Commonwealth of Massachusetts

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011

Martin J. Benison, CGFM
Comptroller of the Commonwealth

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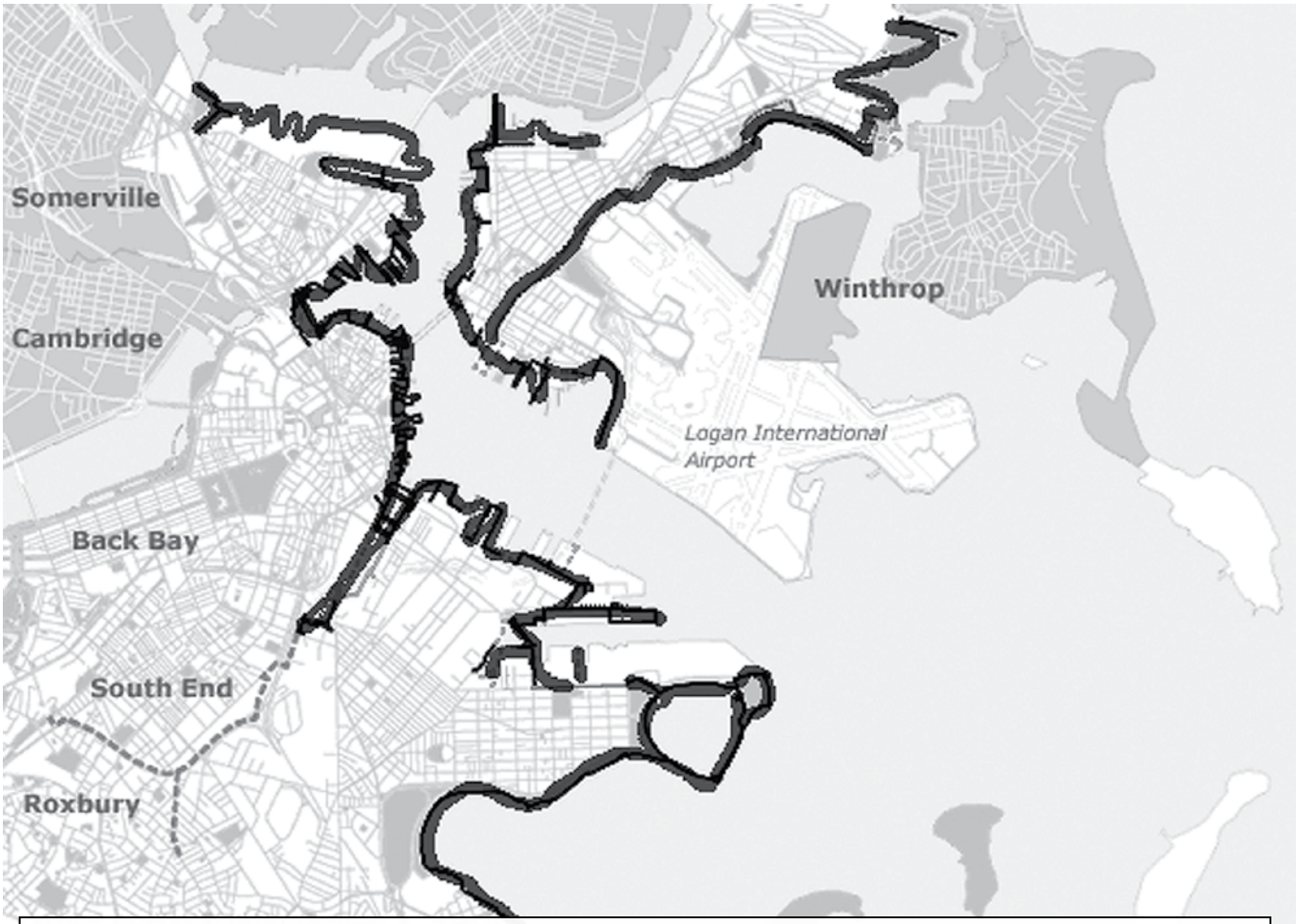

The Boston Harbor Association (TBHA) is the leading harbor advocacy group working to promote a clean, alive, and accessible Boston Harbor. Founded in 1973 by the League of Women Voters and the Boston Shipping Association, TBHA prides itself in its creative and innovative programs that help to educate the public and build a consensus for a clean and alive Harbor.

Boston's HarborWalk is an inviting public walkway along the waterfront, with parks, public art, seating areas, cafes, exhibit areas, interpretive signage, water transportation facilities, and a wide range of other amenities. TBHA works closely with the City of Boston's Environmental Department, the Boston Redevelopment Authority (BRA), the Massachusetts Department of Environmental Protection, and waterfront property owners to ensure completion of the 46.9-mile HarborWalk.

In 1984, the Boston Redevelopment Authority joined in partnership with the Harborpark Advisory Committee and The Boston Harbor Association to initiate focus on the revitalization of Boston's waterfront. The centerpiece of this innovative initiative is the HarborWalk, a continuous public walkway along the water's edge, with public amenities for all to enjoy.

Improved waterfront access for the public enjoyment is a collaborative effort among City and State agencies, private property owners, residents and harbor advocacy groups. City and State regulations require that new development be set back from the edge of the water, and that a portion of the setback area be improved as a public pedestrian path -- the HarborWalk. The HarborWalk is being constructed incrementally in segments by the City, State and private waterfront-property owners. Currently, the HarborWalk is about 84% complete and is accessible by the public.

Special thanks to Vivien Li, President of The Boston Harbor Association
All photography and text courtesy of TBHA's website (www.bostonharborwalk.com), unless otherwise noted.

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011

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Deer Island

The HarborWalk at Deer Island includes a 2.6-mile perimeter pathway lined with interpretive exhibits and is perfect for walking, jogging, fishing, picnicking or simply relaxing. From Deer Island's highest vantage point, there are sweeping views of the Harbor and downtown Boston. The public can also visit and learn about the Deer Island Wastewater Treatment Plant and the Boston Harbor Project at the award-winning Visitor Center, which was once the original pump house on the island. Deer Island has served a variety of social uses over the years, but perhaps none as dramatic as its current use -- treating wastewater from 43 communities to ensure Boston Harbor remains one of the cleanest harbors in the United States.

NEW ALMSHOUSE ON DEER ISLAND, IN BOSTON HARBOR.

Deer Island was so-named in the 1600s because of the deer that had been chased there from the mainland by wolves. Since colonial days, Deer Island has served at one time or another as a detention center for Native Americans, a quarantine station and hospital for immigrants, an asylum for the city's social outcasts and the poor, a reformatory for juvenile delinquents, an orphanage, a prison for petty criminals, and a military post. The first in a succession of regional sewage treatment facilities was built on Deer Island in 1899, a hundred years before the present plant was completed. In the 1940s, the Army Corps of Engineers built a causeway connecting the island with the town of Winthrop on the mainland.

Before MWRA

Special thanks to Frederick Laskey, Executive Director of the Massachusetts Water Resources Authority(MWRA) Deer Island photography and text courtesy of Ria Convery and Barbara Allen, MWRA

Introductory Section

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

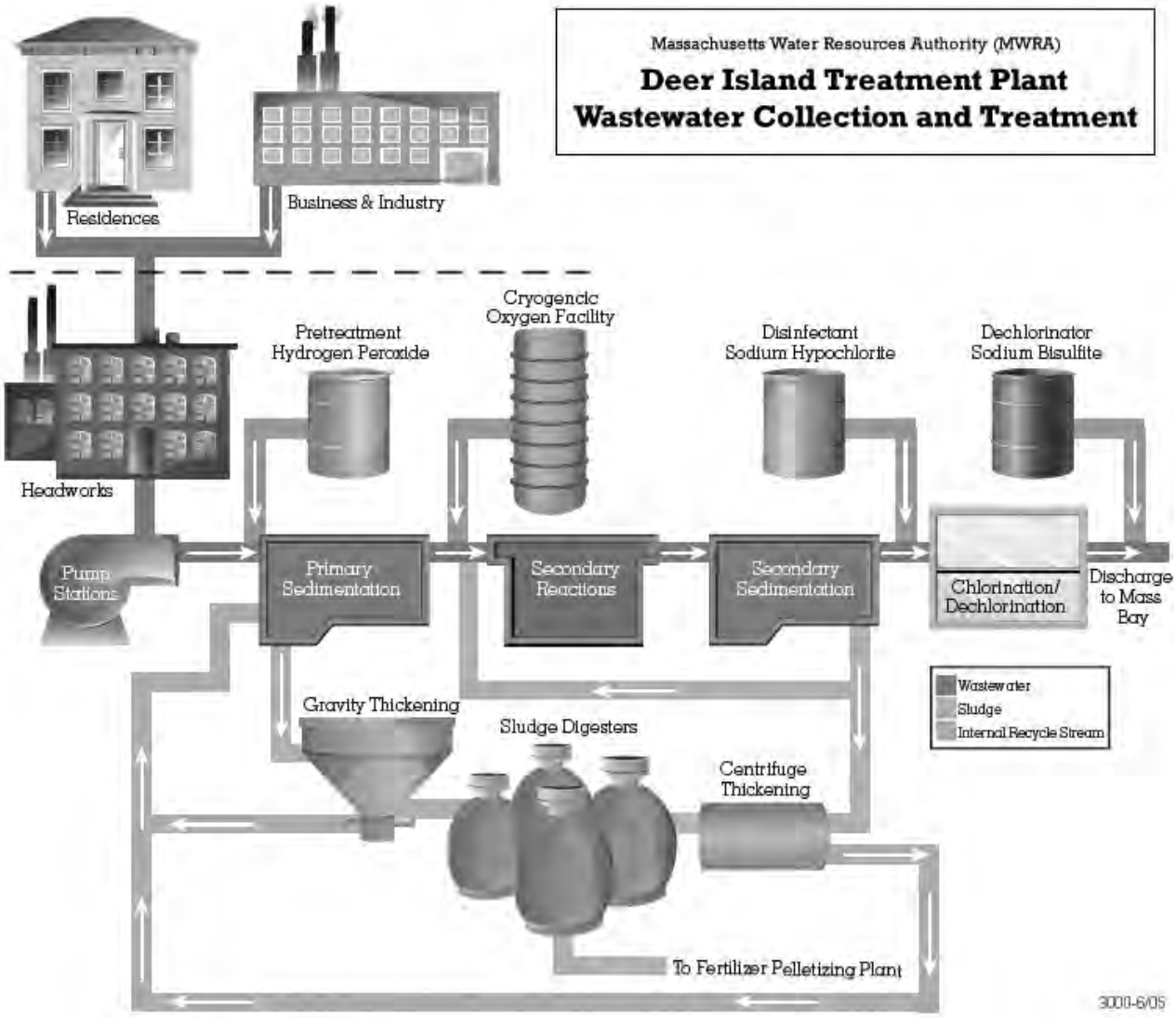
Deer Island today

Today, Deer Island is home to a state of the art wastewater treatment facility. Begun as a court-ordered facility, the Deer Island plant is the centerpiece of the Boston Harbor Project. A gem in the eyes of environmentalists and water-quality activists, this secondary treatment facility serves as a model for engineers and public works professionals around the world. The 140-foot-high, 3-million-gallon egg-shaped digester tanks have even been hailed as an architectural marvel.

As one of the largest electricity users in the Northeast, Deer Island has embarked upon an ambitious goal of generating 30% renewable energy by 2020. Two 190-feet high wind turbines were installed on Deer Island in August, 2009 and generate over 2 million kW hours per year. Roof mounted photovoltaic system, lighting improvements, as well as methane from the sludge digestion process to create heat for the facility are just some of renewable fuels used on Deer Island.

The Water and Sewer Systems

When Boston area cities and towns first faced the problems of clean water sources and sewage disposal in the 1600s, their methods were primitive. But by 1795 wooden pipes delivered water from Jamaica Pond to Boston. By the late 1840s, however, Jamaica Pond was too small and too polluted to provide water to Boston's 50,000 residents. And so, the pattern of moving continually westward in search of larger water sources began - from the 2-billion gallon Lake Cochituate in 1848, to the 19-billion gallon Sudbury Reservoir in 1878, to the 65-billion gallon Wachusett Reservoir in 1908, to the 412-billion gallon Quabbin Reservoir in 1939. The construction of the Quabbin Reservoir was the last major investment in the water system and no plans were in place for upgrades to carry the system into the next century. Fortunately, the foundations laid by the early water engineers were able to provide the backbone of the system they run today.



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

January 3, 2012

To the Citizens of the Commonwealth of Massachusetts, Governor Deval L. Patrick, Lieutenant Governor Timothy P. Murray, and Honorable Members of the General Court

I am pleased to transmit the Commonwealth's fiscal year 2011 (FY11) Comprehensive Annual Financial Report (CAFR) prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America. The objective of this report is to provide a clear 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 back of the report includes "required supplementary information" budgetary basis statements, which are prepared in accordance with the Commonwealth's budgetary basis of accounting or statutory basis. More detailed information on the statutory basis of accounting and the results of operating on that basis from FY11 are found in the Statutory Basis Financial Report (SBFR) separately issued this past November. The SBFR report 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 comparison across states.

The 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 the next 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 statutory basis financial statements published in November.

In addition to the fund perspective, this CAFR presents a government-wide perspective. This perspective combines all governmental and business activities in a statement of net assets 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 all 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 assets format." This format classifies all assets and liabilities as short and long-term and then subtracts liabilities from assets to arrive at net assets.

The Commonwealth's government-wide revenues, expenses and activities are included in the statement of activities. The expenses of the Commonwealth, organized by activity, are netted against fees, fines, grant revenues and assessments generated to fund each activity in an attempt to derive the net cost to the taxpayer of each activity. The 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 by a review of this statement.

This CAFR 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) section and the Commonwealth's Basic Financial Statements. GAAP requires that management provide a narrative overview and analysis to accompany the basic financial statements in the form of an MD&A. 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

The Commonwealth of Massachusetts was the sixth of the original 13 colonies to ratify the United States Constitution, joining the United States on February 6, 1788. Boston, the capital of the Commonwealth since its founding, dates from 1630. The Commonwealth has an area of 8,257 square miles. Geographically, the Commonwealth includes 351 cities and towns. The largest city is the capital, Boston. Employment is largely in the education, health services, wholesale and retail trade, financial and public sectors. Due to the Commonwealth's high levels of basic education and the presence of world-class educational institutions, the Commonwealth's economy is driven in large part by innovation in high technology, life sciences, health care and business services.

The Massachusetts Constitution was ratified in 1780 while the Revolutionary War was still in progress, nine years before the United States Constitution was adopted. It is the oldest written Constitution now in use. It specified three branches of Government: Legislative, Executive, and Judicial. "The Great and General Court," elected every two years, is made up of a Senate of forty members and a House of Representatives of one hundred and sixty members. It is the second oldest democratic deliberative body in the world.

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

Governmental Funds - Statutory to GAAP - Fund Perspective and to Governmental Net Assets

(Amounts in millions)

Governmental Funds - Statutory Basis, June 30, 2011:		
Budgeted fund balance	$ 1,900.8	
Non budgeted special revenue fund balance	1,983.9	
Capital projects fund balance	199.2	
Governmental Fund Balance - Statutory Basis, June 30, 2011		**4,083.97**
Plus: Expendable Trust and similar fund statutory balances that are considered governmental funds for GAAP reporting purposes		428.0
Less: Massachusetts Department of Transportation Funds		(1,164.3)
Adjusted Statutory Governmental Fund Balance		**3,347.7**
Short term accruals, net of allowances and deferrals for increases /(decreases):		
Taxes, net of refunds and abatements	1,743.75	
Tobacco settlement agreement receivable	137.9	
Medicaid	(284.1)	
Assessments and other receivables	183.7	
Amounts due to authorities and municipalities, net	(584.1)	
Amounts due to health care providers and insurers	(91.8)	
Workers' compensation and group insurance	(114.5)	
Other accruals, net	(164.6)	
Net increase to governmental fund balances	**826.3**	
Massachusetts School Building Authority fund balance	**1,093.6**	
Total changes to governmental funds		**1,919.9**
Governmental fund balance (fund perspective)		5,267.59
Plus: Capital assets including infrastructure, net of accumulated depreciation		4,127.4
Deferred revenue, net of other eliminations		1,036.6
Long term accruals:		
Pension benefits cumulative over / (under) funding		(1,199.4)
Post employment benefits other than pensions cumulative over / (under) funding		(2,691.0)
Environmental remediation liability		(174.2)
Massachusetts School Building Authority debt and school construction payables		(6,844.3)
Long term debt, unamortized premiums and deferred losses on debt refundings		(21,164.0)
Compensated absences		(479.9)
Capital leases		(61.0)
Accrued interest on bonds		(346.2)
Other long term liabilities		(304.6)
Total governmental net assets (government-wide perspective)		**$ (22,832.9)**

The deficit of $22.8 billion in government-wide net assets can be largely attributed to the Commonwealth policy decision to finance the construction of assets owned by other government entities, particularly Commonwealth roads and bridges, which as a result of transportation reform completed during FY10 shifted these assets from the books of the Commonwealth to the newly formed Massachusetts Department

of Transportation (MassDOT), a component unit of the Commonwealth. At the end of FY11, MassDOT held over $18.4 billion in road, bridge and other transportation-related assets (excluding assets of the Massachusetts Bay Transportation Authority) net of related depreciation, the vast majority of which were formerly held by the Commonwealth. Those assets were financed by the Commonwealth and the debt remains a long-term obligation of the Commonwealth. In addition, the Commonwealth holds $6.8 billion in debt and grant obligations for the School Building Assistance Program that finances construction of schools for the Commonwealth's cities and towns.

Since MassDOT ended FY11 with positive net assets of $23.8 billion, it is more informative to view the Commonwealth's financial statements in combination with MassDOT than to analyze the two separately.

The net deficit in governmental activities grew by $460 million in FY11. While tax revenue growth was strong in FY11, this growth was offset by a number of adjustments that reduced the fund balance and ending net assets. The main factors underlying the change in the net deficit were as follows:

- Tax revenues grew by $2.0 billion, or 10.7%, from FY10, mainly due to higher non-withheld income, particularly capital gains taxes, resulting from strong stock and bond markets as those markets recovered from the 2008 financial crisis, as well as growth in withholding tax on wages and salaries as the economy recovered from recession and employment grew; however, much of the revenue increase was absorbed by spending increases, particularly in the state's Medicaid program;

- The Commonwealth funds its other post-employment benefits (OPEB) liability on a pay-as-you-go basis. GAAP requires the accrual of a liability for the difference between this amount and the actuarially required contribution. The change in the accrual was $738 million in FY11, reducing net assets;

- The Commonwealth continues to fund through its own debt transportation-related assets that are owned by the Massachusetts Department of Transportation (MassDOT). In FY11, almost $600 million of MassDOT capital spending was funded through debt issued by the Commonwealth. While the assets created by this spending are recorded on the books of MassDOT, the liability for the debt remains with the Commonwealth; and

- While non-transportation-related debt grew by over $600 million, fixed assets net of depreciation grew by only $128 million.

The net deficit in government-wide activities, which includes the Commonwealth's business-type as well as governmental activities, declined by $137 million in FY11, as FY11 surpluses in the Unemployment Insurance and Higher Education programs offset deficits in governmental activities.

REPORTING ENTITY

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

In addition, financial statements include 14 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 1 to the basic financial statements. The Massachusetts School Building Authority is blended into the Commonwealth's operations.

INDEPENDENT AUDIT

The Commonwealth's independent auditors, KPMG LLP, with assistance from the Office of the State Auditor (OSA), have performed an independent audit of the Commonwealth for the fiscal year ended June 30, 2011. OSA also plays a significant role in the audit of the Schedule of Expenditures of Federal Awards of the Commonwealth, as prescribed in the Federal Office of Management and Budget's Circular A-133. The independent auditors' report is presented in the Financial Section.

The OSA is statutorily mandated to perform audits of the accounts, programs, activities and functions of all departments, offices, commissions, institutions and activities of the Commonwealth. OSA provides its knowledge, expertise, experience and resources as a participant in the single audit of the Commonwealth, which encompasses all of the Commonwealth's financial operations. A more complete discussion of this work can be found in the State Auditor's annual report available on their web site: http://www.mass.gov/sao.

