.3	159	0.3
—	—	—	—	—	—	—	—	—	—
628	0.9	2,304	3.4	2,613	3.9	615	1.0	562	1.0
6,838	10.1	7,215	10.6	7,094	10.5	6,676	11.1	6,907	12.0
<u>\$ 67,748</u>	<u>100.0</u>	<u>\$ 68,114</u>	<u>100.0</u>	<u>\$ 67,781</u>	<u>100.0</u>	<u>\$ 59,973</u>	<u>100.0</u>	<u>\$ 57,461</u>	<u>100.0</u>
<u>\$ 1,241</u>		<u>\$ 324</u>		<u>\$ (32)</u>		<u>\$ 686</u>		<u>\$ (251)</u>	
<u>9.5%</u>		<u>10.7%</u>		<u>10.5%</u>		<u>6.2%</u>		<u>6.0%</u>	

Personal Income by Industry
Last Ten Calendar Years

(Amounts in millions)

	2022	2021	2020	2019	2018
Total personal income	\$ 594,119	\$ 575,188	\$ 550,584	\$ 511,334	\$ 483,433
Unearned income	142,298	152,340	166,915	126,165	118,567
Farm earnings	126	126	170	108	103
Nonfarm earnings	451,695	422,722	383,499	385,061	364,763
Private earnings	433,761	407,096	368,213	369,080	349,476
Agricultural services, forestry, fishing	573	705	600	625	659
Mining	144	94	146	144	274
Construction	27,594	27,349	22,859	23,397	23,177
Manufacturing	30,829	29,969	28,355	28,568	27,271
Durable goods	20,929	20,502	19,760	20,020	19,239
Nondurable goods	9,900	9,467	8,595	8,548	8,032
Transportation and utilities	14,222	12,561	11,669	11,724	9,667
Wholesale trade	18,539	17,366	15,280	15,254	15,102
Retail trade	20,014	19,436	17,303	17,438	16,432
Services	321,846	299,616	272,001	271,930	256,894
Government	48,762	45,595	43,642	44,549	42,557
Federal, civilian	6,018	5,920	5,821	5,647	5,458
Military	1,048	1,001	1,096	1,003	900
State and local	41,696	38,674	36,725	37,899	36,199
Personal income tax revenue (fiscal year, statutory basis)	\$ 18,995	\$ 24,337	\$ 19,618	\$ 17,361	\$ 17,109
Total personal income	\$ 594,119	\$ 575,188	\$ 550,584	\$ 511,334	\$ 483,433
Average Effective Rate	3.20 %	4.23 %	3.56 %	3.40 %	3.54 %
Highest Earned Income Tax Rate	5.00 %	5.00 %	5.00 %	5.00 %	5.05 %

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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2017	2016	2015	2014	2013
\$ 450,962	\$ 442,500	\$ 415,636	\$ 396,206	\$ 381,271
111,017	108,349	97,728	94,494	91,615
129	151	195	178	151
339,816	334,000	317,713	301,534	289,505
323,875	319,931	272,533	262,843	252,939
716	677	406	354	373
608	379	276	270	201
20,609	19,473	17,197	15,481	14,759
26,550	27,181	26,497	25,921	25,341
18,709	18,894	18,193	18,224	17,977
7,841	8,287	8,304	7,697	7,364
8,649	8,330	7,600	7,295	7,083
14,830	14,621	13,938	13,546	13,483
15,982	15,520	14,716	14,137	13,565
235,931	233,750	191,903	185,839	178,134
42,492	41,130	39,921	38,691	36,567
5,477	5,427	5,202	5,007	4,792
891	860	860	874	943
36,124	34,843	33,859	32,810	30,832
\$ 16,240	\$ 14,394	\$ 14,449	\$ 13,202	\$ 12,831
\$ 450,962	\$ 442,500	\$ 415,636	\$ 396,206	\$ 381,271
3.60 %	3.25 %	3.48 %	3.33 %	3.37 %
5.10 %	5.10 %	5.15 %	5.20 %	5.25 %

Commonwealth of Massachusetts
Personal Income Tax Filers and Liability by Income Level
Calendar (Tax) Years 2021 and 2012

(Amounts, except income level are in thousands)

Calendar Year 2021 (or Fiscal Year 2022)

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$100,001 and higher	1,036,514	25.8%	\$ 17,486,532	80.6%
\$75,001 - \$100,000	360,978	9.0%	1,349,755	6.2%
\$50,001 - \$75,000	561,234	13.9%	1,430,817	6.6%
\$25,001 - \$50,000	852,082	21.1%	1,147,146	5.2%
\$10,001 - \$25,000	604,158	15.0%	252,146	1.2%
\$10,000 and lower	609,944	15.2%	40,231	0.2%
Total	<u>4,024,910</u>	<u>100.0%</u>	<u>\$ 21,706,627</u>	<u>100.0%</u>

Calendar Year 2012 (or Fiscal Year 2013)

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$100,001 and higher	652,040	18.3%	\$ 8,542,109	70.6%
\$75,001 - \$100,000	286,430	8.0%	1,065,636	8.8%
\$50,001 - \$75,000	459,976	12.8%	1,165,028	9.6%
\$25,001 - \$50,000	772,133	21.5%	1,015,748	8.5%
\$10,001 - \$25,000	675,456	18.9%	277,627	2.3%
\$10,000 and lower	734,499	20.5%	30,223	0.2%
Total	<u>3,580,534</u>	<u>100.0%</u>	<u>\$ 12,096,371</u>	<u>100.0%</u>

Source: Massachusetts Department of Revenue - 2021 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

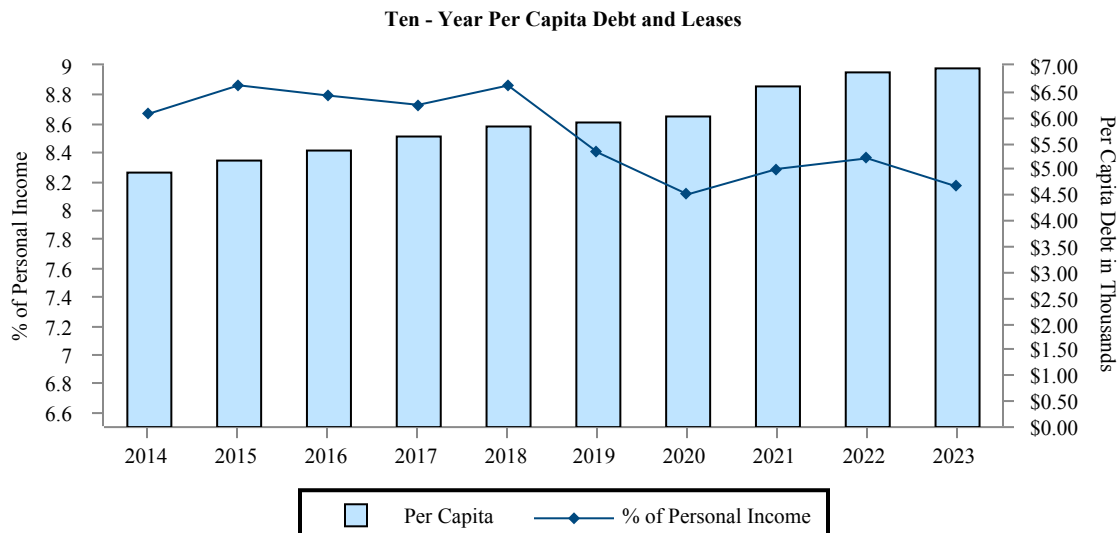
(Amounts in thousands, except for percentages)