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.

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

Respectfully submitted,

Martin J. Benison
Comptroller of the Commonwealth

Deer Island features five miles of public walkways and trails for walking, jogging, sightseeing, picnicking, fishing and bicycling. The public access area is open to the public year-round, from sunrise to sunset. At Deer Island you'll also find:

- 60 acres of open space, including 2.6 miles of paved handicapped accessible perimeter path;
- 10 landscaped overlooks, a 6-boat mooring basin, interpretive signage, and future Native American and Irish memorials;
- Dramatic views of the Boston skyline and Harbor Islands;
- Spectacular close-ups of airport landings and takeoffs;
- Elevated look-in locations to learn about the new treatment plant;
- A memorial to the late Judge A. David Mazzone.

Deer Island, which connects to the town of Winthrop, is accessible by car and public transportation. The Town of Winthrop runs bus services between Deer Island and the MBTA's Orient Heights Blue Line station.

CONSTITUTIONAL OFFICERS

Deval L. Patrick
Governor

Timothy P. Murray
Lieutenant Governor

William F. Galvin
Secretary of State

Martha Coakley
Attorney General

Steven Grossman
Treasurer and Receiver-General

Suzanne Bump
Auditor

LEGISLATIVE OFFICERS

Therese Murray
President of the Senate

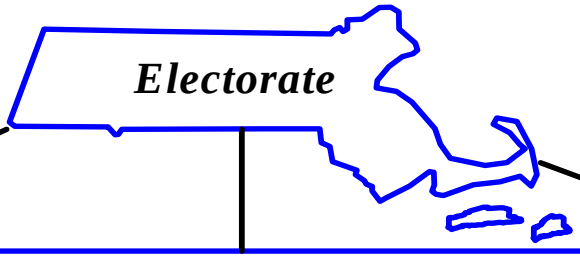
Robert A. DeLeo
Speaker of the House

JUDICIAL OFFICERS

Roderick L. Ireland
Chief Justice, Supreme Judicial Court

Phillip Rapoza
Chief Justice, Appeals Court

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



Electorate

Legislative Branch

House of Representatives
Senate

Executive Branch

Governor
Lieutenant Governor
Governor's Council
Attorney General
Inspector General
Office of the Comptroller
Sheriffs
State Auditor
Secretary of the Commonwealth
Treasurer and Receiver-General
Office of Campaign and Political Finance
District Attorneys
Ethics Commission
Disabled Person Protection Commission
Independent Offices and Commissions

Judicial Branch

Supreme Judicial Court
Appeals Court
Trial Court
Committee for Public Counsel
Board of Bar Examiners
Commission on Judicial Conduct
Mental Health Legal Advisors

State Agencies

Administration and Finance
Executive Office for Administration and Finance
Appellate Tax Board
Bureau of State Office Buildings
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
Human Resource Division
Information Technology Division
Massachusetts Office on Disability
Massachusetts Teachers' Retirement System
Operational Services Division
Public Employee Retirement Administration Commission

Public Safety
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 Public Safety
Department of State Police
Massachusetts Emergency Management Agency
Merit Rating Board
Military Division/ Massachusetts National Guard
Municipal Police Training Committee
Parole Board
Sex Offender Registry

Housing and Economic Development
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

Energy and Environmental Affairs
Executive Office of Energy and Environmental Affairs
Department of Agricultural Resources
Department of Conservation and Recreation
Department of Environmental Protection
Department of Fish and Game
Department of Public Utilities
Division of Energy Resources
State Reclamation Board

Transportation and Public Works
Department of Transportation

Executive Office of Labor and Workforce Development*

Health and Human Services
Executive Office of Health and Human Services
Executive Office of Elder Affairs
Department of Children and Families
Department of Developmental Services
Department of Mental Health
Department of Public Health
Department of Transitional Assistance
Department of Veterans' Services
Department of Youth Services
Division of Health Care Finance & Policy
Massachusetts Commission for the Blind
Massachusetts Commission for the Deaf and Hard of Hearing
Massachusetts Rehabilitation Commission
Office for Refugees and Immigrants
Soldiers' Home, Holyoke
Soldiers' Home, Massachusetts

Education
Executive Office of Education
Department of Early Education and Care
Department of Elementary and Secondary Education
Department of Higher Education
State Universities
Community Colleges
University of Massachusetts System

Health Care Security Trust

Board of Library Commissioners

Commission Against Discrimination

** Merger of 4 former state departments (Department of Labor, Department of Workforce Development, Division of Industrial Accidents and Division of Labor Relations) with the Executive Office of Labor and Workforce Development per Chapter 3 effective 3/11/11 but transitioned on 7/1/11*

ADVISORY BOARD TO THE COMPTROLLER

Jay Gonzalez (Chair)
Secretary for Administration and Finance

Suzanne Bump
Auditor

Steven Grossman
Treasurer and Receiver-General

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

Martha Coakley
Attorney General

Diana Salemy
Gubernatorial Appointee

REPORT PREPARED BY:

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Deputy Comptroller

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Director

John Haran, CPA, CGFM
Accountant

Pauline Lieu, CPA, CGFM
Accountant

Neil Gouse, CGFM
Accountant

Frank Conlon
Accountant

Patricia McKenna
Accountant

Cathy Hunter
Program Coordinator

Accounting Bureau:

Julia P. Burns, CGFM
Director

Lauren Johnson
Art Direction
Director Resource Management

Vinh Nguyen
Art Design

City Square Park

The one-acre City Square Park is a quiet haven among busy bridges and roadways. The park is located at the site of Charlestown's historic Market Square, which was laid out in 1629 and remained a vital gathering place for the community through the 18th and 19th centuries until an elevated train was built through it in 1901. By the mid-20th century, the square had become congested with traffic from the Tobin Bridge, and two elevated highways were also built over it. During the mid-1990s, tunnels were constructed, the highways were put underground and an extensive community process ensued to design a public space that would restore the Square, now called City Square Park, to its use as a public space. Designated as a Boston Landmark in 1992, City Square Park has been used as a model for designing other open spaces throughout the Big Dig, due to the highly successful execution of its landscape design.

Today the park is a mini-oasis of green lawn areas formally landscaped with more than 70 varieties of trees, shrubs and flowers, and gracefully designed with gas lamps, artwork and a central fountain. It serves as a visual gateway between Charlestown and the rest of the city. City Square Park is ideal for taking short strolls along its winding walkways or just sitting outside among the sculptures, and maintains its beauty in large part through the efforts of the Friends of City Square Park and the local community.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Commonwealth of Massachusetts

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

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Financial Section

Independent Auditors' Report
Management's Discussion and Analysis
Basic Financial Statements
Notes to the Basic Financial Statements
Required Supplementary Information Other Than Management's Discussion and Analysis
Other Supplementary Information

Paul Revere Park

Located where the Charles meets the Inner Harbor, the five-acre Paul Revere Park extends from the North Washington Street Bridge upstream to the new Leonard P. Zakim Bunker Hill Bridge. The park features a large, grassy oval, a great place for ball throwing, with a stage for performances and a large, fenced-in playground for toddlers and older children. Signage and interpretive features make this a user-friendly park. A pier overlooking Boston Harbor with fish cleaning stations makes this a perfect spot for some friendly fishing. Natural vegetation and mosaic art can also be found in the park.

Paul Revere Park is one of the new parks along the Charles River developed as mitigation for the river crossing of the Central Artery/Tunnel Project. When all the parks are completed, more than 40 acres of new public space with over 7 miles of bicycle, pedestrian, and ADA-accessible pathways will provide a significant addition to the Charles River Reservation System, and "linking the river to the sea".

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KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

Mr. Martin Benison, Comptroller
The Commonwealth of Massachusetts
Boston, Massachusetts

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 (the Commonwealth), as of and for the year ended June 30, 2011, which collectively comprise the Commonwealth's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Commonwealth's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Massachusetts, the State Colleges and certain of the Community Colleges all of which are major enterprise funds and represent 87% of the total assets and deferred outflows of the business-type activities. We did not audit 36% of the total assets and deferred outflows of the Community Colleges major enterprise fund. We did not audit the financial statements of the Massachusetts Municipal Depository Trust which represent 5% of the total assets of the aggregate remaining fund information. Additionally, we did not audit the financial statements of certain nonmajor component units, which represent 6% of the total assets and deferred outflows of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of certain entities identified in Note 13 were not audited in accordance with *Government Auditing Standards.* An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commonwealth's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 1, in fiscal 2011, the Commonwealth implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2012, on our consideration of the Commonwealth of Massachusetts' 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Required Supplementary Information, listed in the accompanying table of contents, are not required parts of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commonwealth of Massachusetts' basic financial statements. The introductory section, other supplementary information and statistical section as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

January 3, 2012

Navy Yard

When the Charlestown Navy Yard closed in 1974 after nearly 175 years of serving the fleet, 30 acres became part of the Boston National Historical Park. Home of the USS Constitution ("Old Ironsides"), the oldest commissioned warship in the world, the Boston National Historic Park provides sights and education for the young and old. Located on Boston's Historic Freedom Trail, both the ship and the USS Constitution Museum bring to life the stories of the individuals who authorized, built, served on and preserved the USS Constitution. Visitors can also tour the USS Cassin Young, a World War II destroyer that provides a modern contrast to the USS Constitution. Both vessels are free to the public. The USS Constitution Museum requests a contribution for visiting the museum.

In addition, the Charlestown Navy Yard is home to the Boston Marine Society. Founded in 1742, it is the oldest association of sea captains in the world. It is located in Building 32 and houses an extensive collection of historical maritime art, artifacts, and books available for viewing free of charge.

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Management's Discussion and Analysis
(Unaudited)

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, 2011 (FY11). 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.

Financial Highlights – Primary Commonwealth Government

Net Assets – The liabilities of the primary government exceeded its assets at the end of FY11 by almost $18.5 billion, a reduction of $137 million in the net deficit from FY10.

Government–Wide Highlights

Of the $18.5 billion deficit amount, "unrestricted net assets" is negative by $22.7 billion, and there is a $722 million deficit attributable to the investment in capital assets net of related debt for governmental activities. There are two primary reasons for negative unrestricted net assets: first, the Commonwealth has a liability of $6.8 billion for its share of the construction costs of schools owned and operated by municipalities through the Massachusetts School Building Authority (MSBA); second, in FY10 the Commonwealth implemented transportation reform, which created the Massachusetts Department of Transportation (MassDOT) and transferred to that entity virtually all highway and bridge assets of the Commonwealth totaling approximately $15.5 billion, net of depreciation. The Commonwealth, however, originally paid for the construction of these assets and retains a large amount of transportation-related debt, which will now be unrelated to any capital asset owned by the Commonwealth. In addition, a large portion of the Commonwealth's FY10 and FY11 capital spending is for transportation-related assets which are owned by MassDOT but the debt for which is retained by the Commonwealth.

These negative amounts are offset by nearly $2.9 billion in "restricted net assets".

During the fiscal year, approximately $634 million in restricted net asset balances were set aside for unemployment benefits and an additional approximate $630 million was restricted for debt retirement. The MSBA also holds $597 million in assets restricted for debt retirement.

The Commonwealth's governmental activities net deficit increased by $460 million and its governmental activities unrestricted net deficit increased by approximately $1.077 billion in FY11. While tax revenue grew strongly in FY11, this growth was offset by higher Medicaid expenditures and increased accruals for underfunding related to retiree health care. In addition, as mentioned earlier, the Commonwealth continues to issue debt to fund transportation related capital spending where the assets are owned not by the Commonwealth but by one of its component units, which results in growth in the Commonwealth's net deficit.

Total revenues of the primary government increased by $2.7 billion or 5.4% in FY11 compared to FY10. Tax revenues increased by $2.03 billion, or 10.7%, primarily the result of growth in the individual income tax.

Among non-tax revenue sources, primary government operating grants and reimbursements increased by $926 million, or 5.5%, in FY11, primarily due to a $669 million increase in Medicaid. Charges for services increased by $722 million, or 6.2%, primarily the result of increased charges to beneficiaries under the state's group health insurance plan for current and retired state employees, unemployment insurance charges and higher tuition payments received by state universities and the University of Massachusetts. Capital grants and contributions fell by $610 million, or 78.3%, due to lower grants for transportation projects, and other revenues decreased by $342 million, or 16.8%.

Total expenses of the primary government increased by $1.2 billion, or approximately 2.3%, from FY10 to FY11, with the largest single increase being approximately $1.45 billion, or 13.5% growth in Medicaid spending, and the largest single decrease a decline of $1.05 billion in unemployment insurance compensation expenses.

Net assets of business–type activities showed an increase of $597 million, due to net surpluses of $187 million in the Unemployment Insurance Trust Fund and $408 million for Higher Education activity.

Governmental Funds-Fund Balances. At June 30, 2011, the Commonwealth's governmental funds reported a combined ending fund balance of about $5.268 billion, an increase of $682 million from June 30, 2010. Under new requirements set by Governmental Accounting Standards Board Statement 54, starting in FY11 ending fund balances are classified as nonspendable, restricted, and unrestricted, and within the unrestricted category, as nonspendable, committed, assigned, and unassigned. (A full discussion of these new definitions is included in Note 1 to the basic financial statements.) Of the ending balances:

- $914,000 is nonspendable, $1.675 billion is restricted, $2.020 billion is committed, $750 million is assigned and $821 million is unassigned fund balance.

- The MSBA's fund balance of approximately $1.094 billion is blended into the Commonwealth. Within this fund balance is over $1.037 billion in cash and restricted investments which were funded by bond proceeds in previous fiscal years, and other assets, less approximately $123 million in liabilities. In FY11, over $657 million was apportioned to the MSBA from the Commonwealth from sales taxes, adjusted for accruals.

- Lottery revenues for FY11 remained virtually unchanged from FY10 at approximately $4.632 billion. Prizes were approximately $3.656 billion, operating expenses and mandated transfers to the governmental funds were $977 million.

Other highlights of FY11 financial operations include:

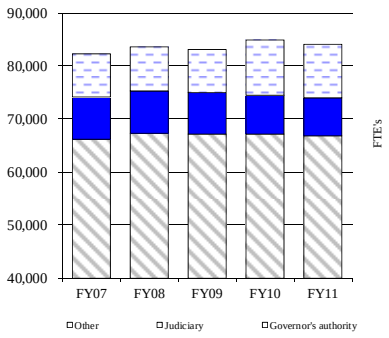
- Tobacco settlement proceeds for the year were approximately $248.7 million, all of which were used to support current operations. This was a decrease of $14.9 million from the prior year, due to one-time additional non-participating manufacturers settling under the master settlement agreement (MSA) received in FY10. Approximately $137.9 million has been reported as a receivable in the governmental funds related to half of the anticipated tobacco settlement proceeds to be received in FY12. The MSA with the tobacco manufacturers estimates Commonwealth revenues for the first 25 years of the settlement to be approximately $8.96 billion. However, this estimate is subject to future adjustments, including adjustments for inflation and changes in the volume of domestic cigarette sales. Approximately 67.2% of the estimated amounts shown in the MSA were received in FY11. The Commonwealth continued to receive Strategic Contribution Fund payments in FY11 under the terms of the MSA. These additional payments are paid to lead states in a suit against tobacco manufacturers. The payments began in FY08 and will continue through FY17.

- During the fiscal year, the Commonwealth passed or agreed to terms of approximately $75 million in bond authorizations. There were no de-authorizations of previously issued capital appropriations in FY11. The Commonwealth will determine the timing and extent of capital spending and bonding as part of its five year capital plan.

Full-Time Equivalent Employment

Full Time Equivalent Workforce Including Higher Education and the Massachusetts Department of Transportation

June 2007 – June 2011



The chart to the left shows the Commonwealth's full-time equivalent employment levels over the past five fiscal years. A change in accounting for certain Higher Education employees in FY09 and government reorganizations in FY10 involving the Massachusetts Department of Transportation (MassDOT) and county sheriffs' departments resulted in additional FTEs being transferred to the Commonwealth's payroll system in FY09 and FY10. In FY09, the state switched approximately 2,500 Higher Education employees to the Commonwealth's payroll system. In FY10, approximately 1,330 employees of the former Massachusetts Turnpike Authority and the Tobin Bridge were transferred to MassDOT. Also in FY10, the sheriffs' departments of Barnstable, Bristol, Dukes, Nantucket, Norfolk, Plymouth and Suffolk were brought onto the state's accounting and payroll systems, with approximately 2,770 employees. These increases were offset by reductions in state employment due to a combination of employee attrition and layoffs, as the state responded to lower tax revenues caused by the recession. In FY11 alone, the total number of FTEs dropped by 777, from 84,847 to 84,070. Adjusting for the 6,600 employees brought onto the state payroll system as a result of these accounting changes and reorganizations, state employment levels dropped by a total of 6,166 FTEs between June 30, 2008 and June 30, 2011.

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 are made up of three components: 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 other supplementary information.

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 Assets*, which presents the assets, liabilities and net assets for the government as a whole. Also presented is the *Statement of Activities*, which presents the functional expenses, offsetting revenues and changes in net assets of the Commonwealth. The statements report the Commonwealth's net asset position and changes to those net assets. It can be inferred that an increase or decrease in the Commonwealth's net assets is one way to measure financial health as well as the trend of increases or decreases over time. But non-financial measures such as 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 assets 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 where fees are charged for a particular service. These are mainly the institutions of higher education and the unemployment insurance compensation system. The component units are separate legal entities that are included with this report due to the nature of their governance and financial relationship with the Commonwealth.

The government–wide financial statements can be found immediately following this discussion and analysis.

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 most significant major funds are shown separately in the fund financial statements, with the remaining funds included in the aggregate.

Fund financial statements focus on individual parts of the Commonwealth government, reporting its operations in more detail than the government–wide statements. All of the funds of the Commonwealth 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 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 similar to private-sector businesses.

Even though the Massachusetts School Building Authority (MSBA) is a component unit, the MSBA's operations have been judged by management in a similar fashion to a Commonwealth department due to the MSBA's service to the Commonwealth. Therefore, its operations are reported as "blended component unit", part of the governmental funds.

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 immediately following the component units' financial statements.

The required supplementary information section includes budgetary comparison schedules for the General and Commonwealth Transportation Funds, along with a reconciliation comparing the original General Appropriation Act and supplemental appropriations to actual budgetary spending. Variance columns are also provided. A further reconciliation schedule of the budgeted revenues and expenses to governmental fund perspective revenues and expenditures is also provided. A schedule of pension funding progress and the Commonwealth's pension contributions is also included in this section.

Other supplementary information is not required, but is included to present combining schedules of minor governmental funds.

GOVERNMENT–WIDE FINANCIAL ANALYSIS

Net Assets

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

School construction grants payable……	$ 2,324,917
Massachusetts School Building Authority debt….	4,590,912
Outstanding bonds issued to fund the MBTA	155,380
Debt related to MassDOT assets	8,889,252
Effect on unrestricted net assets of items unique to the Commonwealth.....	$ 15,960,461

Net assets may serve over time as a useful indicator of a government's financial position. The primary government's combined net assets (governmental and business-type activities) showed a net deficit of almost $18.5 billion at the end of FY11. Governmental activities unrestricted net assets are negative by over $22.7 billion. As explained previously, a substantial portion of this deficit is a result of programs where the Commonwealth decided to fund assets that are owned by political subdivisions of the Commonwealth, and in particular the result of the transfer of assets to MassDOT in FY10 as well as continued borrowing by the Commonwealth that funds construction of new assets owned by MassDOT. In FY11, MassDOT reports these capital assets on their financial statements, which are incorporated into the Commonwealth's financial statements similarly to other component units.

As alluded to previously, another example of this type of arrangement is the MSBA. 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 39 the authority's operations are

reported within a governmental fund in this report and on the government–wide financial statements.

In addition, the Commonwealth holds debt that was issued to fund an 18-month lag in operating subsidy costs, otherwise known as "forward funding," of the MBTA, a change enacted in FY2000. As of June 30, 2011, the outstanding debt remaining related to the "forward funding" costs of the MBTA was approximately $45 million.