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)					
2023	\$ 32,987,686	\$ 868,829	\$ 5,915,372	\$ 2,710	\$ 7,448,982	\$ 1,255,417	\$ 48,478,996	\$594,118,801	6,982	8.2 %	\$ 6.94
2022	32,774,329	942,590	6,323,688	3,454	6,759,878	1,257,644	48,061,583	\$575,187,880	6,985	8.4 %	\$ 6.88
2021	32,229,313	14,260	6,508,385	—	6,842,430	8,724	45,603,112	550,584,495	6,894	8.3 %	6.61
2020	30,701,422	17,114	6,053,947	—	4,667,917	8,842	41,449,242	511,333,665	6,895	8.1 %	6.01
2019	30,219,316	19,835	6,054,994	—	4,284,704	9,589	40,588,438	483,433,495	6,886	8.4 %	5.89
2018	29,496,401	22,492	5,990,554	—	4,438,502	9,825	39,957,774	450,961,579	6,864	8.9 %	5.82
2017	28,216,650	30,856	5,828,790	—	4,529,353	8,979	38,614,628	442,500,000	6,827	8.7 %	5.66
2016	26,422,941	41,302	5,624,275	—	4,438,282	9,887	36,536,687	415,636,000	6,797	8.8 %	5.38
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

- (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 and Leased Software starting 2022 and Capital Leases for periods 2021 and earlier

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

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Ten Year Schedule of Outstanding Direct Debt and Statutory Debt Limit

(Amounts in thousands)

	2023	2022	2021	2020	2019
Outstanding principal as of June 30 (1).....	\$ 29,520,860	\$ 29,335,406	\$ 29,048,457	\$ 28,098,890	\$ 27,739,221
Plus/(less) amounts excluded:					
Net amortized (discount)/premium and issuance costs	—	—	—	—	—
Total net proceeds/principal	29,520,860	29,335,406	29,048,457	28,098,890	27,739,221
Less net proceeds/principal of direct debt excluded from statutory debt limit:					
Central artery project bonds	(618,232)	(691,378)	(847,790)	(945,574)	(1,013,492)
Accelerated bridge program	(1,897,035)	(2,015,840)	(2,137,770)	(2,325,620)	(2,349,950)
County debt assumed	—	—	—	—	—
(Premium)/discount	—	—	—	—	—
Grant anticipation notes (2)	—	—	—	—	—
School Modernization and Reconstruction Trust Bonds ..	(242,630)	(337,411)	(430,926)	(496,936)	(574,902)
Convention center bonds	(426,235)	(453,675)	(479,645)	(504,255)	(527,635)
MBTA forward funding bonds	(207)	(207)	(207)	(207)	(207)
Special obligation gas bonds	—	—	(28,385)	(55,290)	(80,930)
Rail enhancement program bonds (3)	(1,928,881)	(1,958,461)	(1,637,221)	(1,260,565)	(1,104,610)
Outstanding direct debt, net proceeds/principal	24,407,640	23,878,434	23,486,513	22,510,443	22,087,495
Statutory debt limit*	29,195,493	27,805,231	26,481,173	25,220,164	24,019,204
Debt margin (debt limit less direct debt)	<u>\$ 4,787,853</u>	<u>\$ 3,926,797</u>	<u>\$ 2,994,660</u>	<u>\$ 2,709,721</u>	<u>\$ 1,931,709</u>
Debt margin as a percentage of direct debt limit	<u>16.4%</u>	<u>14.1%</u>	<u>11.3%</u>	<u>10.7%</u>	<u>8.0%</u>

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

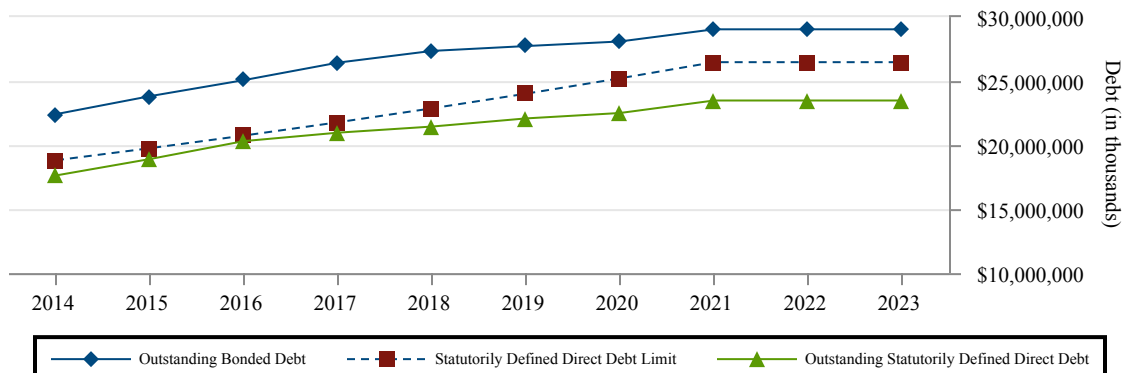
(2) Inclusive of crossover refunding amounts.

(3) Section 4 of Chapter 220 of the Acts of 2016 exempted bonds issued under the Rail Enhancement Program from the statutory debt limit.

* 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
2014 - 2023**



2018	2017	2016	2015	2014
\$ 27,360,819	\$ 26,445,665	\$ 25,079,591	\$ 23,826,301	\$ 22,419,852
—	—	—	—	—
27,360,819	26,445,665	25,079,591	23,826,301	22,419,852
(1,092,519)	(1,110,195)	(1,150,296)	(1,197,127)	(1,241,263)
(2,429,000)	(2,380,740)	(2,192,930)	(2,195,004)	(1,756,395)
—	—	—	—	—
—	—	—	—	—
—	—	—	—	(178,390)
(598,985)	(632,348)	(652,197)	(689,446)	(723,917)
(552,110)	(575,420)	(597,630)	(618,705)	(638,700)
(207)	(207)	(207)	(207)	(207)
(105,230)	(128,270)	(170,735)	(210,635)	(249,705)
(1,131,105)	(644,540)	—	—	—
21,451,663	20,973,945	20,315,596	18,915,177	17,631,275
22,875,433	21,786,126	20,748,692	19,760,659	18,819,675
<u>\$ 1,423,770</u>	<u>\$ 812,181</u>	<u>\$ 433,096</u>	<u>\$ 845,482</u>	<u>\$ 1,188,400</u>
<u>6.2%</u>	<u>3.7%</u>	<u>2.1%</u>	<u>4.3%</u>	<u>6.3%</u>

Ten Fiscal Year Schedule of Pledged Revenue Coverage
Special Obligation Transportation Bonds (Motor Fuels Taxation and Motor Vehicle Fees), Convention Center Bonds (Tax Incremental Financing) and Grant Anticipation Notes (Federal Highway Grants)

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

	2023	2022	2021	2020	2019
Commonwealth Transportation Fund Bonds					
The CTF bonds are secured by the full 24 cent per gallon gasoline tax, the full 21 cents per gallon of special fuels taxes (comprised primarily of taxes on diesel fuel), the full tax on liquefied natural gas and all Registry of Motor Vehicle fees deposited in the Commonwealth Transportation Fund. Federal Build America Bonds subsidies are also pledged to all CTF bonds. The 2010 bonds were issued as federally taxable Build America Bonds/ Recovery Zone Economic Development Bonds; the programs provide an interest subsidy of 35-45% directly to the Commonwealth. The interest subsidy is shown as pledged funds and debt service is gross of the subsidy. Revenues pledged to the bonds are available prior to use for any other purposes. Thus, operating expenses paid from these revenue sources are not applicable for the purpose of calculating debt service coverage ratios and are not shown in this table. For years prior to 2023, receipts are net of revenues pledged to Highway Fund bonds, which were issued prior to 2010, and final payments for which were made in 2022.					
CTF Bond Issues (Includes Revenues in Excess of Those Needed to Pay Debt Service on Pre-2010 Highway Bonds, Which Matured in FY22)					
Receipts	\$ 1,313,738	\$ 1,302,636	\$ 1,266,755	\$ 1,250,653	\$ 1,373,116
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 1,313,738	\$ 1,302,636	\$ 1,266,755	\$ 1,250,653	\$ 1,373,116
Annual Debt Service	\$ 215,493	\$ 186,189	\$ 189,083	\$ 184,361	\$ 176,189
Debt Service Coverage Ratio	6.10	7.00	6.70	6.78	7.79
Ratings History of Bonds (Fitch, Moody's and S&P)*	NA, Aa1, AAA	NA, Aa1, AA+	NA, Aa1, AA+	NA, Aa1, AA+	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	\$ 203,560	\$ 148,719	\$ 45,744	\$ 145,835	\$ 164,197
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 203,560	\$ 148,719	\$ 45,744	\$ 145,835	\$ 164,197
Annual Debt Service	\$ 52,392	\$ 52,350	\$ 52,283	\$ 52,222	\$ 54,601
Debt Service Coverage Ratio	3.89	2.84	0.87	2.79	3.01
Ratings History of Bonds (Fitch, Moody's and S&P)*	NA, A1, A-	NA, A1, A-	NA, A1, BBB+	NA, A1, A	NA, A1, A
Grant Anticipation Notes (GANS)					
Grant Anticipation Notes are secured by all federal highway reimbursements, which are deposited in the Grant Anticipation Note Trust fund. Revenues pledged to the notes are available prior to use for any other purposes. Thus, operating expenses paid from these revenue sources are not applicable for the purpose of calculating debt service coverage ratios and are not shown in this table. The 2010 bonds were issued as federally taxable Build America Bonds; the program provides an interest subsidy of 35% directly to the Commonwealth. The interest subsidy is shown as pledged funds and debt service is gross of the subsidy.					
GANS (Includes Revenues in Excess of those Needed to Pay Debt Service Commonwealth Transportation Fund Bonds)					
Receipts	\$ 1,726,669	\$ 1,744,871	\$ 1,792,915	\$ 1,705,993	\$ 1,771,001
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 1,726,669	\$ 1,744,871	\$ 1,792,915	\$ 1,705,993	\$ 1,771,001
Annual Debt Service	\$ 62,340	\$ 85,120	\$ 86,773	\$ 86,858	\$ 86,093
Debt Service Coverage Ratio	27.70	20.50	20.66	19.64	20.57
Ratings History of Bonds (Fitch, Moody's and S&P)*	NA, Aa1, AA+	AA+, Aa1, AA+	AA+, Aa1, AA+	AA+, Aa1, AA+	AA+, Aa1, AAA

*Uninsured rating, if available.
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2018		2017		2016		2015		2014	
\$	1,362,788	\$	1,326,734	\$	1,294,357	\$	1,283,248	\$	1,210,405
	N/A		N/A		N/A		N/A		N/A
\$	1,362,788	\$	1,326,734	\$	1,294,357	\$	1,283,248	\$	1,210,405
\$	149,968	\$	129,024	\$	94,859	\$	81,054	\$	69,921
	9.09		10.28		13.65		15.83		0.02
	NA, Aa1, AAA		NA, Aa1, AAA		NA, AAA, AAA		NA, AAA, AAA		NA, AAA, AAA
\$	146,872	\$	133,789	\$	134,806	\$	124,937	\$	109,879
	N/A		N/A		N/A		N/A		N/A
\$	146,872	\$	133,789	\$	134,806	\$	124,937	\$	109,879
\$	54,473	\$	54,540	\$	54,540	\$	52,852	\$	34,486
	2.70		2.45		2.47		2.36		3.19
	NA, A1, A		NA, A1, A		NA, A1, A		NA, A1, A		NA, A1, A
\$	1,756,726	\$	1,734,397	\$	1,707,187	\$	1,556,243	\$	1,562,732
	N/A		N/A		N/A		N/A		N/A
\$	1,756,726	\$	1,734,397	\$	1,707,187	\$	1,556,243	\$	1,562,732
\$	83,804	\$	80,486	\$	76,049	\$	33,472	\$	4,268
	20.96		21.55		22.45		46.49		366.15
	AA+, Aa1, AAA		AA+, Aa1, AAA		AA+, Aa1, AAA		AA+, Aa1, AAA		AA+, Aa1, AAA