Exclusive of fiduciary assets, the Commonwealth's government-wide current cash and investments increased by over $1.0 billion between June 30, 2010 and June 30, 2011, and total current assets increased by $921 million. To finance its cash flow and bridge the time gap between current year receipts and current year major expenses such as the payment of local aid, in FY11 the Commonwealth issued $300 million in commercial paper along with $1.2 billion in revenue anticipation notes (RANS), which retired the commercial paper. The RANS were retired in April, May and June 2011.

The primary government's non-current assets increased by $1.02 billion. The increase was due mainly to a $453 million increase in the restricted cash and investments of the higher education entities and a $484 million increase in capital assets, most of which occurred in business-type activity funds.

Nearly $8.3 billion of the Commonwealth's net assets reflect the Commonwealth's investment in traditional capital assets such as land, buildings, infrastructure and equipment, net of accumulated depreciation. GASB requires the reporting of the value of investments in the Commonwealth's infrastructure, including roads, bridges, beaches, dams and other immovable assets on the face of the Commonwealth's financial statements. As these assets provide services to citizens, they are not available to finance future spending unless they are sold. Although the Commonwealth's investment in its capital assets is also reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

As explained above, the bulk of the Commonwealth's net deficit is due to long-term liabilities which financed non-Commonwealth capital assets. Current assets and liabilities are amounts that are available in the current period and obligations that will be paid within one year, respectively. As of June 30, 2011, the Commonwealth's current assets were almost $10.4 billion, while its current liabilities were over $7.8 billion. Restricted net assets represent resources that are subject to external constraints.

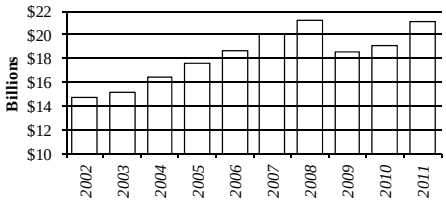
The tables below show the Commonwealth's net assets and the changes to those net assets for the fiscal year. In addition, net assets of higher education foundations have been included as part of the business–type activities.

Net Assets as of June 30, 2011 and 2010
(in millions of dollars)

	Governmental Activities		Business - Type Activities		Total Primary Government	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Current assets	$ 8,725	$ 7,949	$ 1,666	$ 1,521	$ 10,391	$ 9,470
Non-capital non-current assets	3,483	3,260	2,824	2,640	6,307	5,900
Capital assets	4,127	3,999	4,161	3,677	8,288	7,676
Deferred outflows of derivative investments	376	444	20	66	396	510
Total assets and deferred outflows	16,711	15,652	8,671	7,904	25,382	23,556
Current liabilities	6,910	6,842	851	880	7,761	7,722
Long term liabilities	32,634	31,184	3,453	3,252	36,087	34,436
Total liabilities	39,544	38,026	4,304	4,132	43,848	42,158
Net assets:						
Invested in capital assets, net of related debt	(722)	(886)	2,026	1,767	1,304	881
Restricted	1,521	1,066	1,365	1,149	2,886	2,215
Unrestricted	(23,631)	(22,554)	978	857	(22,653)	(21,697)
Total net assets (deficits)	$ (22,833)	$ (22,374)	$ 4,369	$ 3,773	$ (18,463)	$ (18,601)

Changes in Net Assets

Revenue from Taxation – FY02-FY11



As noted earlier, the Commonwealth's total primary government net deficit declined by approximately $137 million between FY10 and FY11. In FY11, approximately 40% of the Commonwealth's total revenue came from taxes, while the remainder resulted from programmatic revenues, including charges for services and grants and contributions, the bulk of which is federal aid. Total revenues increased by $2.73 billion or 5.4%, with tax revenue increasing by nearly $2.03 billion, or 10.7%. The increase in tax revenue was attributable to growth of $1.635 billion in the personal income tax, due to an increase in non-withheld income, primarily investment income from capital gains taxes, as well as growth in withholding taxes on wages as the Commonwealth's economy emerged from recession and generated new jobs. Sales tax revenues grew by $205 million, partly due to a sales tax increase that was in effect for the full FY11 fiscal year, but only 9 months in FY10. Corporate and other business excise taxes grew by $63 million in FY11.

The American Recovery and Reinvestment Act (ARRA) and other federal grants (primarily for unemployment insurance benefits), operating and capital grant contributions increased by $316 million, or 1.8% in FY11, as growth in Medicaid revenues was offset by a decline in capital contributions and ARRA revenues. ARRA funds received by the Commonwealth during FY11 were almost $2.4 billion, the most significant of which were Federal Medicaid Assistance Program (FMAP) receipts from ARRA of $1.25 billion, more than $530 million for education programs, $192 million for transportation programs, approximately $160 million for housing and community development

American Recovery and Reinvestment Act Funds Drawn in FY11 – FY10 (amounts in thousands)

Funding Category	FY2011	FY2010
Agriculture	$ 4,980	$ 9,332
Department of Defense	531	8,885
Housing and Uban Development	48,790	29,743
Justice	7,410	7,297
Labor	145,394	472,714
Transportation	191,861	74,422
US Treasury	58,802	40,354
National Institute for Arts & Humanities	9	339
National Science Foundation	225	66
EPA	9,838	10,431
Energy	75,230	69,193
Education	533,091	606,988
Health and Human Services	1,304,698	1,452,408
Homeland Security	685	670
Total by funding category	$ 2,381,544	$ 2,782,843
Total budgeted funds	$ 1,268,820	$ 1,420,705
Total non-budgeted special revenue funds *	808,458	857,430
Total capital projects funds	1,370	-
Total agency funds	3,204	4,207
Total Unemployment Benefits and Other Agency Funds **	107,832	426,079
Total Massachusetts Department of Transportation.	191,861	74,422
Total by fund type	$ 2,381,544	$ 2,782,843

* Resulted in expenditure reduction in the General Fund
** Not included in this report

programs and almost $145 million for labor and workforce development programs (including supplemental unemployment insurance benefits). ARRA revenues in FY11 declined by approximately $400 million from FY10, as higher Medicaid reimbursement rates under ARRA began to phase out during FY11, and returned to their historical 50% rate by the end of the fiscal year. FY12 ARRA revenues are expected to decline to less than $400 million as the ARRA program winds down.

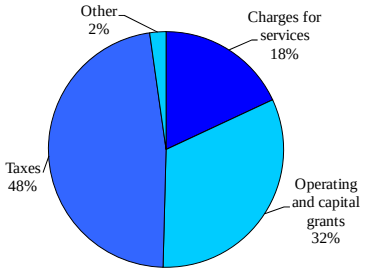
Total charges for services increased by more than $722 million, or 6.2%, due to a $218 million increase in Unemployment Insurance charges, a $158 million increase in charges at the University of Massachusetts, an increase of over $65 million at the state universities and community colleges and an increase in Health and Human Services charges of over $98 million. Charges for services also increased by $73 million in the Medicaid program and group health insurance charges for services rose by approximately $81 million. Government-wide restricted net assets increased due to a $428 million increase in MSBA assets restricted for debt, a $187 million increase in assets restricted for unemployment compensation and an increase in restricted net assets for higher education institutions.

Total primary government spending increased by $1.200 billion, or 2.3% from FY10, with Medicaid expenses growing by $1.446 billion, or 13.5%, but unemployment insurance compensation declining by $1.047 billion, or 19.3%. Other significant changes occurred in energy and environmental affairs, which grew by $359 million, or 110.1%, education, which grew by $254 million, or 7.5%, transportation, which grew by $174 million, or 8.3% and direct local aid, which declined by $184 million , or 3.7%.

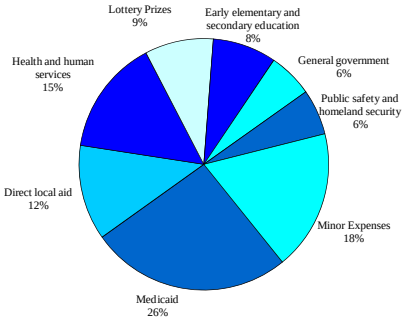
Changes in Net Assets during the Fiscal Years Ended June 30, 2011 and 2010 (in millions of dollars except percentages)

	Governmental Activities		Business - Type Activities		Total Primary Government		Total Primary Government		
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011 Distribution	June 30, 2010 Distribution	'11 to '10 % Change
Revenues									
Program Revenues:									
Charges for services	$ 8,038	$ 7,756	$ 4,412	$ 3,972	$ 12,450	$ 11,728	23%	23%	6%
Operating grants and contributions	14,217	12,771	3,500	4,020	17,717	16,791	33%	33%	6%
Capital grants and contributions	169	779	-	-	169	779	0%	2%	-78%
General Revenues:									
Taxes	21,066	19,034	-	-	21,066	19,034	40%	38%	11%
Other	992	1,476	695	553	1,687	2,029	3%	4%	-17%
Total Revenues	44,482	41,816	8,607	8,545	53,089	50,361	100%	100%	5%
Expenses									
Medicaid	12,124	10,678	-	-	12,124	10,678	23%	21%	14%
Direct local aid	4,846	5,030	-	-	4,846	5,030	9%	10%	-4%
Health and human services	7,125	7,245	-	-	7,125	7,245	13%	14%	-2%
Lottery	3,662	3,649	-	-	3,662	3,649	7%	7%	0%
Higher education	-	-	4,472	4,119	4,472	4,119	8%	8%	9%
Early elementary and secondary education	3,650	3,395	-	-	3,650	3,395	7%	7%	8%
Unemployment compensation	-	-	4,388	5,436	4,388	5,436	8%	11%	-19%
Other	12,674	12,190	-	-	12,674	12,190	25%	24%	4%
Total Expenses	44,081	42,187	8,860	9,555	52,941	51,742	100%	100%	2%
Excess / (Deficiency)									
before transfers	401	(371)	(253)	(1,010)	149	(1,381)			
Other losses	-	-	(11)	(12)	(11)	(12)			
Transfers	(861)	(865)	861	865	-	-			
Transfer to \ from MassDOT	-	(8,984)	-	-	-	(8,984)			
Change in Net assets (deficits)	(460)	(10,220)	597	(157)	139	(10,377)			
Net assets - beginning, as restated	(22,374)	(12,154)	3,772	3,930	(18,602)	(8,224)			
Net assets (deficits)- ending	$ (22,833)	$ (22,374)	$ 4,369	$ 3,773	$ (18,463)	$ (18,601)			

Revenue–Governmental Activities
Fiscal Year Ending June 30, 2011



Major Expenses–Governmental Activities
Fiscal Year Ending June 30, 2011



The largest category of tax revenue is income taxes. Of the more than $21 billion in tax revenue within governmental activities, $11.9 billion was from income taxes, $4.9 billion was from sales taxes, $1.9 billion was from corporate taxes, $661 million was from motor fuels taxes and $1.7 billion was from other forms of taxation. The largest operating grants are federal Medicaid subsidies. Other operating grants were for ARRA. The largest capital grants were for transportation, namely grants for highway construction. Finally, Lottery revenues made up approximately 58% of the Commonwealth's governmental charges for services. In FY11 Lottery revenues were virtually unchanged from FY10.

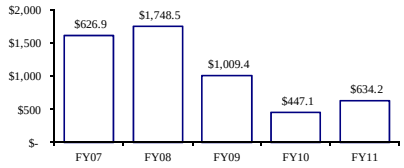
Medicaid expenses of $12.1 billion accounted for 28% of all the Commonwealth's governmental expenses, exclusive of business–type activities. However, half of Medicaid expenses have been historically reimbursed by the federal government, and under ARRA that percentage was increased to 61.59% in FY10 and an average rate of 59.7% in FY11 (the reimbursement rate returned to 50% in FY12). These subsidies are noted herein in the "operating grants and contributions" segment. The largest expense that is not subsidized by program revenues is direct local aid to the municipalities of the Commonwealth.

Other large expenditures for governmental activities included non-Medicaid health and human services costs of approximately $7.1 billion, pre-Kindergarten through higher education costs funded not directly from the institutions of approximately $3.6 billion and public safety and homeland security costs of approximately $2.3 billion. State employees' pensions and other post-employment benefits, which are included in the department spending amounts above, were $1.5 billion.

Business–Type Activities

Business–type activities are functions that equate to activities of a private enterprise. In the Commonwealth, the institutions of higher education are deemed to be business-type activities because of their lack of separate taxation. Also, unemployment compensation is considered to be a business–type activity.

Unemployment Compensation Fund Net Assets
Fiscal Years 2007 - 2011
(*Amounts in Millions*)



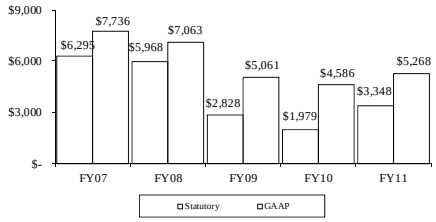
Business-type activities increased the Commonwealth's net assets by over $596 million. While operating grants and contributions dropped by $520 million, due almost entirely to reduced unemployment insurance reimbursements from the federal government as unemployment fell in the Commonwealth, charges for services grew by $440 million, with about half of the increase coming from higher unemployment insurance tax collections and half from higher charges by higher education institutions. As a result, net revenues of business-type activities dropped by $80 million, but this decline was more than offset by a drop in unemployment insurance benefit spending, which declined by $1.047 billion as the economy recovered. As a result, net assets of the Unemployment Compensation Trust Fund increased by $187 million. Net assets of the schools of higher education increased by $408 million.

FINANCIAL ANALYSIS OF THE COMMONWEALTH'S FUNDS

As noted earlier, 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 Fund Balance
Statutory vs. GAAP
(Statutory Excludes MassDOT in FY11)
(Amounts in Millions)



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. Due to the significant nature of the relationship between the Commonwealth and the MSBA, the MSBA's operations and results are presented as a major fund in the governmental funds, even though it is a legally separate authority. MSBA's activity in FY11 added $686 million in revenues, but reduced fund balance by approximately $441 million due to expenditures of bond proceeds raised in prior years.

The Commonwealth develops its budgets on a statutory basis. A comprehensive process is conducted with all departments to convert the statutory basis reporting to generally accepted accounting principles. System-generated reports from the state accounting system and information warehouse are combined with reports from each of the Commonwealth departments to record governmental fund perspective departmental accruals. Similar reports are generated to show budgetary control, which is maintained at the appropriation level, not at the fund level.

The major items which account for almost all the difference between the statutory basis reporting and the governmental fund perspective are accruals for the Medicaid program, tax revenue, compensated absences and claims and judgments.

Governmental Fund Operations - GAAP Basis - Fund Perspective
(Amounts in millions)

	FY11	FY10	FY09	FY08	FY07
Beginning fund balances …….....	$ 4,585.7	$ 5,061.3	$ 7,062.7	$ 7,735.9	$ 7,263.2
Reclassifications……..……	-	-	-	-	5.0
Revenues and other financing sources….....	53,898.4	50,979.0	49,788.0	50,136.8	49,402.2
Expenditures and other financing uses.....	53,216.5	51,454.6	51,789.4	50,810.0	48,934.5
Excess / (deficiency)….....	681.9	(475.6)	(2,001.4)	(673.2)	472.7
Ending fund balances	$ 5,267.6	$ 4,585.7	$ 5,061.3	$ 7,062.7	$ 7,735.9

The increase in revenues in FY11 from FY10 is attributable to a $1.863 billion, or 9.8%, increase in governmental tax revenues due primarily to growth in income taxes and an increase in the sales tax rate effective August 1, 2009 (thus in effect for only part of FY10 but for all of FY11), and an increase of $827 million, or 6.1%, in federal grants and reimbursements, mostly due to higher Medicaid spending and other draws for various health and human services programs, partly offset by a decline in ARRA grants. Assessments, fees and investment earnings combined declined by $103 million, or 1.1%, due primarily to a decline in revenues received by expendable trusts. Coupled with other financing sources, largely from bonds and transfers, overall revenues increased by $2.919 billion, or approximately 5.7%.

During FY11, governmental fund expenditures and other financing uses increased by $1.762 billion, or 3.4%, with Medicaid expenditures increasing by $1.446 billion, or 13.5%, $755 million of which was for universal health care and aid to Massachusetts hospitals that care for lower income residents. Debt service expenditures fell by $188 million, or 7.8%, primarily due to a drop in short-term borrowing, restructuring and refunding of a portion of the Commonwealth's debt, and a decline in interest rates. Lottery revenues were up $3 million from FY10, while Lottery expenditures rose by $16 million; Lottery revenues exceeded spending by about $976 million. The other governmental funds as a whole decreased in fund balance, largely due to spending and transfers in the School Building Assistance Fund which had a deficit of $441 million, the Federal Grant Anticipation Note Trust Fund, which had a deficit of $156 million and the General Capital Projects Funds, which ran a deficit of $129 million.

The Federal Grants Fund is used to manage categorical grants funded in their entirety by the federal government. This fund has seen a significant increase in activity as a result of ARRA, and collected over $3 billion in revenue in FY11. (Also reported in this fund is almost $1.3 billion in food stamp benefit payments, which do not actually flow through the Commonwealth but are included in this report under governmental accounting rules.) It is anticipated that expenditures and related federal revenues will begin to return to historic levels in FY12 as the ARRA program winds down. Most other minor funds had slight increases or decreases in fund balances for the fiscal year.

As of the end of FY11, the Commonwealth's governmental funds reported combined ending fund balances of $5.268 billion, an increase of $682 million from the previous year. Of the $5.268 billion balance, the following amounts are classified as nonspendable, restricted, and unrestricted under the new GASB 54 definitions.
:

Governmental Funds - Fund Balance Classification
(Amounts in millions)

	2011	2010	Change	Percentage Change
Nonspendable/Restricted:				
Nonspendable……	$ 0.9	$ 5.9	$ (5.0)	-85%
Restricted……	1,675.1	1,905.7	(230.7)	-12%
Total Nonspendable/Restricted……	**1,676.0**	**1,911.7**	**(235.7)**	**-12%**
Unrestricted				
Committed…….....	2,020.0	2,166.2	(146.2)	-7%
Assigned……	750.5	156.5	594.0	380%
Unassigned……	821.2	351.4	469.8	134%
Total Unrestricted……..	**3,591.7**	**2,674.1**	**917.6**	**34%**
Total fund balances	**$ 5,267.6**	**4,585.7**	**681.9**	**15%**

Nonspendable amounts represent loans receivable. 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 most of the 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 constraints on their use than restricted balances, and fund balances in the Stabilization Fund. Unrestricted amounts also included prior appropriations continued, which are classified as assigned, and residual balances in the General Fund, which are classified as unassigned. A full discussion of the Commonwealth's fund balance classification policy under GASB 54 can be found in Note 1 to the basic financial statements.

During FY11 the General and Commonwealth Transportation funds (the latter the successor to the Highway Fund, which was eliminated as part of the Commonwealth's reform of the state transportation system) were the primary operating funds of the Commonwealth. At the end of FY11, the fund balance of the General Fund was $3.052 billion. Of this amount, $1.379 billion represents the balance in the Commonwealth's Stabilization Fund. $400 million was also committed for continuing appropriations from FY11 into FY12 or restricted for debt service, a significant increase from FY10's continuing appropriations and debt service restrictions of $102 million.

Presented in the governmental funds are the balances and results of operations from the MSBA. In FY11, the MSBA received approximately $657 million of dedicated sales tax revenues.

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 above, the business-type activities increased the Commonwealth's net assets by approximately $597 million.

BUDGETARY HIGHLIGHTS

The FY11 General Appropriation Act (GAA) authorized approximately $30.0 billion in spending, exclusive of approximately $1.44 billion in required pension contributions and $111 million in FY10 spending authorized to be continued into FY11 as part of final FY10 supplemental budgets.

The FY11 budget as enacted by the Legislature was based on an FY11 tax revenue estimate of $19.098 billion, including $2.853 billion in tax revenue allocated to the Massachusetts Bay Transportation Authority ($767 million), the School Modernization And Reconstruction Trust Fund ($646 million) and the Pension Reserves Investment Trust Fund ($1.44 billion). Net of these allocations, tax revenue available for budget was $16.245 billion. The $19.098 billion estimate reflected the FY11 consensus tax estimate of $19.051 billion adjusted for the impact of tax law changes enacted as part of the FY11 budget. The FY11 tax

revenue estimate was revised upward to $19.784 billion on January 2011 as tax revenues had performed above benchmark in the first half of FY11.