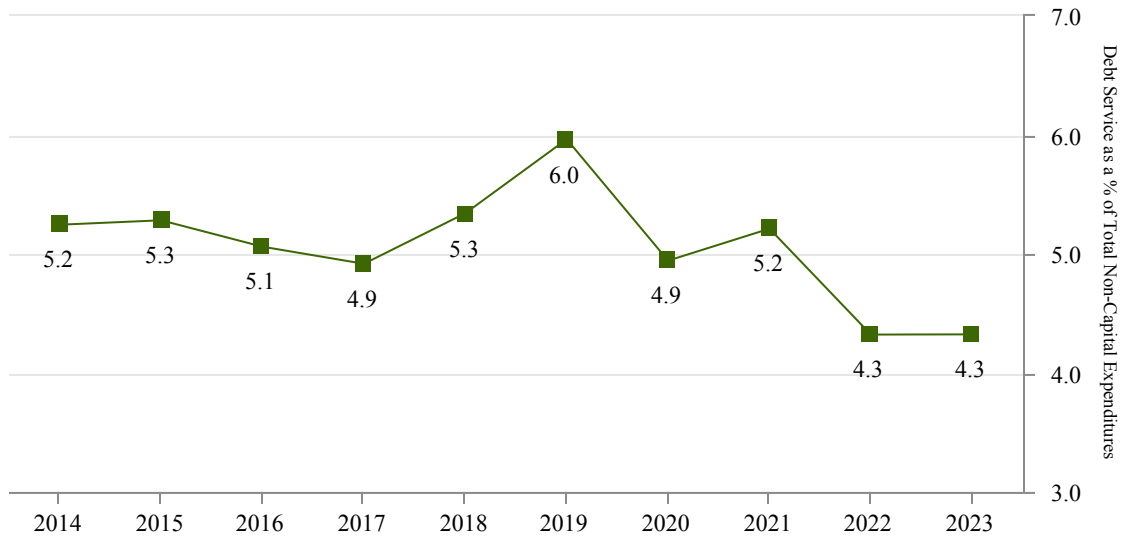
**Ten-Year Schedule of Percentage of Annual Debt Service Expenditures
For General Bonded Debt to Total Non-Capital Expenditures - Fund Perspective
All Governmental Fund Types**
(Amounts in thousands)

Fiscal year ended June 30	Debt service ⁽¹⁾	Total non-capital expenditures ⁽²⁾	Ratio (%)
2023	\$ 3,527,748	\$ 81,583,443	4.3
2022	3,248,922	75,166,146	4.3
2021	3,572,588	68,543,124	5.2
2020	3,026,865	61,227,675	4.9
2019	3,489,029	58,502,774	6.0
2018	3,040,834	56,925,468	5.3
2017	2,667,043	54,239,919	4.9
2016	2,720,117	53,748,227	5.1
2015	2,703,200	51,171,135	5.3
2014	2,534,285	48,312,870	5.2

- (1) Business type activities debts are secured solely by leases between the Institutions of Higher Education and two blended building authorities. Excludes Massachusetts School Building Authority debt service paid by the Authority.
- (2) Expenditures are shown net of Massachusetts School Building Authority expenditures as they are school building assistance capital grants to local cities and towns.

See Independent Auditors' Report

Debt Service to Non-Capital Expenditures Ratio 2014 - 2023



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

(Amounts in thousands)

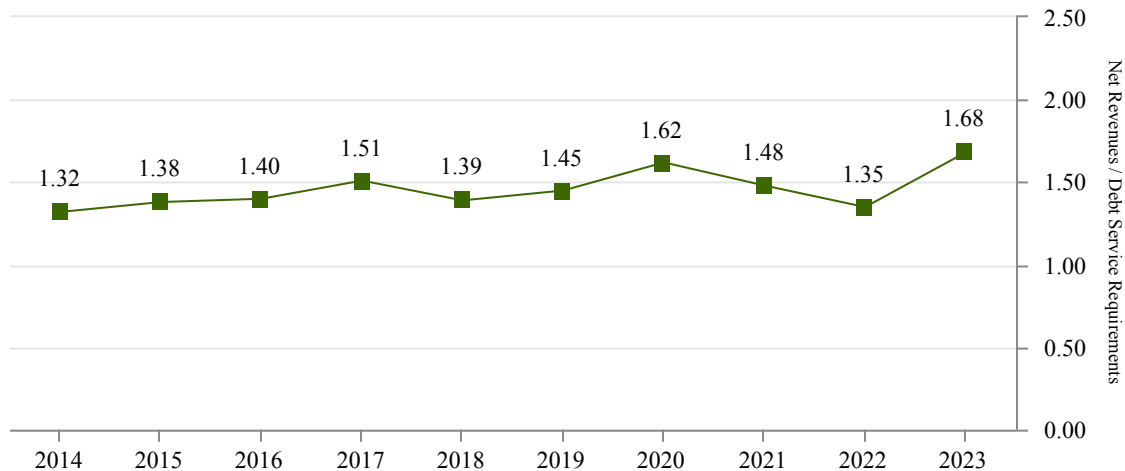
Fiscal year ended June 30	Net Revenues ⁽¹⁾	Debt service requirements ⁽²⁾	Coverage Ratio (%)
2023	\$ 2,846,930	\$ 1,693,612	1.68
2022	2,393,922	1,773,781	1.35
2021	2,234,478	1,513,531	1.48
2020	2,194,836	1,352,565	1.62
2019	2,073,011	1,431,521	1.45
2018	1,831,742	1,322,491	1.39
2017	1,763,564	1,169,651	1.51
2016	1,817,135	1,298,267	1.40
2015	1,950,292	1,417,420	1.38
2014	1,481,374	1,126,392	1.32

- (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 2014 - 2023



Ten-Year Schedule of Massachusetts and United States Resident Population

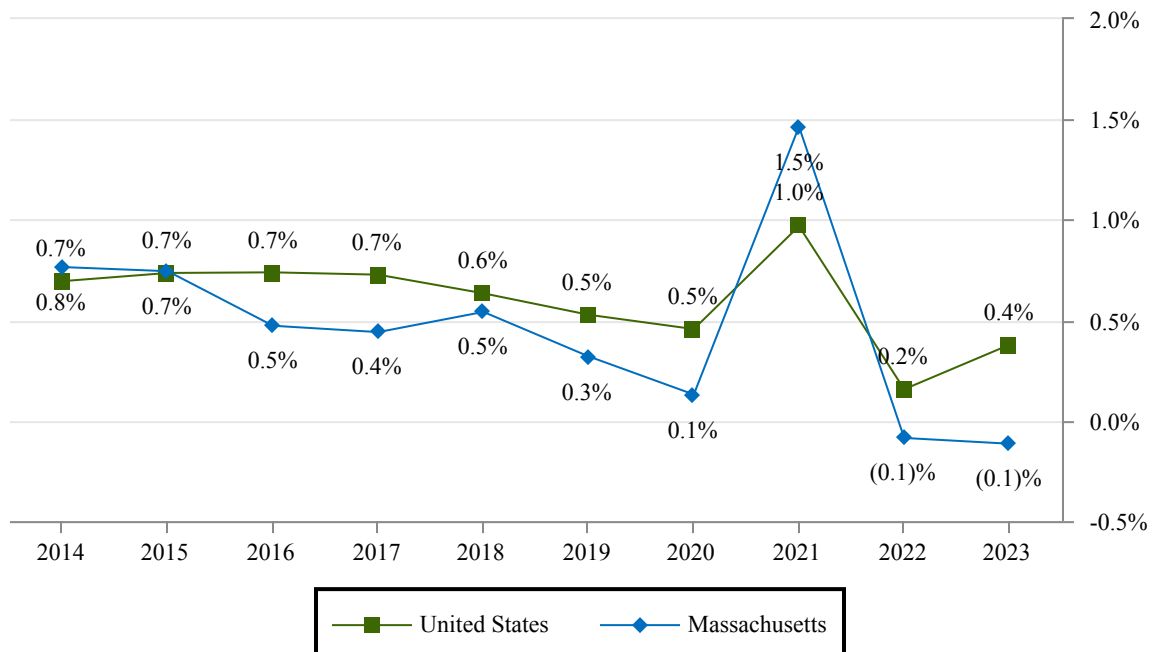
(Amounts in thousands)

Beginning of Fiscal Year	Massachusetts Resident Population (1)	% Change	United States Resident Population (1)	% Change	Massachusetts as % of U.S.
2023	6,982	(0.1)%	333,288	0.4%	2.1%
2022	6,990	(0.1)%	332,032	0.2%	2.1%
2021	6,996	1.5%	331,512	1.0%	2.1%
2020	6,895	0.1%	328,330	0.5%	2.1%
2019	6,886	0.3%	326,838	0.5%	2.1%
2018	6,864	0.5%	325,122	0.6%	2.1%
2017	6,827	0.4%	323,072	0.7%	2.1%
2016	6,797	0.5%	320,739	0.7%	2.1%
2015	6,765	0.7%	318,386	0.7%	2.1%
2014	6,715	0.8%	316,060	0.7%	2.1%

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

See Independent Auditors' Report

**Massachusetts and United States Estimated Year-to-Year Population Change
FY2014 - FY2023**



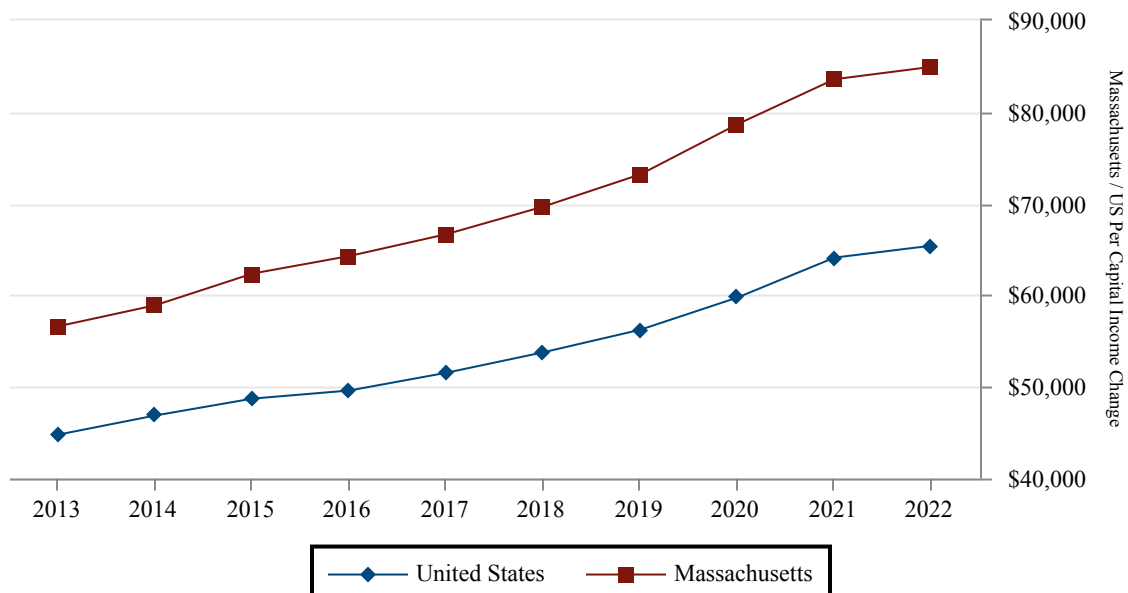
Ten-Year Schedule of Massachusetts and United States Resident Per Capita Net Income

Calendar year	Massachusetts	% Change	United States	% Change	Massachusetts as % of U.S.
2022	\$ 84,945	1.6 %	\$ 65,423	2.0 %	129.8 %
2021	83,593	6.2 %	64,117	7.3 %	130.4 %
2020	78,685	7.5 %	59,763	6.2 %	131.7 %
2019	73,213	5.1 %	56,250	4.6 %	130.2 %
2018	69,693	4.5 %	53,786	4.3 %	129.6 %
2017	66,679	3.7 %	51,550	3.9 %	129.3 %
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 %

Source: Bureau of Economic Analysis, US Department of Commerce. Prior years restated due to revised estimates updated on March 31, 2023.

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**Massachusetts and United States Estimated Per Capita Net Income
2013 - 2022**



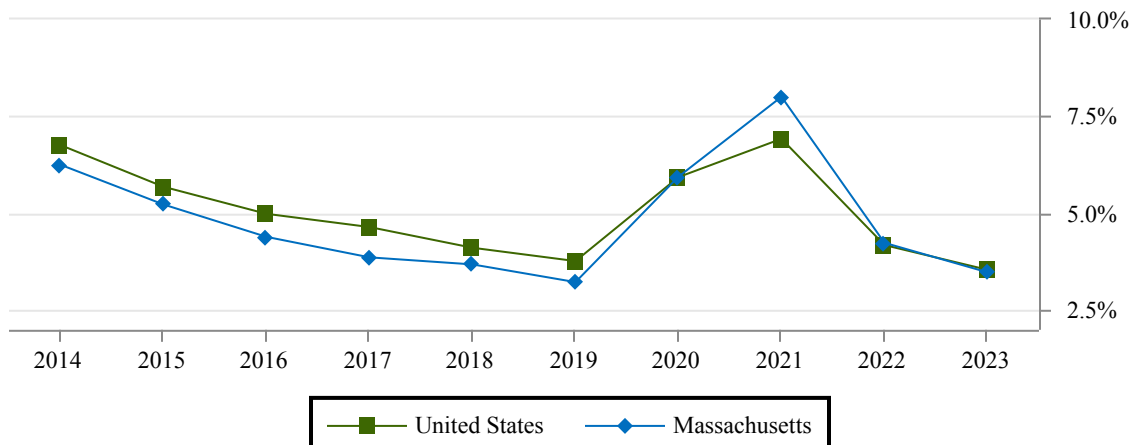
**Ten-Year Schedule of Fiscal Year Annual Average Civilian Labor Force,
Unemployment and Unemployment Rates
For Massachusetts and the United States**
(Amounts in thousands)