At the time the Governor signed the FY11 budget in July 2010, it was unknown whether the federal government would enact legislation extending through FY11 higher Medicaid reimbursements under ARRA. Historically, those reimbursements were at a rate of 50% of state expenditures for Medicaid, but had been raised to 61.59% through June 30, 2010. Responding to this uncertainty, the Legislature included in the FY11 General Appropriation Act alternative funding levels for most line items, reflecting spending with and without the additional ARRA revenue. The Governor vetoed the additional funding authorizations, but once federal legislation authorizing the higher federal Medicaid reimbursements (totaling $499 million) was enacted in August 2010, the Governor filed supplemental budgets to restore the vetoed funding. In response to the federal ARRA increases, supplemental appropriations totaling approximately $419 million were enacted in October 2010, $327 million of which was for MassHealth, the state's Medicaid program.

Approximately $1.511 billion in supplemental appropriations were authorized during FY11 prior to June 30, 2011. Subsequent to year end, an additional supplemental budget was enacted totaling approximately $135 million in new FY11 appropriations, all of which were continued to FY12 and reappropriated. Besides the appropriations that restored federal funding, the year's significant supplemental appropriation activity included approximately:

- $494 million for payments to hospitals through the Medical Assistance Trust Fund (which were largely offset through corresponding federal Medicaid revenue);
- $261 million for additional MassHealth payments;
- $50 million for snow and ice removal, in response to the severe storms of winter 2010-2011;
- $46 million for family shelters;
- $41 million for additional private counsel compensation for indigent clients;
- $30 million for labor agreement settlements with court employees;
- $25 million for underground storage tank grants;
- $20 million for health care costs for immigrants with legal status;
- $18 million for prison facilities operations;
- $15 million to pay for the cleanup costs of the June 2011 hurricane.

On a statutory (not GAAP) basis, revenues and other sources (before transfers between the budgeted funds, which are included in both spending and revenue, and thus have no effect on fund balances) grew by $2.8 billion, or 9.1%, in FY11. Revenue growth was due to strong tax revenue collections, as taxes available for budget grew by $1.9 billion, or 11.2%, and higher federal reimbursements, which were up $751 million, or 8.8%, primarily the result of increased spending on the state's federally reimbursable Medicaid, or MassHealth, program.

Budgeted expenditures and other uses, including transfers to non-budgeted funds, increased by $1.65 billion, or 5.4%, from FY10. Most

of the growth in budgeted expenditures and other uses resulted from an increase in transfers to non-budgeted funds, which grew from $1.04 billion in FY10 to $2.06 billion in FY11, with $680 million of growth resulting from higher transfers to non-budgeted health care funds and most of the remainder due to a change in the way the Commonwealth's transfers to MassDOT were reported.

Programs and services grew by $740 million, or 2.9%. Medicaid expenditures grew by $951 million, or 10.2%, from $9.286 billion in FY10 to $10.237 billion in FY11. On net, other program and service spending fell due to program cuts.

Spending for direct local aid decreased by $53 million, or 1.1%, due to reductions in unrestricted local aid. Debt service decreased by $196 million, or 10.5%, due to debt restructuring as authorized by the Legislature in FY11, lower than projected interest rates and the timing of certain debt issues. Post-employment benefit costs increased by $90 million, or 5.2%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets of the Commonwealth include land, buildings, improvements, equipment, vehicles and infrastructure. The Commonwealth's investment in capital assets for its governmental and business-type activities as of June 30, 2011 amounts to approximately $14.9 billion, with accumulated depreciation of approximately $6.6 billion, leaving a net book value of almost $8.3 billion. Infrastructure includes assets that are normally immovable and of value only to the Commonwealth, such as roads, bridges, beaches, piers and dams. The investments in capital assets noted above are net of capital assets transferred to MassDOT as part of the Commonwealth's Transportation Reform, which occurred in FY10. The total increase in the Commonwealth's investment in capital assets from 2010 to 2011 was approximately $612 million, with almost $129 million in governmental activities and almost $484 million in business-type activities. Virtually all of the increase was in construction in process.

The following table details the capital asset activity for the Commonwealth. Similar to previous charts, FY11 amounts for business-type activities include amounts for the foundations established on behalf of the institutions of higher education.

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

	Governmental Activities		Business - type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land, including Central Artery	$ 766,834	$ 892,380	$ 117,138	$ 101,249	$ 883,972	$ 993,629
Historical treasures	-	-	863	863	863	863
Construction in process	737,232	452,988	709,843	462,301	1,447,075	915,289
Buildings	2,261,394	2,286,941	2,953,685	2,715,809	5,215,079	5,002,750
Machinery and equipment	294,961	301,673	269,119	286,722	564,080	588,395
Infrastructure, excluding Central Artery	66,993	64,677	-	-	66,993	64,677
Library collections	-	-	110,725	110,042	110,725	110,042
Total	**$ 4,127,414**	**$ 3,998,659**	**$ 4,161,373**	**$ 3,676,986**	**$ 8,288,787**	**$ 7,675,645**

Additional detail on the Commonwealth's FY11 capital asset activity can be found in Note 5 to the basic financial statements ("Capital Assets").

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 fiscal 2011 capital budget, the Commonwealth borrowed by issuing $2.06 billion in long-term general obligation bonds, $1.56 billion of which was for new-money needs, with the remainder for refunding already existing debt. Of the new money issues, $708 million was issued as Build America Bonds (BABs). The BABs program is a temporary bond program authorized by the federal government as part of the 2009 America Recovery and Reinvestment Act (ARRA). Under the BABs program, issuers borrow by selling bonds into the taxable bond market and receive in return a subsidy from the federal government equal to 35% of the interest costs on the bonds. Given market conditions at the time of the Commonwealth's two 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, and unless the program is reauthorized by the federal government, no additional BABs will be issued.

During FY11, the Commonwealth also issued $576 million in special obligation bonds for highway construction purposes under the Commonwealth's Accelerated Bridge Program, secured by Commonwealth motor fuels taxes and Registry of Motor Vehicle fees and issued grant anticipation notes totaling $480.5 million – $100 million for new-money needs under the Commonwealth's Accelerated Bridge Program, and $380.5 million to refund previously issued debt.

Approximately 19% percent of the Commonwealth's $18.5 billion in general obligation debt outstanding as of June 30, 2011 has been issued as variable rate bonds. Included in this variable rate debt was approximately $402 million in auction rate securities (about 2% of all general obligation debt) as of June 30, 2011.

Approximately $1.5 billion in bond sales were either for general government purposes or unallocated as of year-end and assumed to be for general purposes, including for construction and equipment purchases. The remaining $676 million in new issues were for highway and other infrastructure construction.

On the following page is a table which details the Commonwealth's debt by type for the fiscal year compared to the prior fiscal year, excluding premiums and discounts.

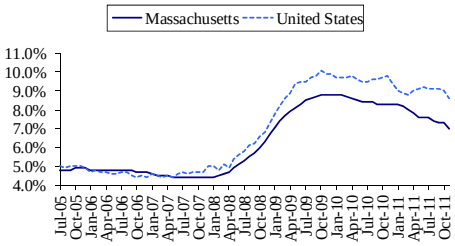
Additional detail on the Commonwealth's short-term debt can be found in Note 6 ("Short-Term Financing and Credit Arrangements") and Note 7 ("Long-Term Obligations") to the basic financial statements.

Long - Term Debt Obligations at Year - End
(net of unamortized premiums, bond issuance costs, deferred losses on refundings and discounts)
(Amounts in thousands)

	Governmental Activities		Business - type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	$ 18,516,760	$ 17,682,517	$ -	$ -	$ 18,516,760	$ 17,682,517
Special obligation bonds (excluding GANs)	1,691,505	1,046,523	-	-	1,691,505	1,046,523
Revenue obligation bonds	-	-	3,277,413	2,699,988	3,277,413	2,699,988
Grant anticipation notes	666,790	997,467	-	-	666,790	997,467
Subtotal	20,875,055	19,726,507	3,277,413	2,699,988	24,152,468	22,426,495
Massachusetts School Building Authority	4,395,390	4,488,535	-	-	4,395,390	4,488,535
Total	**$ 25,270,445**	**$ 24,215,042**	**$ 3,277,413**	**$ 2,699,988**	**$ 28,547,858**	**$ 26,915,030**

ECONOMIC FACTORS AFFECTING NEXT YEAR'S BUDGET

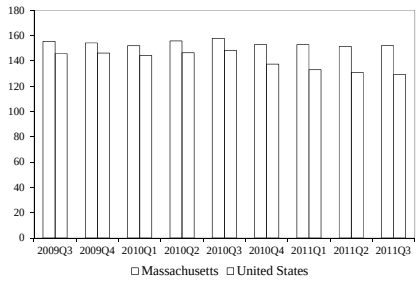
Monthly Unemployment Rate July 2005 – November 2011



In December 2007, the nation entered into a recession caused by the downturn in the housing markets that worsened due to the global capital markets crisis that occurred starting in September 2008. Rates of economic decline have been sharp as the nation's gross domestic product has fallen and unemployment has hit the highest levels in decades. While the national recession ended in June 2009, recovery has been slow. While the Dow Jones Industrial Average has risen from a low of 6,547 in March of 2009 to over 12,000 by December 2011, though this is still well below the 14,200 historical high of two years ago. Housing values also appear to have started to rise again after hitting lows in March 2009, though they weakened towards the end of the calendar year 2011, as some of those rises may have been attributable to tax credits available in ARRA as well as other stimulus measures. Most economists believe unemployment will remain relatively high in the near future.

Massachusetts' economy has outperformed the nation's economy as a whole during and following the most recent recession, and home prices have fallen by less than in the U.S as a whole (see chart at left). The unemployment rate for the Commonwealth rose from 5.2% in July of 2008 to a high of 9.5% in February 2011, but since then has declined, and in November 2011 stood at 7.0%. This decline is greater than in the nation as a whole, where unemployment rose from 5.8% in July 2008 to a high of 10.1% in October 2009 (a rate that had not been seen since 1983), and has declined by only 1.5%, to 8.6% as of November 2011. Population growth in the Commonwealth, which during the 1990s and most of the 2000s was lower than in the nation as a whole, was only slightly slower than in the U.S. in calendar years 2009, 2010 and 2011, probably due to the fact the state economy has performed better than the national economy during the most recent recession.

Massachusetts and National Home Values – 2008Q3 – 2011Q3 Case – Schiller Index January 2000 = 100



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. The Commonwealth is home to sixteen S&P 500 companies, among them eight Fortune 500 headquarters.

According to the United States Patent Office, in calendar 2010 the Commonwealth ranked fourth in the nation in patents per capita, only slightly behind California, Washington state and Vermont. Massachusetts' infrastructure provides strong support for this knowledge-based economy. There are over 120 colleges and universities located in Massachusetts, and the US Census Bureau's most recent American Community Survey estimated that 38.5% of the residents over age 25 have earned bachelor's degrees, compared to an estimate of 27.9% for the United States as a whole. In the same survey, 88.7% of residents over age 25 at least had a high school diploma or general education equivalent, compared to 85.0% for the nation as a whole. In primary education, the most recent National Assessment of Educational Progress continues to rank Massachusetts first in 4th and 8th grade mathematics and reading, second and third in writing and fifth and sixth in in science in grades 4 and 8, respectively. This shows that Massachusetts schoolchildren are consistently among the best educated in the nation.

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 State Comptroller, 1 Ashburton Place, 9th Floor, Boston, Massachusetts, 02108. You may also download this report at: http://www.mass.gov/osc/reports/reports.htm.

University of Massachusetts Boston

The University of Massachusetts Boston campus, located on Columbia Point, provides one of the city's longest uninterrupted portions of HarborWalk, perfect for walkers and joggers, as well as photographers. Besides offering spectacular views of the Harbor and Islands, UMass Boston is home to the region's first collection of large-scale outdoor sculpture by some of the world's leading artists: Arts on the Point. Founded in 1997, the contemporary art changes periodically. Past and current artists include Tony Smith, Dennis Oppenheim, Mark di Suvero, William Tucker, Luis Jimenez, Sol LeWitt, Roy Lichtenstein, Seth Kane Kwei, and Willem de Kooning. Interpretive signage describing the sculpture and artist is located next to each piece. These extraordinary works are set against the ocean backdrop.

Lagartos, Painted fiberglass
Luis Jiménez

Brushstroke Group, Painted Aluminum
Roy Lichtenstein

As a boy in El Paso, TX, Jiménez frequented a city park with a pond where docile alligators ("lagartos") lived. Over time, the park deteriorated and the alligators moved to the zoo. When the park was revitalized in the 1980s, Jiménez brought the alligators back with this vivid and fanciful sculpture.

The sculpture leaps from the land like five energetic strokes of a loaded paintbrush, affirming the value of creative experimentation. A founding father of the American Pop Art movement of the 1960s, Lichtenstein was fascinated by the brush stroke as a painter's defining mark and as a symbol of tradition that is constantly reinventing itself.

Basic Financial Statements

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

John F. Kennedy Library and Museum

The John F. Kennedy Library and Museum is dedicated to the memory of the nation's thirty-fifth president. Researchers from around the world come to the library to examine the original documents generated by John F. Kennedy throughout his career and to research mid-twentieth century American history, politics, government, and society. A permanent exhibit about JFK's life and career and temporary exhibits about the times in which he lived draw visitors from around the globe.

The dramatic building, designed by world-renowned architect I.M. Pei, is poised on Columbia Point and features a glass pavilion that serves as the main lobby, soaring 115 ft., with a huge 26' X 45' American flag. It is set on a 9.5 acre park landscaped with pine trees, shrubs and wild roses reminiscent of the familiar landscape of Cape Cod. The Museum's 25 multimedia exhibits and period settings from the White House offer an exciting experience and create a stirring account of President Kennedy's thousand days in office. Under construction next door is the Edward M. Kennedey Institute for the United States Senate.

The HarborWalk offers a spectacular view of the downtown skyline and connects to the long stretch of HarborWalk along the UMass Boston campus. During the summer, President Kennedy's sailboat, Victura, is on display on the grounds of the Library.

Statement of Net Assets

June 30, 2011

(Amounts in thousands)

	Primary Government			
	Governmental Activities	Business Type Activities	Government Wide Total	Component Units
ASSETS AND DEFERRED OUTFLOWS				
Current assets:				
Cash and cash equivalents	$ 5,283	$ 530,907	$ 536,190	$ 2,038,487
Cash with fiscal agent	445,459	-	445,459	-
Short-term investments	3,577,431	353,114	3,930,545	234,060
Assets held in trust	-	-	-	55,604
Receivables, net of allowance for uncollectibles:				
Taxes	2,602,996	-	2,602,996	-
Federal grants and reimbursements receivable	1,736,634	85,079	1,821,713	156,608
Loans	6,784	42,950	49,734	362,974
Other receivables	301,339	598,762	900,101	195,352
Due from cities and towns	7,780	-	7,780	-
Due from component units	10,983	-	10,983	-
Due from primary government	-	-	-	561,701
Due from affiliates	-	11,546	11,546	-
Inventory	-	-	-	229
Other current assets	30,652	44,106	74,758	126,077
Total current assets	**8,725,341**	**1,666,464**	**10,391,805**	**3,731,092**
Noncurrent assets:				
Cash and cash equivalents - restricted	-	1,196,007	1,196,007	856,602
Long - term investments	-	1,238,186	1,238,186	1,634,609
Investments, restricted investments and annuity contracts	2,315,557	-	2,315,557	65,501
Accounts receivable, net	1,036,560	54,343	1,090,903	4,865
Loans receivable, net	115,310	12,712	128,022	3,894,533
Due from component units	15,111	-	15,111	-
Non-depreciable capital assets	1,504,066	827,844	2,331,910	4,813,779
Depreciable capital assets, net	2,623,348	3,333,529	5,956,877	26,988,684
Other noncurrent assets	-	60,508	60,508	168,657
Other noncurrent assets - restricted	-	262,356	262,356	-
Total noncurrent assets	**7,609,952**	**6,985,485**	**14,595,437**	**38,427,230**
Deferred outflows of derivative investments	375,870	19,510	395,380	138,305
Total assets and deferred outflows	**16,711,163**	**8,671,459**	**25,382,622**	**42,296,627**
LIABILITIES				
Current liabilities:				
Accounts payable and other liabilities	2,792,945	289,925	3,082,870	766,681
Accrued payroll	152,610	142,666	295,276	608
Compensated absences	307,574	128,418	435,992	2,523
Accrued interest payable	346,239	21,042	367,281	235,454
Tax refunds and abatements payable	809,958	10,597	820,555	-
Due to component units	561,701	-	561,701	-
Due to primary government	-	-	-	10,983
Due to federal government	24,793	-	24,793	-
Deferred revenue	-	24,814	24,814	160,718
Deposits and unearned revenue	-	72,743	72,743	-
Due to affiliates	-	32,841	32,841	-
School construction grants payable	410,327	-	410,327	-
Capital leases	11,368	8,012	19,380	39,228
Massachusetts School Building Authority bonds and unamortized premiums	109,371	-	109,371	-
Unamortized deferred loss on refunding	(4,100)	-	(4,100)	-
Bonds payable and unamortized premiums	1,382,209	118,189	1,500,398	983,642
Environmental remediation liability	4,687	1,552	6,239	-
Total current liabilities	**6,909,682**	**850,799**	**7,760,481**	**2,199,837**

Statement of Net Assets

June 30, 2011

(Amounts in thousands)

	Primary Government			
	Governmental Activities	Business Type Activities	Government Wide Total	Component Units
Noncurrent liabilities:				
Compensated absences	172,300	57,169	229,469	1,130
Accrued interest payable	-	-	-	105,630
Due to primary government	-	-	-	15,111
Due to federal government - grants	-	12,672	12,672	-
Claims and judgments	40,000	-	40,000	-
Deferred revenue	-	89,922	89,922	24,076
Prizes payable	1,463,048	-	1,463,048	-
Capital leases	49,607	23,093	72,700	163,266
Bonds payable and unamortized premiums	19,827,924	3,159,224	22,987,148	11,286,399
Unamortized deferred loss on refunding	(42,042)	-	(42,042)	-
Massachusetts School Building Authority bonds and unamortized premiums	4,481,541	-	4,481,541	-
School construction grants payable	1,914,590	-	1,914,590	-
Retirement system net pension obligations	1,199,361	-	1,199,361	-
Post - employment benefits obligations	2,691,000	-	2,691,000	436,708
Environmental remediation liability	169,526	-	169,526	-
Liability for derivative instruments	375,870	51,342	427,212	390,959
Other noncurrent liabilities	291,621	58,326	349,947	315,104
Total noncurrent liabilities	**32,634,346**	**3,451,748**	**36,086,094**	**12,738,383**
Total liabilities	**39,544,028**	**4,302,547**	**43,846,575**	**14,938,220**
NET ASSETS				
Invested in capital assets, net of related debt	(722,469)	2,026,223	1,303,754	24,580,867
Restricted for:				
Unemployment benefits	-	634,228	634,228	-
Retirement of indebtedness	1,226,495	-	1,226,495	-
Other purposes	294,207	730,418	1,024,625	3,073,693
Unrestricted (deficits)	(23,631,098)	978,043	(22,653,055)	(296,153)
Total net assets (deficits)	**$ (22,832,865)**	**$ 4,368,912**	**$ (18,463,953)**	**$ 27,358,407**

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

(concluded)