Fiscal Year	Massachusetts			United States			Massachusetts Rate as % of U.S. Rate
	Labor Force	Unemployment	Unemployment Rate %	Labor Force	Unemployment	Unemployment Rate %	
2023	3,733	130	3.5%	165,561	5,872	3.5%	100.0%
2022	3,748	159	4.2%	162,921	6,817	4.2%	100.0%
2021	3,759	301	8.0%	160,579	11,120	6.9%	115.6%
2020	3,783	225	5.9%	162,565	9,651	5.9%	100.2%
2019	3,839	124	3.2%	162,674	6,136	3.8%	85.6%
2018	3,771	139	3.7%	161,152	6,632	4.1%	89.6%
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%

Source: Federal Bureau of Labor Statistics, July 2023. Seasonally adjusted. Previous data has been updated by the Federal Bureau of Labor Statistics.

See Independent Auditors' Report

**Massachusetts and United States Average Unemployment Rates
FY2014 to FY2023**



Largest Private Sector Massachusetts Employers 2023 and 2014
(Alphabetical Order)

2023			2014		
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
New England Medical Center Hospital	Boston	Hospital	Partners Healthcare Systems, Inc.	Boston	Hospital
Northeastern University	Boston	University	Raytheon Company	Lexington	Electronics / Defense
Partners Healthcare Systems, Inc.	Boston	HQ for Health Plan	Shaw's Supermarkets, Inc.	West Bridgewater	Supermarket
Shaw's Supermarkets, Inc.	West Bridgewater	Supermarket	Southcoast Hospitals Group	New Bedford	Hospital
State Street Bank and Trust Company	Boston	Banking	State Street Bank and Trust Company	Boston	Banking
The Children's Hospital Corporation	Boston	Hospital	The Children's Hospital Corporation	Boston	Hospital
The Stop & Shop Supermarkets Company	Quincy	Supermarket	The Stop & Shop Supermarkets Company	Quincy	Supermarket
The TJX Companies, Inc.	Framingham	Retail	Tufts University	Somerville	University
Tufts University	Somerville	University	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 October 2023 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	2023	2022	2021	2020	2019
General government	7,150	6,936	6,942	6,890	6,900
Judiciary	7,435	7,094	7,061	7,217	7,164
Energy and environmental affairs	2,823	2,635	2,671	2,626	2,614
Health and human services	21,788	21,447	22,022	22,218	22,209
Housing and Livable Communities	382	—	—	—	—
Transportation and construction	4,031	3,614	3,504	3,584	3,555
Education	953	912	908	887	852
Public safety and security	16,418	16,216	16,649	16,907	16,676
Economic development	657	1,011	980	936	922
Veterans' Service	713	—	—	—	—
Higher Education:					
University of Massachusetts	15,374	15,124	14,840	15,324	15,193
State universities	4,964	4,948	4,944	5,136	5,219
Community colleges	4,738	4,712	4,653	4,858	4,816
Totals	87,426	84,649	85,174	86,583	86,120
Percentage change	3.3 %	(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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2018	2017	2016	2015	2014	Change - 2023 from 2014
6,855	6,905	7,018	7,696	7,637	(6.4)%
7,229	7,208	7,264	7,264	7,195	3.3 %
2,533	2,509	2,539	2,689	2,629	7.4 %
22,104	21,817	21,557	22,060	21,496	1.4 %
—	—	—	—	—	— %
3,527	3,482	4,004	4,357	4,301	(6.3)%
821	815	907	970	1,099	(13.3)%
16,502	16,522	16,868	17,057	17,215	(4.6)%
918	818	844	884	891	(26.3)%
—	—	—	—	—	— %
14,737	15,032	15,130	14,670	14,066	9.3 %
5,233	5,186	5,050	5,036	4,969	(0.1)%
4,917	5,066	5,032	5,077	4,990	(5.1)%
85,376	85,360	86,213	87,760	86,488	1.1 %
— %	(1.0)%	(1.8)%	1.5 %	(0.8)%	

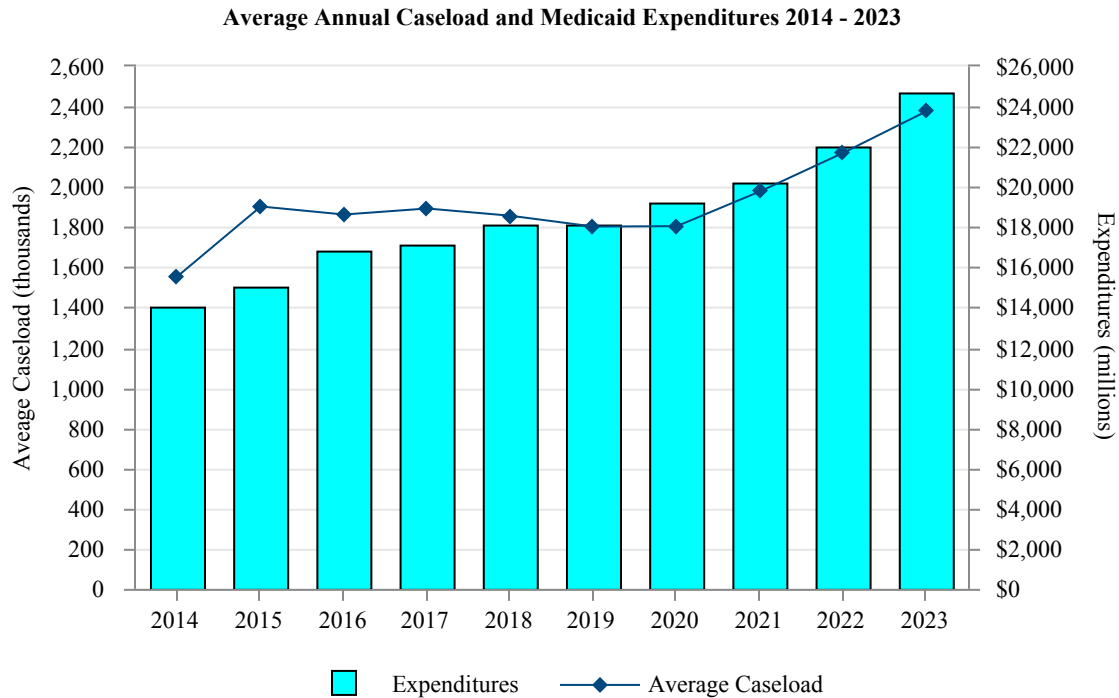
**Average Annual Medicaid Caseload and
Medicaid Expenditures - Fund Perspective
Last Ten Fiscal Years**

(Caseload amount in thousands, expenditure amounts in millions)

Fiscal year ended June 30	Average annual caseload	Medicaid expenditures	Average expenditures per case
2023*	2,377	\$24,715	10,398
2022*	2,170	22,065	10,168
2021*	1,978	20,208	10,216
2020*	1,805	19,207	10,641
2019*	1,803	18,094	10,035
2018*	1,857	18,106	9,750
2017*	1,893	17,183	9,077
2016*	1,863	16,825	9,031
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
2022	3,188	15,564	9,086	47,439	75,277	2.96%	84.2%	15.8%
2021	3,190	15,557	9,032	45,333	73,112	0.02%	85.8%	14.2%
2020	3,190	15,588	9,046	45,271	73,095	0.11%	85.8%	14.2%
2019	3,168	15,613	9,049	45,183	73,013	1.10%	85.8%	14.2%
2018	3,199	15,587	9,047	44,383	72,216	(0.58)%	85.7%	14.3%
2017	3,204	15,618	9,051	44,761	72,634	1.16%	85.9%	14.1%
2016	3,204	15,624	9,050	43,926	71,804	(1.02)%	85.9%	14.1%
2015	3,204	15,641	9,048	44,654	72,547	0.24%	85.8%	14.2%
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%

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 2023	Survey Year 2022	Survey Year 2021	Survey Year 2020	Survey Year 2019
General Government:					
Total Acreage	4,087	3,281	3,234	4,615	4,812
Number of Improvements	258	317	331	330	307
Gross square footage	4,817,038	5,764,113	5,643,667	5,602,706	6,056,184
Judiciary:					
Total Acreage	150	143	144	154	152
Number of Improvements	76	77	73	74	69
Gross square footage	5,108,767	5,130,191	5,129,991	5,129,991	4,763,973
Energy and environmental affairs:					
Total Acreage	780,582	354,720	347,857	753,328	692,352
Number of Improvements	4,394	4,161	4,108	3,329	2,625
Gross square footage	109,079,497	107,960,374	104,763,962	83,595,589	12,292,810
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	67,412	78,012
Health and human services:					
Total Acreage	2,492	2,018	2,111	2,569	2,560
Number of Improvements	476	474	466	463	462
Gross square footage	8,888,144	8,467,766	8,079,366	8,088,467	7,908,283
Transportation and public works:					
Total Acreage	6,693	1,072	1,061	6,957	6,951
Number of Improvements	970	1,001	999	1,008	971
Gross square footage	6,295,186	6,815,457	6,583,261	6,519,615	6,296,235
Education:					
Total Acreage	208	150	150	208	208
Number of Improvements	30	30	30	30	30
Gross square footage	508,706	508,706	508,706	508,706	223,706
Public safety and security:					
Total Acreage	10,123	9,382	9,352	10,198	10,336
Number of Improvements	1,135	1,079	1,078	1,035	1,129
Gross square footage	15,233,261	14,773,374	14,554,396	14,483,439	15,394,170
Higher Education:					
Total Acreage	7,426	6,589	6,577	5,924	5,923
Number of Improvements	1,208	1,227	1,215	1,178	1,185
Gross square footage	42,912,717	43,067,759	42,579,314	42,039,298	42,092,601
Totals for Commonwealth (exclusive of Component Units):					
Total Acreage	811,763	377,357	370,488	783,955	723,296
Number of Improvements	8,553	8,372	8,306	7,453	6,784
Gross square footage	192,910,728	192,555,152	187,910,075	166,035,223	95,105,974
Percentage Change for Commonwealth:					
Acreage	115.1 %	1.9 %	(52.7)%	8.4 %	— %
Improvement	2.2 %	0.8 %	11.4 %	9.9 %	5.8 %
Gross square footage	0.2 %	2.5 %	13.2 %	74.6 %	6.0 %

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 2018	Survey Year 2017	Survey Year 2016	Survey Year 2015	Survey Year 2014
5,108	4,964	2,488	2,574	3,114
287	268	118	173	513
5,848,109	6,054,449	4,808,125	6,803,498	10,916,681
155	154	153	153	149
73	75	75	75	74
4,935,067	5,224,810	4,843,949	4,843,949	5,310,049
689,821	688,129	680,310	674,046	668,631
2,352	2,184	2,186	2,186	1,806
8,410,119	8,214,843	8,134,142	8,134,142	6,507,161
2	2	2	2	0
6	6	6	6	4
78,012	78,012	78,012	78,012	57,812
2,760	2,862	5,568	5,623	5,834
455	455	627	627	907
8,390,655	8,131,022	8,361,435	8,360,310	10,995,096
7,160	7,195	6,968	6,966	7,014
965	952	930	929	675
6,273,557	6,123,984	5,820,282	4,919,282	1,989,583
220	208	208	208	208
40	40	40	40	40
207,633	207,633	207,633	207,633	205,503
12,071	19,271	19,150	19,150	19,166
1,100	1,118	1,063	1,014	1,083
15,176,714	14,998,157	13,845,503	13,376,555	14,402,161
5,715	6,770	7,244	7,243	7,128
1,136	1,101	1,078	1,076	873
40,434,772	43,339,713	38,443,057	38,411,260	29,666,140
723,012	729,555	722,091	715,965	711,244
6,414	6,199	6,123	6,126	5,975
89,754,638	92,372,623	84,542,138	85,134,641	80,050,186
(0.9)%	1.0 %	0.9 %	0.7 %	2.3 %
3.5 %	1.2 %	— %	2.5 %	(6.1)%
(2.8)%	9.3 %	(0.7)%	6.4 %	(1.0)%