Statement of Activities

Fiscal Year Ended June 30, 2011

(Amounts in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets – Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Primary government:								
Governmental Activities:								
General government	$ 2,305,783	$ 443,869	$ 734,117	$ -	$ (1,127,796)	$ -	$ (1,127,796)	$ -
Judiciary	992,990	120,293	1,540	-	(871,157)	-	(871,157)	-
Direct local aid	4,845,738	-	-	-	(4,845,738)	-	(4,845,738)	-
Medicaid	12,124,261	258,032	8,280,136	946	(3,585,147)	-	(3,585,147)	-
Group health insurance	1,113,544	431,078	-	-	(682,466)	-	(682,466)	-
Interest (unallocated)	1,177,569	-	-	-	(1,177,569)	-	(1,177,569)	-
Energy and environmental affairs	685,032	270,449	98,700	-	(315,883)	-	(315,883)	-
Housing and economic development	1,362,822	142,387	701,385	-	(519,050)	-	(519,050)	-
Health and human services	7,124,856	896,328	2,457,719	7,426	(3,763,383)	-	(3,763,383)	-
Transportation and public works	2,262,374	502,004	973	160,540	(1,598,857)	-	(1,598,857)	-
Early elementary and secondary education	3,649,543	6,645	1,501,664	-	(2,141,234)	-	(2,141,234)	-
Public safety and homeland security	2,276,402	193,983	228,562	-	(1,853,857)	-	(1,853,857)	-
Labor and workforce development	497,927	142,731	212,685	-	(142,510)	-	(142,510)	-
Lottery	3,661,834	4,630,205	-	-	968,371	-	968,371	-
Total governmental activities	**44,080,674**	**8,038,003**	**14,217,481**	**168,912**	**(21,656,277)**	**-**	**(21,656,277)**	**-**
Business-Type Activities:								
Unemployment Compensation	4,388,360	1,945,801	2,616,880	-		174,321	174,321	-
Higher Education:								
University of Massachusetts	2,865,015	1,685,386	543,727	-		(635,902)	(635,902)	-
State Universities	834,453	530,078	87,010	-		(217,365)	(217,365)	-
Community Colleges	772,883	250,341	252,593	-		(269,949)	(269,949)	-
Total business-type activities	**8,860,711**	**4,411,606**	**3,500,210**	**-**	**-**	**(948,895)**	**(948,895)**	**-**
Total primary government	**$ 52,941,385**	**$ 12,449,609**	**$ 17,717,691**	**$ 168,912**	**(21,656,277)**	**(948,895)**	**(22,605,172)**	**-**
Component Units:								
Massachusetts Department of Transportation	$ 4,201,232	$ 1,103,418	$ 3,497,969	$ -				400,155
Commonwealth Health Insurance Connector	893,917	895,456	223	-				1,762
Massachusetts Water Pollution Abatement Trust	266,768	165,260	35,886	88,050				22,428
Other nonmajor component units	394,227	239,984	115,335	28,696				(10,212)
Total component units	**$ 5,756,144**	**$ 2,404,118**	**$ 3,649,413**	**$ 116,746**	**-**	**-**	**-**	**414,133**

(continued)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
General revenues:				
Taxes:				
Income	11,862,298	-	11,862,298	-
Sales taxes	4,924,958	-	4,924,958	-
Corporate taxes	1,919,774	-	1,919,774	-
Motor and special fuel taxes	660,729	-	660,729	-
Other taxes	1,698,671	-	1,698,671	-
Miscellaneous:				
Investment earnings	33,296	160,841	194,137	46,178
Tobacco settlement	254,696	-	254,696	-
Contribution from municipalities	55,231	-	55,231	-
Other revenue	648,006	534,467	1,182,473	-
Other losses	-	(10,746)	(10,746)	(29,841)
Transfers	(860,904)	860,904	-	-
Total general revenues and transfers	**21,196,756**	**1,545,466**	**22,742,222**	**16,337**
Change in net assets	**(459,521)**	**596,571**	**137,050**	**430,470**
Net assets (deficits) - beginning, as restated	(22,373,344)	3,772,341	(18,601,003)	26,927,937
Net assets (deficits) - ending	**$ (22,832,865)**	**$ 4,368,912**	**$ (18,463,953)**	**$ 27,358,407**

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

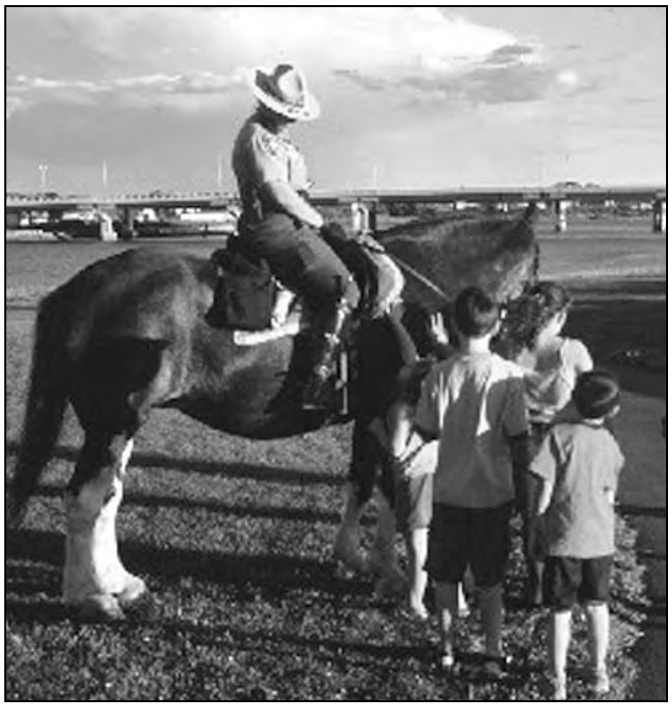
(concluded)

The Neponset Estuary and Marshes are designated as an Area of Critical Environmental Concern. While providing ample opportunities to observe wildlife, the marshes are important nursery habitat for smelt and productive shellfish beds. Wide varieties of birds visit these marshes during their seasonal migrations and some species nest here.

Neponset II Park

Designed through a community process, the Neponset II Park provides access to the Neponset River Salt Marsh, one of the few remaining extensive salt marshes within the Boston area. Three cleaned up former industrial/ commercial properties acquired by the Massachusetts Department of Conservation and Recreation are the site for the new Neponset II Park along the existing Neponset River Greenway multi-use trail. It provides direct access to the Neponset River for non-motorized boats. The Neponset River Greenway multi-use trail, opened since 2003, goes along the edge of the marsh and is part of the 3 mile trail from Tenean Beach to Central Avenue in Milton.

Governmental Fund Financial Statements



Pope John Paul II Park

Pope John Paul II Park, on the banks of the Neponset River, is a 72-acre park with walkways, scenic open areas, playing fields and native plantings. Formerly a landfill, the site has been restored to a place of natural splendor. The park now re-connects area residents to the resources of their unique and delicate river estuary by offering picnic facilities, soccer fields, play areas, paths for walking, restored salt marsh, and extensive plantings of native trees and shrubs. It has also benefited area wildlife; black ducks, mergansers, teal, snowy egrets, and great blue herons have been spotted at the park. The restoration of the salt marsh has also greatly enhanced fisheries habitat. The park also offers a wide range of recreational opportunities, including active sports and activities such as walking, jogging, bird-watching, and picnicking. The three-mile Neponset River Greenway walking and biking trail runs through the park.

Balance Sheet

Governmental Funds
June 30, 2011
(Amounts in thousands)

	General	Commonwealth Transportation	Lotteries	Massachusetts School Building Authority	Federal Grants	Other Governmental Funds	Total
ASSETS							
Cash, cash equivalents and short-term investments	$ 1,631,015	$ 24,603	$ 52,122	$ 440,128	$ -	$ 1,434,846	$ 3,582,714
Cash with fiscal agent	-	19,239	-	-	-	426,220	445,459
Investments and restricted investments	255,903	-	-	596,606	-	-	852,509
Receivables, net of allowance for uncollectibles:							
Taxes	3,290,190	79,834	-	50,063	-	83,006	3,503,093
Due from federal government	1,240,049	-	-	-	465,946	95,056	1,801,051
Loan receivable	-	-	-	121,180	-	914	122,094
Other receivables	134,245	1,139	5,357	8,821	-	220,121	369,683
Due from cities and towns	7,780	-	-	-	-	-	7,780
Due from other funds	121,427	-	-	-	-	72,910	194,337
Due from component units	421	10,562	-	-	-	-	10,983
Total assets	**$ 6,681,030**	**$ 135,377**	**$ 57,479**	**$ 1,216,798**	**$ 465,946**	**$ 2,333,073**	**$ 10,889,703**
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 1,635,952	$ 4,411	$ 49,050	$ 50,865	$ 363,289	$ 586,830	$ 2,690,397
Accrued payroll	127,697	8,272	-	-	7,555	9,086	152,610
Tax refunds and abatements payable	808,107	299	-	776	-	776	809,958
Due to other funds	-	-	-	-	35,518	146,773	182,291
Due to component units	45,418	70,613	-	-	-	445,670	561,701
Due to federal government	24,793	-	-	-	-	-	24,793
Deferred revenue	986,427	-	6,323	-	-	43,810	1,036,560
School construction grants payable	-	-	-	71,572	-	-	71,572
Other accrued liabilities	-	-	-	-	-	92,193	92,193
Total liabilities	**3,628,394**	**83,595**	**55,373**	**123,213**	**406,362**	**1,325,138**	**5,622,075**
Fund balances (deficits):							
Nonspendable	-	-	-	-	-	914	914
Restricted	-	19,239	-	714,909	59,584	881,323	1,675,055
Committed	1,379,225	32,543	-	1,422	-	606,819	2,020,009
Assigned	371,102	-	2,106	377,254	-	-	750,462
Unassigned	1,302,309	-	-	-	-	(481,121)	821,188
Fund balances (deficits)	**3,052,636**	**51,782**	**2,106**	**1,093,585**	**59,584**	**1,007,935**	**5,267,628**
Total liabilities and fund balances	**$ 6,681,030**	**$ 135,377**	**$ 57,479**	**$ 1,216,798**	**$ 465,946**	**$ 2,333,073**	**$ 10,889,703**

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

Reconciliation of Fund Balances to the Statement of Net Assets

June 30, 2011
(Amounts in thousands)

Total fund balances - governmental funds		**$ 5,267,628**
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Capital assets not being depreciated	$ 1,504,066	
Capital assets being depreciated, net	2,623,348	
Capital assets, net of accumulated depreciation		4,127,414
Amounts presented in the statement of net assets, but not in fund balances due to differences in revenue recognition under different basis of accounting		1,036,560
Massachusetts School Building Authority assets		34,354
Lottery annuity contracts		1,463,048
Due from component units		15,111
Elimination of due from / due to activity between state departments within primary government and business-type activities		(12,046)
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:		
Pension over / (under) funding State Retirement Systems net pension obligation	(1,199,361)	
Net post - employment benefits obligations	(2,691,000)	
Commonwealth bonded debt	(20,875,055)	
Unamortized bond premiums	(335,078)	
Unamortized deferred loss on refunding	46,142	
Accrued interest on bonds	(346,239)	
Massachusetts School Building Authority bonded debt	(4,590,912)	
Massachusetts School Building Authority grants to municipalities	(2,253,345)	
Lottery prizes payable	(1,463,048)	
Capital leases	(60,975)	
Environmental remediation liability	(174,213)	
Claims and judgments	(40,000)	
Employee benefits, including compensated absences, health insurance benefits and other compensation claims	(781,850)	
Long - term liabilities (including current portions)		(34,764,934)
Total net assets (deficits) - governmental activities		**$ (22,832,865)**

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, 2011

(Amounts in thousands)

	General	Commonwealth Transportation	Lotteries	Massachusetts School Building Authority	Federal Grants	Other Governmental Funds	Total
REVENUES							
Taxes	$ 18,079,651	$ 985,378	$ 815	$ 657,410	$ -	$ 1,130,505	$ 20,853,759
Assessments	437,529	13,350	-	-	-	529,104	979,982
Federal grants and reimbursements	9,224,345	-	-	-	4,311,054	841,950	14,377,349
Departmental	1,835,023	496,453	4,629,684	-	-	500,755	7,461,915
Miscellaneous	187,867	127	1,118	28,332	-	658,549	875,992
Total revenues	**29,764,415**	**1,495,308**	**4,631,617**	**685,742**	**4,311,054**	**3,660,862**	**44,548,999**
EXPENDITURES							
Current:							
Legislature	57,895	-	-	-	-	-	57,895
Judiciary	769,612	-	-	-	1,215	338	771,165
Inspector General	2,798	-	-	-	-	770	3,568
Governor and Lieutenant Governor	5,105	-	-	-	-	17	5,122
Secretary of the Commonwealth	39,475	-	-	-	1,044	4,194	44,713
Treasurer and Receiver-General	217,901	-	3,655,970	21,546	2,635	1,186,008	5,084,060
Auditor of the Commonwealth	17,015	-	-	-	-	551	17,566
Attorney General	21,260	-	-	-	8,197	4,380	33,837
Ethics Commission	1,660	-	-	-	-	-	1,660
District Attorney	93,699	-	-	-	3,138	7,422	104,259
Office of Campaign and Political Finance	1,170	-	-	-	-	1,390	2,560
Sheriff's Departments	505,398	-	-	-	4,143	4,808	514,349
Disabled Persons Protection Commission	2,174	-	-	-	106	-	2,280
Board of Library Commissioners	21,439	-	-	-	3,229	-	24,668
Comptroller	11,245	-	-	-	-	2,611	13,856
Administration and finance	1,503,476	197,856	-	-	7,540	143,253	1,852,125
Energy and environmental affairs	178,485	-	-	-	74,140	114,984	367,609
Health and human services	4,505,061	-	-	-	1,769,452	516,036	6,790,548
Massachusetts department of transportation	-	373,917	-	-	1,102	1,711,245	2,086,264
Executive office of education	1,938,644	-	-	-	1,278,566	14,672	3,231,882
Massachusetts school building assistance	-	-	-	790,854	-	-	790,854
Public safety and homeland security	936,457	-	-	-	142,146	67,547	1,146,150
Housing and economic development	362,328	-	-	-	683,881	35,298	1,081,507
Labor and workforce development	37,209	-	-	-	187,723	252,580	477,512
Medicaid	10,192,955	-	-	-	-	1,931,306	12,124,261
Post employment benefits	743,705	-	-	-	-	-	743,705
Direct local aid	4,845,717	-	-	-	-	-	4,845,717
Capital outlay:							
Local aid	-	-	-	-	-	21	21
Capital acquisition and construction	-	-	-	-	-	884,865	884,865
Debt service	-	-	-	314,786	-	1,904,881	2,219,667
Total expenditures	**27,011,883**	**571,773**	**3,655,970**	**1,127,186**	**4,168,257**	**8,789,175**	**45,324,244**
Excess (deficiency) of revenues over (under) expenditures	**2,752,532**	**923,535**	**975,647**	**(441,444)**	**142,798**	**(5,128,313)**	**(775,245)**
OTHER FINANCING SOURCES							
Bonds premium	-	-	-	-	-	129,690	129,690
Issuance of general and special obligation bonds	-	-	-	-	-	2,233,368	2,233,368
Issuance of refunding bonds	-	-	-	-	-	887,800	887,800
Proceeds of capital leases	12,428	-	-	-	-	-	12,428
Transfers in for debt service	-	-	-	-	-	1,897,801	1,897,801
Transfers in	1,891,651	5,405	-	-	-	2,291,262	4,188,318
Total other financing sources	**1,904,079**	**5,405**	**-**	**-**	**-**	**7,439,921**	**9,349,405**
OTHER FINANCING USES							
Payments to refunding bond escrow agent	-	-	-	-	-	945,224	945,224
Transfers out	1,697,981	137,917	976,534	-	126,928	1,082,832	4,022,192
Transfers of appropriations	880,663	-	-	-	-	3,162	883,825
Transfers of bond proceeds	-	-	-	-	-	143,205	143,205
Transfers out for debt service	860,114	803,762	-	-	-	233,925	1,897,801
Total other financing uses	**3,438,758**	**941,679**	**976,534**	**-**	**126,928**	**2,408,348**	**7,892,247**
Total other financing sources and uses	**(1,534,679)**	**(936,274)**	**(976,534)**	**-**	**(126,928)**	**5,031,573**	**1,457,158**
Net change in fund balances	**1,217,853**	**(12,739)**	**(887)**	**(441,444)**	**15,870**	**(96,740)**	**681,913**
Fund balances (deficits) at beginning of year	1,834,783	64,521	2,993	1,535,029	43,714	1,104,675	4,585,715
Fund balances (deficits) at end of year	**$ 3,052,636**	**$ 51,782**	**$ 2,106**	**$ 1,093,585**	**$ 59,584**	**$ 1,007,935**	**$ 5,267,628**

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

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

For the fiscal year ended June 30, 2011
(Amounts in thousands)

Net change in fund balances - total governmental funds	**$**	**681,913**
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents capital outlays including increases to construction in process, but excluding reductions and dispositions		316,044
Current year depreciation expense		(187,289)
Amounts presented in the statement of activities, but not in the change in fund fund balances due to difference in revenue and expense recognition under different bases of accounting		214,729
Elimination of due from / due to activity between state departments within government and business-type activities		(2,695)
The issuance of long - term debt provides current financial resources to governmental funds, while the repayment of principal of long - term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized as part of the statement of activities. This amount is the net effect of these differences in the treatment of long - term debt and related items		(1,261,021)
Decrease in capital leases		15,633
Massachusetts School Building Authority		535,223
Net underfunding of post employment benefit obligations		(719,228)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. These expenses include accrued interest, lottery prizes, claims and benefits that are reported in the statement of activities, but not in funds		(52,830)
Change in net assets of governmental activities	**$**	**(459,521)**

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

New England Aquarium

The New England Aquarium, located on Central Wharf, first opened its doors to the public in 1969 and is still a favorite destination for children and adults. Be sure to visit the New England Aquarium's newest addition, the Marine Mammal Center on the HarborWalk.. The new $10 million facility is home to five fur seals. There are only 15 fur seals, including those at the New England Aquarium , in captivity in the world today. Visitors can see and hear the seals and seating is available during four seal shows daily. In the evening, the LED strips make for an interesting walk along the Aquarium's newest HarborWalk segment.

Proprietary Fund Financial Statements

Christopher Columbus Park

Christopher Columbus Park, one of the City of Boston's first waterfront parks, was opened for Boston's Bicentennial in 1976. Its original design provided a framework for future waterfront park projects throughout the city.

In 1987 a rose garden enclosed by a wrought iron fence and a granite fountain were added to the city-owned park to honor Rose Fitzgerald Kennedy, who was born nearby at 4 Garden Court in Boston's North End. In 1992, the Beirut Memorial was built, commemorating nine marines from Massachusetts who were killed in a 1983 bombing. The memorial includes a circular granite-seating wall and brick detailing; if you stand in its center you can hear your echo.

Christopher Columbus Park was updated in 2003 and today includes broad lawns, a play lot, a spray fountain and performance area, a statue of Christopher Columbus, and a wisteria covered trellis that provides shade during the day and is lit during the holiday season by the Friends of Christopher Columbus Park.

Statement of Net Assets

Proprietary Funds

June 30, 2011

(Amounts in thousands)

	Unemployment Compensation Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
ASSETS AND DEFERRED OUTFLOWS					
Current assets:					
Cash and cash equivalents	$ -	$ 70,646	$ 342,335	$ 117,926	$ 530,907
Short-term investments	-	233,392	54,390	65,332	353,114
Receivables, net of allowance for uncollectibles:					
Federal grants and reimbursements receivable	-	78,168	862	6,049	85,079
Loans	-	41,564	1,375	11	42,950
Other receivables	425,693	104,577	22,069	29,193	581,532
Contribution receivables, net	-	10,653	5,599	978	17,230
Due from affiliates	-	11,296	250	-	11,546
Other current assets	-	36,082	4,154	3,870	44,106
Total current assets	**425,693**	**586,378**	**431,034**	**223,359**	**1,666,464**
Noncurrent assets:					
Cash and cash equivalents - restricted	-	1,176,652	15,149	4,206	1,196,007
Long-term investments	-	945,629	209,873	82,684	1,238,186
Accounts receivable, net	-	39,162	15,117	64	54,343
Loans receivable, net	-	-	12,127	585	12,712
Non-depreciable capital assets	-	467,629	250,423	109,792	827,844
Depreciable capital assets, net	-	2,124,041	917,943	291,545	3,333,529
Other noncurrent assets	-	36,933	22,526	1,049	60,508
Other noncurrent assets - restricted	262,356	-	-	-	262,356
Total noncurrent assets	**262,356**	**4,790,046**	**1,443,158**	**489,925**	**6,985,485**
Deferred outflows of derivative investments	-	19,510	-	-	19,510
Total assets and deferred outflows	**688,049**	**5,395,934**	**1,874,192**	**713,284**	**8,671,459**
LIABILITIES					
Current liabilities:					
Accounts payable and other liabilities	39,491	176,659	47,409	26,366	289,925
Accrued payroll	-	81,075	32,646	28,945	142,666
Compensated absences	-	72,753	26,317	29,348	128,418
Accrued interest payable	-	20,681	104	257	21,042
Tax refunds and abatements payable	10,597	-	-	-	10,597
Deferred revenue	-	4,215	18,322	2,277	24,814
Student deposits and unearned revenues	-	46,705	9,618	16,420	72,743
Due to affiliates	-	28,512	1,126	3,203	32,841
Capital leases	-	5,473	1,087	1,452	8,012
Environmental remediation liability	-	-	1,552	-	1,552
Bonds, notes payable and other obligations	-	67,686	48,090	2,413	118,189
Total current liabilities	**50,088**	**503,759**	**186,271**	**110,681**	**850,799**
Noncurrent liabilities:					
Compensated absences	-	26,541	14,480	16,148	57,169
Due to federal government - grants	-	-	12,505	167	12,672
Deferred revenue	3,733	20,080	65,720	389	89,922
Capital leases	-	12,116	8,634	2,343	23,093
Bonds, notes payable and other obligations	-	2,243,499	870,391	45,334	3,159,224
Liability for derivative instruments	-	51,342	-	-	51,342
Other noncurrent liabilities	-	46,786	7,655	3,885	58,326
Total noncurrent liabilities	**3,733**	**2,400,364**	**979,385**	**68,266**	**3,451,748**
Total liabilities	**53,821**	**2,904,123**	**1,165,656**	**178,947**	**4,302,547**
NET ASSETS					
Invested in capital assets, net of related debt	-	1,292,907	382,802	350,514	2,026,223
Restricted for:					
Unemployment benefits	634,228	-	-	-	634,228
Higher education endowment funds	-	271,737	30,419	24,977	327,133
Higher education academic support and programs	-	-	1,043	4,991	6,034
Higher education scholarships and fellowships:					
Nonexpendable	-	-	6,903	-	6,903
Expendable	-	-	8,119	15,533	23,652
Other nonexpendable purposes	-	-	26,218	2,889	29,107
Capital projects - expendable purposes	-	-	10,958	-	10,958
Other purposes	-	258,904	50,912	16,815	326,631
Unrestricted	-	668,263	191,162	118,618	978,043
Total net assets	**$ 634,228**	**$ 2,491,811**	**$ 708,536**	**$ 534,337**	**$ 4,368,912**

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

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Funds

Fiscal Year Ended June 30, 2011

(Amounts in thousands)

	Unemployment Compensation Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
Operating revenues:					
Unemployment compensation contribution	$ 1,903,603	$ -	$ -	$ -	$ 1,903,603
Net tuition and fees	-	597,200	302,925	206,050	1,106,175
Federal grants and reimbursements	-	543,727	87,010	252,593	883,330
Auxiliary enterprises	-	272,020	82,844	15,852	370,716
Sales & services	-	741,187	123,460	7,684	872,331
Miscellaneous	42,198	74,979	20,849	20,755	158,781
Total operating revenues	**1,945,801**	**2,229,113**	**617,088**	**502,934**	**5,294,936**
Operating expenses:					
Unemployment compensation	4,388,360	-	-	-	4,388,360
Instruction	-	596,341	252,413	284,680	1,133,434
Research	-	419,990	68	54	420,112
Academic support	-	133,253	71,978	85,871	291,102
Student services	-	98,361	77,632	98,664	274,657
Scholarships and fellowships	-	41,667	20,002	81,772	143,441
Public service	-	78,099	6,288	8,209	92,596
Operation and maintenance of plant	-	203,973	77,337	68,003	349,313
Institutional support	-	184,505	91,278	95,315	371,098
Other operating expenses	-	668,820	6,230	6,633	681,683
Depreciation	-	159,030	54,789	25,765	239,584
Auxiliary operations	-	216,852	138,070	16,224	371,146
Total operating expenses	**4,388,360**	**2,800,891**	**796,085**	**771,190**	**8,756,526**
Operating income (loss)	**(2,442,559)**	**(571,778)**	**(178,997)**	**(268,256)**	**(3,461,590)**
Nonoperating revenues (expenses):					
Other federal revenues	2,616,880	-	-	-	2,616,880
Other revenues	-	395,470	73,400	65,597	534,467
Other expenses	-	(64,124)	(38,368)	(1,693)	(104,185)
Investment income (loss)	12,801	107,498	26,386	14,156	160,841
Total nonoperating revenues (expenses)	**2,629,681**	**438,844**	**61,418**	**78,060**	**3,208,003**
Income (loss) before contributions and transfers	**187,122**	**(132,934)**	**(117,579)**	**(190,196)**	**(253,587)**
Transfers in	-	371,683	216,225	272,996	860,904
Other losses	-	(10,682)	(64)	-	(10,746)
Change in net assets	**187,122**	**228,067**	**98,582**	**82,800**	**596,571**
Total net assets - beginning, as restated	447,106	2,263,744	609,954	451,537	3,772,341
Total net assets - ending	**$ 634,228**	**$ 2,491,811**	**$ 708,536**	**$ 534,337**	**$ 4,368,912**

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

Statement of Cash Flows

Proprietary Funds

June 30, 2011

(Amounts in thousands)

	Unemployment Compensation Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Collection of unemployment contributions	$ 2,166,694	$ -	$ -	$ -	$ 2,166,694
Tuition, residence, dining and other student fees	-	668,202	311,252	213,392	1,192,846
Research grants and contracts	-	601,982	162,818	254,360	1,019,160
Payments to suppliers	-	(1,261,310)	(200,495)	(188,023)	(1,649,828)
Payments to employees	-	(1,463,558)	(373,540)	(409,635)	(2,246,733)
Payments to students	-	(45,641)	(17,229)	(69,149)	(132,019)
Payments for unemployment benefits	(4,443,924)	-	-	-	(4,443,924)
Collection of loans to students and employees	-	5,439	1,361	50	6,850
Income from contract services	-	-	5,261	1,162	6,423
Maintenance costs	-	-	(670)	1,123	453
Auxilliary enterprise charges	-	263,276	47,468	(4,441)	306,303
Other receipts	42,198	832,410	(25,582)	31,924	880,950
Net cash used by operating activities	**(2,235,032)**	**(399,200)**	**(89,356)**	**(169,237)**	**(2,892,825)**
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES					
State appropriations	-	570,699	197,389	212,171	980,259
Grants and contracts	2,218,498	70,643	3,654	11,741	2,304,536
Student organizations agency transactions	-	303	(882)	289	(290)
Other receipts (payments)	3,733	28,202	1,684	(1,367)	32,252
Net cash provided by non-capital financing activities	**2,222,231**	**669,847**	**201,845**	**222,834**	**3,316,757**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital appropriations	-	21,822	3,862	17,135	42,819
Purchases of capital assets	-	(370,581)	(147,278)	(44,323)	(562,182)
Proceeds from sales of capital assets	-	-	527	(593)	(66)
Proceeds from revenue obligation debt issuance	-	539,012	81,904	4,400	625,316
Other capital asset activity	-	19,128	10,334	3,348	32,810
Investments held by bond trustee, net	-	-	(387)	60	(327)
Principal paid on capital debt and leases	-	(62,239)	(20,781)	(4,671)	(87,691)
Interest paid on capital debt and leases	-	(53,469)	(43,621)	(2,087)	(99,177)
Net cash provided by (used in) capital financing activities	**-**	**93,673**	**(115,440)**	**(26,731)**	**(48,498)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	-	1,028,009	165,864	58,968	1,252,841
Purchases of investments	-	(1,029,342)	(108,312)	(85,773)	(1,223,427)
Investment earnings	12,801	17,712	11,827	(554)	41,786
Net cash provided by (used by) investing activities	**12,801**	**16,379**	**69,379**	**(27,359)**	**71,200**
Net increase decrease) in cash and cash equivalents	**-**	**380,699**	**66,428**	**(493)**	**446,634**
Cash and cash equivalents at the beginning of the fiscal year, as restated	-	866,599	291,056	122,625	1,280,280
Cash and cash equivalents at the end of the fiscal year	**$ -**	**$ 1,247,298**	**$ 357,484**	**$ 122,132**	**$ 1,726,914**
Reconciliation of net operating revenues and expenses to cash used by operating activities:					
Operating loss	$ (2,442,559)	$ (571,778)	$ (178,997)	$ (268,256)	$ (3,461,590)
Adjustments to reconcile operating loss to net cash used by operating activities:					
Depreciation expense	-	159,030	58,326	25,765	243,121
Fringe benefits paid by the Commonwealth	-	-	56,768	67,333	124,101
Changes in assets and liabilities:					
Accounts receivable, prepaids and other assets	(34,342)	5,387	(307)	(949)	(30,211)
Accounts payable, accrued liabilities and benefits	(55,564)	10,015	(25,928)	4,309	(67,168)
Student deposits and other unearned and deferred revenues	-	6,338	(61)	2,697	8,974
Other noncurrent assets - restricted and liabilities	297,433	(8,192)	843	(136)	289,948
Net cash used by operating activities	**$ (2,235,032)**	**$ (399,200)**	**$ (89,356)**	**$ (169,237)**	**$ (2,892,825)**

Non-cash investing, capital and financing activities:

The University System had $96,047,000 of non-cash activities, and the State and Community Colleges had $159,589,000 of non-cash activities in the form of completed capital projects from the Commonwealth at net book value and non-cash asset acquisitions.

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

Fiduciary Fund Financial Statements

Burroughs Wharf

Burroughs Wharf is home to Boston's Fire Marine unit. The larger of the two vessels is the 76-foot fire pump boat built in 1972. The other vessel, built in 1992, is a 30-ft high-speed pump boat. Visitors are welcome to view the vessels and the equipment to repair boats, view the equipment in the fire station, or ask questions of the marine firefighters. Behind the fire station are restrooms open to the public. Other amenities at Burroughs Wharf include an outdoor fountain surrounded by landscaped gardens, a promenade, benches, lighting, shelter, signage, public landing area, marina slips, and a water taxi stop. This condominium complex has one of the most pedestrian-friendly walkways on the Boston waterfront. The HarborWalk that wraps around the two luxury condominium buildings boasts incredible views of the USS Constitution and Bunker Hill Monument in Charlestown and the Harbor and is a wonderful location to watch boats plying the waters in the Harbor.

Statement of Net Assets

Fiduciary Funds
June 30, 2011
(Amounts in thousands)

	Post - Employment Benefits Trust Funds	External Investment Trust Funds	Private Purpose Funds	Agency Funds
ASSETS				
Cash and short-term investments	$ -	$ -	$ 834	$ 362,881
Assets held in trust for post - employment benefits:				
Cash and short-term investments	137,476	12,765	-	-
Investments at fair value	42,191,894	8,320,105	-	-
Assets held in trust for pool participants:				
Cash and short-term investments	-	2,937,041	-	-
Investments, restricted investments and annuity contracts	-	-	-	1,463,048
Assets held in trust	-	-	-	696,489
Receivables, net of allowance for uncollectibles:				
Taxes	-	-	-	2,340
Other receivables	386,195	78,967	-	115,399
Total assets	**42,715,565**	**11,348,878**	**834**	**2,640,157**
LIABILITIES				
Accounts payable	370,011	72,830	-	52,423
Due to cities and towns	-	-	-	27,671
Lottery prizes payable	-	-	-	1,463,048
Agency liabilities	-	-	-	1,097,015
Other accrued liabilities	-	80	-	-
Total liabilities	**370,011**	**72,910**	**-**	**$ 2,640,157**
NET ASSETS				
Restricted for employees' post - employment benefits	42,345,554	-	-	
Restricted for external investment trust fund participants	-	11,275,968	-	
Restricted for private purposes	-	-	834	
Total net assets	**$ 42,345,554**	**$ 11,275,968**	**$ 834**	

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

Statement of Changes in Net Assets

Fiduciary Funds

Fiscal Year Ended June 30, 2011

(Amounts in thousands)

	Post - Employment Benefits Trust Funds	External Investment Trust Funds	Private Purpose Funds
ADDITIONS			
Contribution:			
Employer contributions	$ 1,838,857	$ -	$ -
Employee contributions	1,156,082	-	-
Proceeds from sale of units	-	19,835,256	-
Total contributions	**2,994,939**	**19,835,256**	**-**
Net investment gain (loss):			
Investment gain (loss)	7,835,798	1,505,155	-
Less: investment expense	(58,834)	(14,025)	-
Net investment gain (loss)	**7,776,964**	**1,491,130**	**-**
Total additions	**10,771,903**	**21,326,386**	**-**
DEDUCTIONS			
Administration	25,657	-	-
Retirement benefits and refunds	4,142,216	-	-
Payments to State Boston Retirement System	121,290	-	-
Cost of units redeemed	-	19,649,647	-
Distribution to unit holders	-	9,143	-
Total deductions	**4,289,163**	**19,658,790**	**-**
Net increase (decrease)	**6,482,740**	**1,667,596**	**-**
Net assets - beginning, as restated	35,862,814	9,608,372	834
Net assets - ending	**$ 42,345,554**	**$ 11,275,968**	**$ 834**

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

East Boston Greenway

This linear park, developed thanks to the advocacy efforts of Boston Natural Areas Network and local residents, connects East Boston's waterfront to the rest of East Boston and is ideal for both walking and biking. The park is completed from the East Boston pier to Neptune Road, and plans for the extension of the Greenway through East Boston to Belle Isle Marsh, Constitution Beach, and Wood Island Bay Marsh are underway. Throughout the Greenway, historic murals painted by students from the Youth Conservation Corps, and Zumix bring life to the Porter, Sumner and Maverick underpasses. Volunteers planted 10,000 anonymously donated lilies with tulips and daffodils along the Greenway between Maverick and Sumner Streets, breathing color into to a unique urban green space.

At the Marginal and South Bremen Streets entrance, a 40-ton, blue caboose, donated to the Boston Parks and Recreation Department by Conrail, stands as a reminder of the Greenway's history as a railway corridor. With the completion of the Bremen Street Park in 2007, the East Boston Greenway extends 1.25 miles with a connection to the East Boston Memorial Park's playing fields. Another greenway segment was approved in November 2011 connecting Bremen Street Park across Massport property adjacent to the Wood Island Bay Marsh.

Created as part of the environmental mitigation for the Central Artery/Tunnel Project, the newly-constructed Bremen Street Park in the East Boston Greenway features playgrounds, a fountain and wading pool, large open lawns, and a community garden. A performance amphitheatre is included in the park's green space. There are benches and picnic tables along the paths, and a bocce court in the park.

Discretely Presented Component Unit Financial Statements

Constitution Beach

Constitution Beach is one of Boston's most family-friendly waterfront destinations. Thanks to the Department of Conservation and Recreation and TBHA's advocacy for the Back to the Beaches program, visitors can enjoy a new bathhouse, large playground, picnic area, tennis and handball courts, shade shelters, and foot showers. An award winning pedestrian overpass across the MBTA tracks connects the local community to the redesigned beach and park, and creates a welcoming gateway. Constitution Beach is also one of the City's best locations for swimming, with lifeguards on duty during the summer season.

Statement of Net Assets

Component Units
June 30, 2011
(Amounts in thousands)

	Massachusetts Department of Transportation	Commonwealth Health Insurance Connector	Massachusetts Water Pollution Abatement Trust	Nonmajor Component Units	Total
ASSETS ANS DEFERRED OUTFLOWS					
Current assets:					
Cash and cash equivalents	$ 220,580	$ 28,255	$ 248,602	$ 170,753	$ 668,190
Short-term investments	-	-	3,477	230,583	234,060
Restricted cash and investments	1,308,378	8,072	-	53,847	1,370,297
Assets held in trust	-	-	-	55,604	55,604
Receivables, net of allowance for uncollectibles:					
Federal grants and reimbursement receivable	55,781	-	100,536	291	156,608
Loans	-	-	317,317	45,657	362,974
Other receivables	96,159	1,971	68,411	28,811	195,352
Due from primary government	516,283	-	2,313	43,105	561,701
Inventory	-	-	-	229	229
Other current assets	122,022	194	-	3,861	126,077
Total current assets	**2,319,203**	**38,492**	**740,656**	**632,741**	**3,731,092**
Noncurrent assets:					
Cash and cash equivalents - restricted	735,964	-	-	120,638	856,602
Long - term investments	-	-	1,560,749	73,860	1,634,609
Restricted investments and annuity contracts	-	-	-	65,501	65,501
Accounts receivables, net	-	-	-	4,865	4,865
Loans receivables, net	-	-	3,449,256	445,277	3,894,533
Non-depreciable capital assets	4,703,451	-	-	110,328	4,813,779
Depreciable capital assets, net	26,009,121	160	-	979,403	26,988,684
Other noncurrent assets	132,132	-	9,309	27,216	168,657
Total noncurrent assets	**31,580,668**	**160**	**5,019,314**	**1,827,088**	**38,427,230**
Deferred outflows from derivative instruments	122,332	-	-	15,973	138,305
Total assets and deferred outflows	**34,022,203**	**38,652**	**5,759,970**	**2,475,802**	**42,296,627**
LIABILITIES					
Current liabilities:					
Accounts payable and other liabilities	687,376	720	168	78,417	766,681
Accrued payroll	-	423	-	185	608
Compensated absences	-	-	-	2,523	2,523
Accrued interest payable	162,619	-	71,663	1,172	235,454
Due to primary government	10,562	-	-	421	10,983
Deferred revenue	46,682	194	34,972	78,870	160,718
Capital leases	39,228	-	-	-	39,228
Bonds, notes payable and other obligations	788,296	-	183,102	12,244	983,642
Total current liabilities	**1,734,763**	**1,337**	**289,905**	**173,832**	**2,199,837**
Noncurrent liabilities:					
Compensated absences	-	-	-	1,130	1,130
Accrued interest payable	99,126	-	3,751	2,753	105,630
Due to primary government	-	-	-	15,111	15,111
Deferred revenue	-	-	-	24,076	24,076
Capital leases	163,266	-	-	-	163,266
Bonds, notes payable and other obligations	7,222,557	-	3,504,907	558,935	11,286,399
Post - employment benefits obligations	432,471	1,584	-	2,653	436,708
Liability for derivative instruments	374,986	-	-	15,973	390,959
Other noncurrent liabilities	237,773	11,055	56,249	10,027	315,104
Total noncurrent liabilities	**8,530,179**	**12,639**	**3,564,907**	**630,658**	**12,738,383**
Total liabilities	**10,264,942**	**13,976**	**3,854,812**	**804,490**	**14,938,220**
NET ASSETS					
Invested in capital assets, net of related debt	23,656,805	160	-	923,902	24,580,867
Restricted for:					
Clean energy trusts	-	-	-	187,192	187,192
Economic development financing	-	-	-	162,459	162,459
Financial assistance to local communities and agencies	-	-	1,692,073	-	1,692,073
Other purposes	897,076	-	-	134,893	1,031,969
Unrestricted	(796,620)	24,516	213,085	262,866	(296,153)
Total net assets	**$ 23,757,261**	**$ 24,676**	**$ 1,905,158**	**$ 1,671,312**	**$ 27,358,407**

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

Statement of Revenues, Expenses and Changes in Net Assets

Component Units

Fiscal Year Ending June 30, 2011

(Amounts in thousands)

	Massachusetts Department of Transportation	Commonwealth Health Insurance Connector	Massachusetts Water Pollution Abatement Trust	Nonmajor Component Units	Total
Operating revenues:					
Charges for services	$ 1,041,097	$ 895,456	$ 5,338	$ 153,375	$ 2,095,266
Other	62,321	-	159,922	86,609	308,852
Total operating revenues	**1,103,418**	**895,456**	**165,260**	**239,984**	**2,404,118**
Operating expenses:					
Cost of services	3,145,811	893,917	263,535	231,561	4,534,824
Administration costs	715,873	-	3,233	109,226	828,332
Depreciation	358,679	-	-	52,769	411,448
Total operating expenses	**4,220,363**	**893,917**	**266,768**	**393,556**	**5,774,604**
Operating income (loss)	**(3,116,945)**	**1,539**	**(101,508)**	**(153,572)**	**(3,370,486)**
Nonoperating revenues (expenses):					
Operating grants	3,497,969	223	35,886	115,335	3,649,413
Interest income	34,885	100	-	11,193	46,178
Other nonoperating revenues (expenses)	19,131	-	-	(671)	18,460
Nonoperating revenues (expenses), net	**3,551,985**	**323**	**35,886**	**125,857**	**3,714,051**
Income (loss) before contributions	**435,040**	**1,862**	**(65,622)**	**(27,715)**	**343,565**
Capital contributions	-	-	88,050	28,696	116,746
Other losses	-	-	-	(29,841)	(29,841)
Change in net assets	**435,040**	**1,862**	**22,428**	**(28,860)**	**430,470**
Net assets - beginning, as restated	23,322,221	22,814	1,882,730	1,700,172	26,927,937
Net assets - ending	**$ 23,757,261**	**$ 24,676**	**$ 1,905,158**	**$ 1,671,312**	**$ 27,358,407**

Boston Children's Museum

The Boston Children's Museum is located on the Fort Point Channel on a wide section of HarborWalk that becomes a bustle of activity in the summertime. Visitors can bring their own lunch to enjoy at picnic tables next to the HarborWalk. The Museum sponsors free events on the HarborWalk, including mural painting, summertime music and dance series, and movies at the Milk Bottle. A new boat dock will open in 2012 for water taxi service.