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

Academic Year	Fall 2022	Fall 2021	Fall 2020	Fall 2019	Fall 2018
ENROLLMENT					
University System					
Undergraduate (FTE).....	50,144	50,720	52,633	53,103	56,544
Graduate (FTE).....	14,434	14,066	13,437	12,907	18,161
System Enrollment	64,578	64,786	66,070	66,010	74,705
State University System					
Undergraduate (FTE).....	27,004	28,208	31,087	34,807	35,081
Graduate (FTE).....	5,611	4,940	5,859	6,003	6,169
System Enrollment	32,615	33,148	36,946	40,810	41,250
Community College System					
Undergraduate (FTE).....	41,858	38,503	39,814	47,190	47,891
DEGREES CONFERRED					
	2023	2022	2021	2020	2019
University System					
Certificates (MD).....	732	734	693	604	573
Associates.....	53	53	70	80	93
Bachelors.....	13,280	13,100	13,364	13,061	13,118
Masters.....	4,805	4,342	4,111	4,074	4,099
Doctoral.....	596	712	599	662	665
Certificate of Advance Graduate Study.....	57	58	48	49	67
Post-Baccalaureate Certificate.....	638	749	652	658	696
First Professional.....	110	86	86	58	47
Total Degrees	20,271	19,834	19,623	19,246	19,358
State University System					
Certificates.....	60	61	45	54	39
Bachelors.....	6,907	7,478	7,996	8,516	8,692
Masters.....	3,093	3,199	2,855	2,876	2,693
Certificate of Advance Graduate Study.....	134	137	130	138	92
Post-Baccalaureate Certificate.....	322	276	301	259	370
Total Degrees	10,516	11,151	11,327	11,843	11,886
Community College System					
Certificates.....	2,320	2,295	2,473	2,311	2,886
Associates.....	7,598	8,641	9,267	9,413	10,276
Total Degrees	9,918	10,936	11,740	11,724	13,162
Total All Systems - Degrees	40,705	41,921	42,690	42,813	44,406

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

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Fall 2017	Fall 2016	Fall 2015	Fall 2014	Fall 2013	% Change - 2022 from 2013
56,275	51,209	50,816	49,725	48,893	2.6 %
18,284	12,769	12,517	12,576	12,442	16.0 %
74,559	63,978	63,333	62,301	61,335	5.3 %
36,074	35,909	34,700	35,507	35,429	(23.8) %
5,694	5,641	8,007	7,507	7,704	(27.2) %
41,768	41,550	42,707	43,014	43,133	(24.4) %
52,306	55,336	59,827	58,764	64,584	(35.2) %
2018	2017	2016	2015	2014	% Change - 2023 from 2014
571	505	423	435	376	94.7 %
82	73	85	103	96	(44.8) %
13,036	12,754	12,124	11,841	11,544	15.0 %
4,013	3,771	3,669	3,787	3,559	35.0 %
599	602	575	504	501	19.0 %
71	76	86	81	77	(26.0) %
708	842	769	738	691	(7.7) %
49	50	53	64	79	39.2 %
19,129	18,673	17,784	17,553	16,923	19.8 %
28	35	40	29	34	76.5 %
8,867	8,775	8,762	8,534	8,184	(15.6) %
2,388	2,283	2,353	2,116	2,478	24.8 %
85	83	73	63	113	18.6 %
302	359	283	304	327	(1.5) %
11,670	11,535	11,511	11,046	11,136	(5.6) %
3,332	3,147	3,131	3,288	3,365	(31.1) %
10,416	11,067	11,317	11,517	11,341	(33.0) %
13,748	14,214	14,448	14,805	14,706	(32.6) %
44,547	44,422	43,743	43,404	42,765	(4.8) %

Calculation of Transfers: Stabilization Fund*

Fiscal Year Ended June 30, 2023
(Amounts are in thousands)

This statement is prepared on the statutory basis of accounting pursuant to General Laws Chapter 29, Section 5C. It presents information contained in the official books and accounting records of the Commonwealth. Financial statements supporting this calculation are presented in the Financial Section of this report.

	General Fund	Commonwealth Transportation Fund	Local Capital Projects Fund	Gaming Local Aid Fund	Education Fund	Gaming Economic Development Fund	Marijuana Regulation Fund	Total
Budgeted Fund Undesignated Balances	\$ (244,575)	\$ 188,939	\$ 1,843	\$ 29,537	\$ 10,192	\$ 857	\$ 13,207	\$ —
Fund Balance Deficit Elimination Transfers Per Section 5C of Ch. 29:.....	<u>244,575</u>	<u>(188,939)</u>	<u>(1,843)</u>	<u>(29,537)</u>	<u>(10,192)</u>	<u>(857)</u>	<u>(13,207)</u>	<u>—</u>
Budgeted Fund Undesignated Balances (Consolidated Net Surplus)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Stabilization Balance Reconciliation:

Balance as of July 1, 2022	\$ 6,937,864
Capital Gains Tax Revenue Transfers to Stabilization Fund during FY2023 per Chapter 29, Section 5G	750,263
Transfer to Stabilization Fund from Abandoned Property Revenue Growth from Prior Fiscal Year	56,453
Certain tax revenues	154
Transfer of 10% of Casino Gaming Tax Revenue (MGM and Encore Casinos)	25,828
Stabilization Fund Interest Earnings	271,514
Accounting Adjustment for Change in Value of Short-Term Bond Fund	<u>(6,025)</u>
Stabilization Fund Balance as of June 30, 2023	<u>\$ 8,036,051</u>
Memo: Change in Stabilization Fund Balance, FY22-23	\$ 1,098,187

* Excludes funds with no FY23 balances or activity

Note: Details may not add to totals due to rounding

See Independent Auditors' Report

Calculation of Transfers: Tax Reduction Fund

June 30, 2023

(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	\$ 8,036,051
Allowable Stabilization Fund balance	<u>8,612,158</u>
Stabilization Fund excess, if any, transferable to Tax Reduction Fund	<u>\$ —</u>

Part 2: Status of Stabilization Fund after transfers:

Stabilization Fund balance	\$ 8,036,051
Transfer to Tax Reduction Fund	<u>—</u>
Stabilization Fund balance after transfer to Tax Reduction Fund	<u>\$ 8,036,051</u>

Part 3: Status of Tax Reduction Fund after transfers:

Tax Reduction Fund balance	\$ —
Transfers from Stabilization Fund	<u>—</u>
Tax Reduction Fund balance after transfers	<u>\$ —</u>

See Independent Auditors' Report

MASSACHUSETTS GENERAL INFORMATION

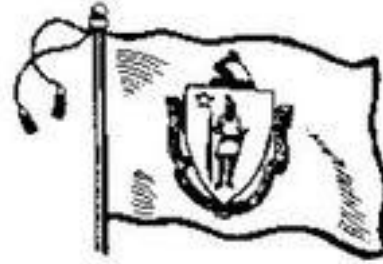
Admitted to Union (6th State): 1788
Population: 6,981,974

Capital: Boston
Nickname: Bay State

The State Seal



The State Flag



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

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

The State Flower



The Mayflower

The State Fish



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

The State Bird



The Black Capped Chickadee

The State Dinosaur



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

The State Tree



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

The State Dog



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

Beverage: Cranberry Juice
Dessert: Boston Cream Pie

Muffin: The Corn Muffin
Cookie: Chocolate Chip

Horse: The Morgan Horse
Bean: Navy Bean



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THE OFFICE OF THE COMPTROLLER OF THE COMMONWEALTH