Federal Reserve Bank

Within a year of the enactment of the Federal Reserve Act on December 23, 1913, the twelve Federal Reserve Banks were open nationwide, including Boston, and they comprise our nation's central bank. In 1977, the Federal Reserve Bank of Boston moved to its current location over looking the Forth Point Channel, and today helps to maintain the Harbor Walk across from its building on Dorchester Avenue.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Commonwealth of Massachusetts (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 significant Commonwealth accounting policies are described below.

A. Financial Reporting Entity – Basis of Presentation

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, but 7 of those county governments have been abolished in recent years.

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 of Massachusetts (the primary government) and its component units. The Commonwealth has included 16 entities as component units in the reporting entity because of the significance of their operational and/or financial relationships with the Commonwealth. Further descriptions of component units are found in note 13 to the basic financial statements.

Blended Component Units – Blended component units are entities that are legally separate from the Commonwealth, but are so 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 assets and results of operations of the Massachusetts School Building Authority (MSBA), the Pension Reserves Investment Trust Fund (PRIT) and the Massachusetts Municipal Depository Trust (MMDT) are presented as a major governmental fund in the case of MSBA and as external investment trusts within the fiduciary type in the case of PRIT and MMDT.

Entities Audited Separately from the Commonwealth but are not legally separate from the Commonwealth – these entities include the Massachusetts State Lottery Commission, which is a division of the Office of the State Treasurer and Receiver–General, the Investment Accounts Managed by the Health Care Security Trust Board (the Board) – which includes a non-major governmental fund (the Health Care Security Trust Fund) and a fiduciary fund (the State Retiree Benefits Trust Fund). Hereafter, HST refers to investments managed by the Board.

The institutions of higher education of the Commonwealth are also not legally separate from the Commonwealth and have operations and net assets that are presented as part of the Commonwealth's business-type activities. These

include the University of Massachusetts System (including component units) and the State University and Community College System of 9 state and 15 community colleges as well as the Massachusetts State College Building Authority, which is a blended component unit of the state univeristy system. The various community and state universities also have foundations and ancillary entities that are discretely presented component units of those entities.

Other Discretely Presented Component Units that are Separately Audited - Three major component units, the Massachusetts Department of Transportation (MassDOT), the Commonwealth Health Insurance Connector, and the Massachusetts Water Pollution Abatement Trust (MWPAT) are presented in the basic financial statements. There are eleven non-major component units.

The Massachusetts Department of Transportation

State Agencies and Authorities merged into Mass DOT

Commonwealth Departments and Agencies	Former Major Discrete Component Units	Former Non-major Discrete Component Units
• Massachusetts Highway Department	• Massachusetts Turnpike Authority (MTA)	• Regional Transit Authorities (15 entities)
• Massachusetts Aeronautics Commission	• Massachusetts Bay Transportation Authority (MBTA)	• Route 3 North Transportation Improvement Association (R3N)
• Registry of Motor Vehicles		
• Executive Office of Transportation and Public Works		

The Commonwealth made a significant structural change to the government operations in FY10. Understanding the financial impact of this change is integral to understanding the Commonwealth financial statements.

On June 25, 2009, the Commonwealth enacted legislation effective on November 1, 2009, implementing sweeping transportation reform and creating a new entity, the Massachusetts Department of Transportation (MassDOT). A new budgeted fund, the Commonwealth Transportation Fund, assumed most of the operations of the Highway Fund in FY10. The reform was implemented merging four state agencies: the Highway Department, Registry of Motor Vehicles, Massachusetts Aeronautics Commission and the Executive Office of Transportation and Public Works into the MassDOT.

MassDOT also absorbed the former Massachusetts Turnpike Authority, the bridges and certain roads and parkways of the Department of Conservation and Recreation, as well as the Tobin Memorial Bridge operations of the Massachusetts Port Authority. The Massachusetts Bay Transportation Authority, as well as the Regional Transit Authorities, are now component units of MassDOT. The make up of the MassDOT Board and the Massachusetts Bay Transportation Authority are now identical, with the Secretary of Transportation chairing both Boards.

MassDOT has attributes of a state department as well as an authority. It operates like a state department for purposes of state finance laws and is reported as part of the Commonwealth for compliance with federal and state tax law as well as the Single State Audit. In this unique relationship all road and bridge assets of the Commonwealth and the Turnpike Authority 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 Commonwealth also retains the liabilities for pension and other post-employment benefits (OPEB) costs for the former Commonwealth employees transferred to this entity and has assumed these liabilities for the 1,200 employees and 700 retirees of the former Turnpike Authority. MassDOT is assessed a fringe benefit rate on their current employee base to share in these pension and OPEB costs as well as to reimburse the Commonwealth for their employee health care costs, which are paid from the Commonwealth's General Fund. MassDOT's capital authorizations are authorized by the legislature and controlled by the Executive Office of Administration and Finance like other state departments. Toll revenues are retained and expended by MassDOT. All non-toll revenues (primarily Registry fees and federal reimbursements) are

deposited with the Commonwealth and used to finance MassDOT operating appropriations and infrastructure improvements. The result of this unique structure is that the Commonwealth retains significant liabilities for resources dedicated to the construction of assets controlled and managed by MassDOT.

Details on these component units are presented in Note 13 to the Basic Financial Statements.

Related Organizations

The following are "related organizations" under GASB Statement No. 14, *The Financial Reporting Entity*, as amended by Statement 39: Massachusetts Port Authority, Massachusetts Housing Finance Agency, Massachusetts Health and Educational Facilities Authority and Massachusetts Technology Development Corporation. The Commonwealth is responsible for appointing a voting majority of the members of each entity's board, but the Commonwealth's accountability 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 by directly contacting the various entities. Contact the Office of the Comptroller, Financial Reporting and Analysis Bureau, at (617) 973-2660 for the contact information.

B. Government – wide and Fund Financial Statements

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

- **Invested in capital assets, net of related debt** 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 assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation.
- **Unrestricted net assets** consist of net assets which do not meet the definition of the two preceding categories.

Restricted net assets are used prior to unrestricted net assets.

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 and fiduciary funds. 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 are recognized in the year the materials are received, the grants are expended or services are provided. The measurement period for accrual for taxes earned is generally one year for income, corporate and other taxes and within thirty days for sales and use taxes. For federal and other reimbursements, the measurement period for accrual is generally sixty days if the related expenditures being reimbursed occurred prior to year end. Expenditures are recorded in the period in which the related fund liability is incurred. Principal and interest on general long-term obligations are recorded as fund liabilities when due. Compensated absences, claims and judgments, termination benefits and similar activities are recognized to the extent that they are normally expected to be liquidated with expendable available financial resources. Amounts incurred but not reported for Medicaid are reported to the extent that services are rendered before June 30th.

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

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

Proprietary and Fiduciary Funds – Fund financial statements are presented on the same basis of accounting as the business-type activities in the government – wide financial statements. 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 Fund accounts 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.

Permanent Funds account for resources that are legally restricted to the extent that earnings, but not principal may be used for the Commonwealth's programs. These are different than the private–purpose funds below as those benefit individuals, private organizations and other governments directly. At the beginning of FY11, the only permanent fund the Commonwealth has is the Massachusetts School Fund, established in 1834 as a fund "for the aid and encouragement of common schools." The fund was originally capitalized from the proceeds of the 1820's sale of the public lands upon which the State of Maine was created. As authorized by legislation that was part of the FY11 budget, the Massachusetts School fund was eliminated during FY11 and the balance in the fund was transferred to the General Fund. Therefore, as of June 30, 2011, the Commonwealth had no permanent funds.

Fund Balances:

In FY11, the Commonwealth implemented Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* Within the governmental funds only, fund balance has been reorganized to include identifications of amounts that are considered nonspendable, restricted, committed, assigned, and unassigned, as follows:

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. For the Commonwealth, the only nonspendable balances are notes receivable in the minor governmental funds.

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 law through constitutional provisions or enabling legislation that can only be spent on specific purposes stipulated by the state constitution, external resource providers or through enabling statute, and include 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 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 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. 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 54, assigned balances include those funds remaining at the end of the fiscal year that are reappropriated for the following fiscal year.

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, 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/expense 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.

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 the state's budgeted funds, equal to balances that are not restricted nor reappropriated for the following fiscal year) ½ of 1% of the amount of tax revenues in that fiscal year be carried forward and be available for appropriations in the following fiscal year, ½ of 1% of tax revenues be transferred to the Stabilization Fund, and any remaining surplus be transferred to the Stabilization Fund. In addition, withholding taxes on certain Lottery winnings 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 during a fiscal year to the Stabilization Fund. Beginning 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 that exceed $10 million.

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 FY11 with a balance of $1.379 billion. For the fiscal year ending June 30, 2011, the Stabilization Fund's balance increased by $709 million as a result of almost $699 million in surplus transfers, $9 million of investment earnings and almost $2 million in statutorily mandated transfers of withholding taxes on certain Lottery proceeds. In accordance with GASB 54 requirements, balances in the Stabilization Fund are classified as committed.

Detail of FY11 ending fund balances is shown in the table below.

Governmental Fund Balances at June 30, 2011
(In Thousands of Dollars)

	Nonspendable Purposes	Restricted Purposes	Committed Purposes	Assigned Purposes	Unassigned Purposes	Totals
General Fund						
General Government	$ -	$ -	$ -	$ -	$ 1,302,309	$ 1,302,309
Stabilization Fund	-	-	1,379,225	-	-	1,379,225
FY12 Appropriations	-	-		371,102	-	371,102
Subtotals, General Fund	**-**	**-**	**1,379,225**	**371,102**	**1,302,309**	**3,052,636**
Commonwealth Transportation Fund						
Transportation-Related Debt	-	19,239	-	-	-	19,239
Other Transportation Purposes	-	-	32,543	-	-	32,543
Subtotals, Commonwealth Transportation Fund	**-**	**19,239**	**32,543**	**-**	**-**	**51,782**
Lottery Funds						
Lottery Operations	-	-	-	2,106	-	2,106
Subtotals, Lottery Funds	**-**	**-**	**-**	**2,106**	**-**	**2,106**
Massachusetts School Building Authority (MSBA)						
Debt Service	-	596,606	-			596,606
Grants to Cities, Towns, and Local School Districts	-	118,303	-	360,402	-	478,705
Other	-	-	1,422	16,852	-	18,274
Subtotals, MSBA	**-**	**714,909**	**1,422**	**377,254**	**-**	**1,093,585**
Federal Grants Fund						
Restricted by Federal Grantors	-	59,584	-	-	-	59,584
Subtotals, Federal Grants Fund	**-**	**59,584**	**-**	**-**	**-**	**59,584**
Other Governmental Funds						
Environmental	-	-	51,725	-	-	51,725
Public Safety	-	-	99,970	-	-	99,970
Health Care	-	-	182,733	-	-	182,733
Child Support	-	55,006	-	-	-	55,006
Workforce Training	-	-	15,621	-	-	15,621
Convention Centers	-	85,296	39,787	-	-	125,083
General Government Capital Projects	-	91,362	-	-	-	91,362
General Government Debt Service	-	152,276	-	-	-	152,276
Highway Capital Projects Fund Deficit	-	-	-	-	(326,306)	(326,306)
Federal Highway Construction Capital Projects	-	-	-	-	(118,806)	(118,806)
Transportation (Federal Grant Anticipation Notes)	-	203,176	-	-	-	203,176
Balances in Expendable Trusts	914	294,207	147,103	-	-	442,224
Other	-	-	69,879	-	(36,009)	33,870
Subtotals, Other Governmental Funds	**914**	**881,323**	**606,819**	**-**	**(481,121)**	**1,007,935**
Totals	**$ 914**	**$ 1,675,055**	**$ 2,020,009**	**$ 750,462**	**$ 821,188**	**$ 5,267,628**

Proprietary Fund Types:

Business-Type Activities account for programs financed in whole or in part by fees charged to external parties for goods and services. Major Proprietary Funds are the Unemployment Compensation Fund, the University of Massachusetts, State Universities and Community Colleges.

Fiduciary Fund Types:

Post-Employment Benefit Trust Funds report resources that are required to be held in trust for the members and beneficiaries of the Commonwealth's post-employment benefit plans. These funds recognize employer and participant contributions in the period when contributions are due, and the Commonwealth has made a formal commitment to provide the contributions via an appropriation. Further information on the significant accounting policies for

post-employment benefit trust funds may be found in note 9 to the basic financial statements.

External Investment Trust Funds account for the portion of pooled cash and pension assets held under the custodianship of the Commonwealth for the benefit of cities, towns and other political subdivisions of the Commonwealth.

Private Purpose Funds account for various gifts and bequests held 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.

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

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

Commonwealth Transportation Fund (CTF), accounts for certain revenues including motor fuels taxes as well as fees, assessments and charges collected for the MassDOT and payments for debt service and program expenses of the department.

Lottery Funds, governmental funds, account for the operations of the State and Arts Lotteries, which primarily finance payments for local aid.

The Massachusetts School Building Authority is presented as a governmental fund. This is comprised of 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, accounts for grants and federal reimbursement programs.

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

The proprietary funds include the following:

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

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

Fund Balances

The Commonwealth does not have a formally adopted minimum fund balance policy. However, most governmental funds cannot end a fiscal year in deficit. Those that are authorized are discussed in note 8 to the basic financial statements, "Individual Fund Deficits."

Reporting Standards

As allowed by GASB statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Commonwealth's proprietary funds follow all GASB pronouncements and those Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Fiscal Year-End

All funds and discretely presented 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 business-type activities and proprietary funds are classified as operating or non-operating and are subclassified 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 and Short-Term 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). MMDT is comprised of two portfolios, a Cash portfolio and a Short Term Bond Fund. Investors in MMDT are not allowed to overdraw their shares. For a complete copy of MMDT's separately issued financial statements, please feel free to contact the Trust's investment adviser at 800-392-6095, or the Office of the State Treasurer's Cash Management Department, at 617-367-9333.

Statutes authorize investment in 2A-7 eligible obligations of the U.S. Treasury, authorized bonds of all states, bankers' acceptances, certificates of deposit, commercial paper rated within the three highest classifications established by Standard & Poor's Corporation and Moody's Commercial Paper Record and repurchase agreements that any of these obligations secure. Cash portfolio investments are carried at amortized cost, which approximates fair value.

Portions of the post-employment benefit trust funds invest in the Pension Reserves Investment Trust (PRIT) Fund, an external investment pool managed by the Pension Reserves Investment Management (PRIM) Board. The State Employees' and Teachers' Public Employee Retirement Systems (PERS) are required to invest in the PRIT Fund and comprise approximately 39.9% and

43.50%, respectively, of the net assets 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.

The Commonwealth's investments, including those of the PRIT Fund, are comprised of investments in marketable securities - primarily domestic and international equities and fixed income securities - as well as non-marketable securities - primarily real estate, venture capital and private equity limited partnerships, hedge fund of funds and other alternative investments. Marketable securities, including the Short-Term Bond Fund component of MMDT, are reported at fair value based upon quoted market prices. Non-marketable securities are reported at estimated fair values as determined by management with input from the PRIM Board and its investment managers. Non-marketable securities comprise approximately 28.4%, 28.4% and 23.4% of the total assets of the State Employees' PERS, Teachers' PERS and the HST, respectively.

The investments of the PRIT are held separately from those of other Commonwealth funds, with the exception of their investments in the MMDT. Security transactions are recorded on the trade date the securities are purchased or sold. The cost of a security is the purchase price or, in the case of assets transferred to PRIT by a Participating or Purchasing System, the fair value of the securities on the transfer date.

MMDT's cash portfolio investments are carried at amortized cost, which approximates fair value. The primary government's and component unit's shares are reported as short-term investments within their respective reporting categories.

Investments of the University of Massachusetts (UMass) are stated at fair value. Annuity contracts represent guaranteed investment contracts and are carried at present value.

E. Receivables

In general, tax revenue is recognized on the government-wide statements when assessed or levied and on the governmental financial statements to the extent that it is both measurable and available, based upon collection experience. If revenue is not received by year–end, receivables are declared. 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 assets.

"Other Receivables" represent amounts due to Commonwealth including Lottery revenues and Higher Education receivables from students, amounts due to the University of Massachusetts from related organizations and other items.

Included in receivables for FY11 are amounts due to the Commonwealth under provisions of the Master Settlement Agreement between 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 declared for $138 million, representing 50% of the amounts estimated to be received in FY11, adjusted for historical trends and included as part of other non-major governmental fund activity.

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.

The MSBA has entered into various loan agreements with municipalities at a 2% interest rate to be received in equal installments through 2033. This program is designed to assist school districts with unanticipated inflationary construction costs over the district's original amount budgeted for a project. The loans outstanding as of June 30, 2011 were $121.2 million, of which $5.9 million is due in FY12. During FY11, the MSBA executed $36.0 million of new loans and collected $6.0 million of scheduled principal payments.

G. Capital Assets

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

Methods used to value capital assets

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

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 ($1,000 for the University of Massachusetts) 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.

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:

Type of Asset	**Estimated Useful Life (in years)**
Buildings	40
Infrastructure - roads, bridges and tunnels	40
Infrastructure - beaches, boardwalks, bikeways, etc.	25
Infrastructure - dams, water and sewer systems	50
Furniture	10
Library collections that are not historical treasures	15
Equipment, office equipment and life safety equipment	10
Computer hardware and software	3 to 7
Vehicles	5

Road and Bridge Assets

Effective November 1, 2009 all road and bridge assets formerly owned by the Commonwealth are owned by MassDOT. The debt incurred for the construction of these assets remains a liability of the Commonwealth.

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.

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.

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 Statement of Net Assets, 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

The Commonwealth, through the MSBA, reimbursed cities, towns and regional school districts for 50% to 90% of approved eligible construction and borrowing costs for school construction and renovation. Under the former building assistance program (prior to the creation of the MSBA) the Commonwealth also continues to reimburse 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 liability for these projects will be reduced over time through annual payments, savings from project audits made by the MSBA and savings from refundings. In addition, the MSBA funds projects on a waiting list either via a lump sum or through progress payments. Each funding method has different eligibility requirements. Lump sum payment projects have a liability that is recognized once construction has started. For progress payment projects, a

liability is generally recognized once a grantee requests reimbursement from the MSBA. Projects not recognized are noted as commitments by the MSBA. The MSBA is committed to paying for its share of projects on the waiting list once communities meet all eligibility requirements for receiving grants. The amount of commitments outstanding for the waiting list projects is $305.4 million and is anticipated to be funded under the progress payment method. New programs have been established by the MSBA under which communities submit monthly requests for reimbursement. As of June 30, 2011, MSBA had $86.7 million commitments outstanding for the new program projects. The Commonwealth appropriates funds to support these commitments on an annual basis.

The Commonwealth recognizes contract assistance on an annual basis due to the Massachusetts Water Pollution Abatement Trust (MWPAT). This assistance is applied as a subsidy to repayments from MWPAT loan borrowers. The expectation is that the assistance will be available for the life of the MWPAT financing agreement. The assistance is drawn from the Commonwealth on a 20-year repayment stream, even if the loan is for a longer period. If there is a differential between the assistance received and the amounts needed for loan subsidies, that amount is invested by MWPAT in an annuitized fashion to be used beyond year 20. If assistance is not provided by the Commonwealth, the MWPAT borrower is obligated for any shortfall.

Accounts payable includes amounts due to vendors of the Commonwealth for goods and services delivered before June 30th but paid for after year-end.

K. Compensated Absences

Compensated absences are recorded as a long-term liability in the statement of net assets. 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, 2011 but paid after the fiscal year end 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.

Portions of Commonwealth sales taxes are pledged as security for bonds issued by the Massachusetts Bay Transportation Authority (MBTA) and the Massachusetts School Building Authority (MSBA). The MBTA receives sales tax revenues equal to 1% of applicable sales, subject to an annual floor set in statute. In FY11, total dedicated sales tax revenue that was directed to the MBTA was approximately $767 million, $112 million more than would have been the case were the dedicated revenue equal to 1% of applicable sales. As a result, in FY11 the MBTA received from the Commonwealth sales tax revenues equal to 1.17% of applicable sales, and is expected to receive approximately this percentage of applicable sales for the foreseeable future. Dedicated revenues to the MBTA increase by the greater of the annual rise in the Boston consumer price index or annual sales taxes, with a floor of 0% and a ceiling of 3%.

The MSBA also receives a pledge of sales tax that, starting in FY11, increased to 1% of applicable sales in the Commonwealth but with no annual floor or ceiling. In FY11, approximately $657 million of the dedicated sales tax revenue stream was directed to the MSBA.

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, 2011, taxes within the Convention Center districts support approximately $639 million of outstanding principal and approximately $526 million of interest on debts related to these Convention Centers. Taxes collected in FY11 were approximately $86.0 million, while debt service on the bonds was approximately $35.4 million.

Finally, as part of the Transportation Modernization Act of 2009, as amended, a further pledge of sales taxes was made. Beginning in FY11, 0.385% of applicable sales and uses on a total tangible property tax rate of 6.25% is dedicated to funding the operations of MassDOT through the Commonwealth Transportation Fund. The Act has a floor amount of $275 million, with a final transfer occurring on or before September 1st of the following fiscal year. In FY11, approximately $302 million in sales tax revenue was transferred to MassDOT, $27 million more than the $275 million minimum. From the Commonwealth Transportation Fund, $160 million was dedicated to funding the operations of the MBTA while an additional $15 million was dedicated to funding the operations of the regional transit authorities.

M. Lottery Revenue and Prizes

Ticket revenues and prizes awarded by the Massachusetts Lottery Commission are recognized as drawings are held. For certain prizes payable in installments, the Commonwealth purchases annuities and principal-only and interest-only treasury strips in the Commonwealth's name, which are recorded as annuity contracts and prizes payable in the agency fund and on the statement of net assets. Though the annuities are in the Commonwealth's name in the case of a default, they are solely for the benefit of the prizewinner. The Commonwealth retains the risk related to such annuities.

N. Risk Financing

The Commonwealth self-insures for employees' workers' compensation, casualty, theft, tort claims and other losses. Such losses, including estimates of amounts incurred but not reported, are included as accrued liabilities in the accompanying financial statements when the loss is incurred. For employees' workers' compensation, the Commonwealth assumes the full risk of claims filed under a program managed by the Human Resources Division. For personal injury or property damages, Massachusetts General Laws limit 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. Net Assets

The Commonwealth reports net assets as restricted where legally segregated for a specific future use by enabling legislation in accordance with GASB Statement No. 46, "*Net Assets Restricted by Enabling Legislation.*" Otherwise, these balances are considered unrestricted.

Net assets have been restricted as follows:

"Restricted for Capital Projects" – identifies funds that can only be used for capital projects under federal tax laws.

"Restricted for unemployment benefits" – identifies amounts solely for the payment of unemployment compensation under federal labor 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 2*O* of Chapter 29 of the Massachusetts General Laws and Chapter 33, 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. Escrows related to crossover refundings are also restricted. Because removal of monies from these restrictions will constitute a technical default to bondholders, the amounts are restricted

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

"Restricted for Nonexpendable purposes" – identifies amounts held as permanent investments for a specific purpose.

As of June 30, 2011, the government-wide statement of net assets reports the following as restricted net assets (amounts in thousands):

Restricted for:	Governmental Activities	Business Type Activities	Government Wide Total
Unemployment benefits	$ -	$ 634,228	$ 634,228
Retirement of indebtedness	1,226,495	-	1,226,495
Expendable Trusts	294,207	-	294,207
Restricted for other purposes including:			
Higher education endowment funds	-	327,133	327,133
Higher education academic support and programs	-	6,034	6,034
Higher education scholarships and fellowships:			
Nonexpendable	-	6,903	6,903
Expendable	-	23,652	23,652
Other nonexpendable purposes	-	29,107	29,107
Capital projects - expendable	-	10,958	10,958
Other	-	326,631	326,631
Total restricted net assets	$ 1,520,702	$ 1,364,646	$ 2,885,348

In the Pension Trust Fund and the External Investment Trust Fund net assets have been restricted for employees' pension benefits. This restriction identifies resources held in trust for the members and beneficiaries of the Commonwealth's pension plans. This category also includes the portion of pooled cash and pension assets held under custodianship of the Commonwealth for the benefit of cities, towns and other political subdivisions of the Commonwealth.

P. Reclassifications

Certain amounts in the separately issued component units' financial statements have been reclassified to conform to the accounting classifications used by the Commonwealth. Due to the provisions of GASB Statement No. 34 (GASB 34) *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, major governmental and proprietary funds presented in a previous year may not be presented as a major fund in the current year. These changes were made because of internal changes in accounting policies.

Q. Estimates

The preparation of the Comprehensive Annual 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.

R. Restatements

Restatements include changes in the beginning balances of various state and community colleges for miscellaneous operations and purposes.

In addition, the beginning balances of certain pension and external investment trust funds have been restated to properly reflect the amount of funds not held by the primary government or its component units.

2. DEPOSITS, SHORT-TERM INVESTMENTS AND INVESTMENTS

Primary Government

The Commonwealth maintains cash in the MMDT Cash portfolio that is available for use by all funds. Each fund type's net equity in the Cash portfolio is displayed in the basic financial statements as "Cash and cash equivalents", and "short-term investments."

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

	Governmental Activities	Business Type Activities	Government Wide Total
Cash and cash equivalents	$ 5,283	$ 530,907	$ 536,190
Short-term investments	3,577,431	353,114	3,930,545
Cash with fiscal agent	445,459	-	445,459
Total	$ 4,028,173	$ 884,021	$ 4,912,194

Lottery Annuity Contracts

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 an obligation of the insurance company and the custodial bank, 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. At June 30, 2011, the Commonwealth held these investments with a face value of approximately $1.9 billion and with a carrying value of approximately $1.4 billion. Over 86% of these amounts are held in United States treasury strips at a custodial bank. No insurance company has an amount of annuities over 3% of the overall portfolio.

MSBA Deposits and Investments

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

As of June 30, 2010, the MSBA held the following deposits and investments which are a component of Governmental Activities above (amounts in thousands):

Cash and cash equivalents	$ 383,914
Cash and cash equivalents held in pooled cash	56,214
Restricted investments	596,606
Total	$ 1,036,734

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. 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.

Custodial Credit Risk – HST

HST manages exposure to custodial credit risk by requiring all of its investment managers to hold investments in separate accounts with HST's custodian. As of June 30, 2011, HST held less than $100,000 in cash that was exposed to this risk.

Custodial Credit Risk – Business-Type Activities

The Institutions of Higher Education and their blended component units have investment policies that may vary by institution and blended component unit for custodial credit risk. Each institution carries deposits that are fully insured by the FDIC, as well as uninsured deposits. As of June 30, 2011, the bank balances of uninsured deposits totaled approximately $149.0 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 uninsured deposits. As of June 30, 2011, all MSBA bank balances were fully protected against loss.

Interest Rate Risk – Non-Post Employment Benefit Trust Funds

Interest rate risk is the extent that changes in interest rates of debt investments will adversely affect the fair value of an investment. 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 market value of securities falling due to changes in interest rates by maintaining a dollar-weighted average portfolio maturity of 60 days or less. The Cash Portfolio's assets are managed to maintain a dollar-weighted average life to maturity of 120 days or less.

As of June 30, 2011, the MMDT Cash Portfolio is considered a cash equivalent by the Commonwealth. During the fiscal year, the fund's dollar-weighted average maturity fluctuated from 31 to 58 days, with an average maturity of 48 days.

Massachusetts General Laws authorize investments in the MMDT Cash Portfolio to include money market funds operated in accordance with Section 270.2a-7 of Title 17 of the Code of Federal Regulations or in any other security that qualifies for inclusion in a fund operated in accordance with the same Section.

Investments in the MMDT are classified as cash and short-term investments above and include the Short Term Bond Fund (the Fund) authorized under General Laws Chapter 29, Section 38. Investments in the Fund are made in investment-grade securities as defined by national statistical rating agencies. The Commonwealth assesses risk for the Fund 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. General Law Chapter 29, Section 49 enumerates the Commonwealth's policy of investments included in the MMDT cash portfolio and other escrows.

The HST manages exposure to fair value loss arising from movements in interest rates with its fixed income investment securities by having the PRIM Board establish duration guidelines. The guidelines with each individual manager require that the effective duration of the HST's domestic fixed investment portfolio be within a specified percentage or number of years of the effective duration band of the appropriate benchmark index. As of June 30, 2011, HST had approximately $64.1 million of debt investments at fair value, which had weighted durations of more than five years and the remaining investments had an effective weight duration from .47 to 9.37 years.

For the Short Term Bond Fund, the weighted average maturity during the fiscal year fluctuated from 3.1 to 3.6 years. As of June 30, 2011, investments in the MMDT Short Term Bond Fund had a fair value of $288.2 million and investment maturities ranging from less than one year to more than ten years and with approximately 6% of the investment's fair values maturing in less than 1 year, approximately 81% from one to five years, approximately 4% from six to ten years and approximately 9% more than ten years.

Interest Rate Risk – Business - Type Activities

As of June 30, 2011, the Institutions of Higher Education and their blended component units had debt investments stated at fair value of approximately $726 million and had investment maturities ranging from less than one year to more than ten years, with approximately 51% of the investment's fair values maturing in less than 1 year, approximately 20% from one to five years, approximately 15% from six to ten years, and approximately 14% more than ten years.

Interest Rate Risk - MSBA

The MSBA's investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses arising from interest rates. As of June 30, 2011, the MSBA had approximately $226.5 million invested in a guaranteed investment contract and approximately $200.7 million invested in U.S. Treasury Bonds. These investments are recorded at fair value. The guaranteed investment contract matures on August 15, 2030 and the Treasury Bonds mature from 2019 to 2039.

Credit Risk –Primary Government

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. 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 Cash Portfolio's assets will be invested only in First Tier and Second Tier Securities as defined by rule 2A-7. The Treasury does not have any additional policies regarding credit ratings of investments. Credit ratings associated with the Commonwealth's investment in MMDT for the cash portfolio ranged from P1 to P2, with approximately 99% rated P1 and approximately 1% rated P2 at fair value.

For the Short Term Bond Fund, investments were approximately 10% at AAA, approximately 14% from A to AA, approximately 15% BBB or below or unrated and approximately 61% held in US Government or Government Agency Obligations. Debt obligations issued or guaranteed by the U. S. Government, U. S. Government Agencies, and U. S. Government – sponsored enterprises are deemed to carry a AAA rating.

For the Institutions of Higher Education and their blended component units presented in the Business-Type Activities, fair values of debt investments were approximately $395 million at AAA, approximately $100 million from A to AA and approximately $231 million either unrated or BBB or less.

Credit Risk - MSBA

The MSBA's investments as of June 30, 2011 were not rated; however, the issuers were rated AA or equivalent.

Credit Risk – HST

For the HST, the weighted quality average rating of the debt securities portfolio, excluding pooled investments, investments explicitly backed by the United States Government and other nonrated investments was AA- at June 30, 2011. For the fixed income securities of $64.1 million as of June 30, 2011 for the HST, approximately $8.2 million was rated AAA, $9.6 million rated AA+ to A-, $14.2 million rated BBB+ to B- and $23.5 million either unrated or CCC+ or less. An additional $8.6 million was explicity backed by the federal government and related AAA.

Foreign Currency Risk – HST

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investments. HST manages exposure to foreign currencies by establishing investment guidelines with each of its international managers. These guidelines set maximum investment balances for any currency and/or country holdings that must be within a certain percentage of predefined benchmarks. HST's investments in foreign currencies and foreign investments

as of June 30, 2011 were approximately $0.3 million in cash and investments, $50.2 million in equities and $3.4 million in fixed income investments An additional $10.3 million was invested in international investment denominated in U. S. dollars.

Interest Rate Risk – PRIT Funds

As pension 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 debt securities investment managers. The guidelines with each individual manager require that the duration of the domestic debt investment portfolio be within a specified percentage or number of years of the duration band of the appropriate benchmark index. For emerging markets fixed income investments, the portfolio must have a duration with a band ranging from three to eight years.

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

The PRIM Board compares the effective duration of a manager's portfolio to the Barclays Capital Aggregate Index for domestic core "fixed income" securities and the Merrill Lynch® High Yield Master II Index for domestic high yield fixed income securities. The PRIT Fund had fixed income and short-term investments totaling approximately $11.8 billion at fair value with an effective weighted average duration range from 0. 08 to 9.69 years at June 30, 2011.

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 market value range of securities to be held with a specific minimum credit rating and the overall weighted average credit rating of the portfolio.

Credit risk for derivative instruments held by PRIT results from counterparty risk. PRIT is exposed to credit risk resulting from counterparties being unable to meet their obligations under the terms of the derivative agreements. The weighted average quality rating of the debt securities portfolio, excluding pooled investments, investments explicitly backed by the United States Government and other nonrated investments was AA- at June 30, 2011.

Credit ratings associated with the Commonwealth's investment in the PRIT Fund ranged from AAA to A- investments with a fair value of approximately $4.0 billion, BBB+ to B- investments with a fair value of approximately $1.5 billion, $0.02 billion rated CCC+ to C-, $3.5 billion are unrated and the remaining $2.6 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, 2011 were approximately $213 million in cash and investments, $12.6 billion in equities, $711 million in fixed income investments and $1.2 billion in private equity investments. An additional $3.1 billion is invested in international investments denominated in U. S. dollars.

Concentration of Credit Risk – HST and PRIT

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

MMDT, HST and PRIT have no investments at fair value that exceed 5% of HST or PRIT's net assets held in trust for pool participants as of June 30, 2011.

A. Derivative Instruments

HST and PRIT may invest in derivative transactions. In accordance with GASB 53, HST and PRIT's derivatives are accounted for as investment derivatives and are reported at fair value.

Forward Currency Contracts

The HST and PRIT enter into forward currency contracts to hedge the exposure to changes in foreign currency exchange rates on foreign portfolio holdings. The market value of the 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 market value is recorded as an unrealized gain or loss by HST and PRIT.

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

As of June 30, 2011, HST had open foreign exchange contracts with combined net unrealized losses of approximately $7.5 million with various delivery dates from July to September. As of June 30, 2011, PRIT had open foreign exchange contracts with combined net unrealized losses of $6.1 million with various delivery dates.

Futures Contracts

The HST and 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 primarily corresponds with 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 HST and 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.

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

The HST held 87 financial futures contracts at June 30, 2011, with various expirations during FY12 to FY14. These contracts were mainly for Eurodollars, US Treasury securities and in the S&P 500 E-Mini Index. The total notional amount of these contracts as of June 30, 2011 was approximately $18.8 million, with an aggregated fair value as of that date of approximately $18.9 million, yielding an unrealized net gain of $68,288.

PRIT held 15,791 contracts outstanding at June 30, 2011 with various expirations from FY12 to FY14. 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, 2011 was approximately $2.568 billion with a fair value of $2.620 billion, yielding an unrealized net gain of approximately $52.4 million.

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

Swaps – PRIT

PRIT has entered into swap agreements to gain exposure to certain markets and actively hedge other exposures to market and credit risk. The swap contracts are reported at fair value, which represents their estimated liquidation values (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. Variable-rate interest is paid or received based on various interest rate indicies with fixed rates paid ranging from 0.08% to 8.95%. Changes in fair value are included as part of investment income.

As of June 30, 2011, PRIT had contracts in effect with an aggregated notional amount of approximately $829.7 million to various investment banks that had maturity dates from FY12 to FY46. The contracts have an aggregate fair value loss of $22.0 million. PRIT values these contracts using standard methods and techniques including the discounted cash flow analysis and option pricing models.

PRITs counterparty exposure was with various major investment companies with ratings ranging from A to A+ and various other banks with other ratings. Open swap contracts as of June 30, 2011 were as follows (amounts expressed in thousands):

2011

		Interest Rate Swaps		Credit Default Swaps		Total Return Swaps	
Counterparty	**Credit Ratings**	**Gross Notional**	**Fair Value**	**Gross Notional**	**Fair Value**	**Gross Notional**	**Fair Value**
Goldman Sachs International	A+	$ 40,992	$ (788)	$ 36,580	$ (320)	$ -	$ -
Credit Suisse	A	34,255	262	10,100	(59)	-	-
J.P. Morgan Securities Inc.	A+	39,136	416	11,700	69	-	-
Deutsche Bank Securities Inc.	A+	51,118	618	41,945	154	23,310	22
Bank of America Corp	A	51,900	(6,069)	21,000	(1,419)	69	4,968
Citibank	A	21,600	(607)	50,586	2,144	-	-
Barclays Global Investors	A+	29,700	207	30,338	174	-	-
Morgan Stanley Capital	A	19,319	(247)	87,075	1,717	-	-
UBS Financial Services, Inc.	A+	16,800	(551)	30,549	(22)	-	-
All others	Various	74,597	(1,214)	39,880	593	67,163	(22,088)
		$ 379,417	$ (7,973)	$ 359,753	$ 3,031	$ 90,542	$ (17,098)

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 for those component units.

C. Component Unit Swapped Debt

At June 30, 2011, the interest rate swap held by MassDOT, with aggregate fair value liability of approximately $375.0 million. For complete details, see separately issued MassDOT financial statements.

3. RECEIVABLES

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

Primary Government	Taxes Receivable	Federal Grants and Reimbursements	Loans	Other Receivables	Total
Governmental receivables	$ 5,518,259	$ 1,836,902	$ 122,094	$ 1,665,681	$ 9,142,936
Business-type activity receivables	-	85,079	55,662	663,651	804,392
Less: allowance for uncollectibles	(2,015,166)	(35,851)	-	(1,292,296)	(3,343,313)
Receivables, net of allowance for uncollectibles	3,503,093	1,886,130	177,756	1,037,036	6,604,015
Less: current portion:					
Governmental activities	(2,602,996)	(1,736,634)	(6,784)	(301,339)	(4,647,753)
Business-type activities	-	(85,079)	(42,950)	(610,308)	(738,337)
Noncurrent receivables	$ 900,097	$ 64,417	$ 128,022	$ 125,389	$ 1,217,925

4. RECEIVABLES, PAYABLES AND TRANSFERS BETWEEN FUNDS

The purposes of receivables, payables and transfers between funds vary by legislative authority. Transfers include the following: intergovernmental services, fringe benefit cost assessments, the year-end stabilization transfer, certain license fees collected by the registry of motor vehicles that fund various highway project initiatives, fund closure transfers, transfers from stabilization to fund current operations 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):

	General	Commonwealth Transportation	Lotteries	Federal Grants	Other Governmental Funds	Total
Governmental funds:						
Transfers In:						
Debt service	$ -		$ -	$ -	$ 1,897,801	$ 1,897,801
Transfers in	1,891,651	5,405	-	-	2,291,262	4,188,318
Subtotal	1,891,651	5,405	-	-	4,189,063	6,086,119
Transfers Out:						
Appropriations	(880,663)	-	-	-	(3,162)	(883,825)
Transfer of bond proceeds	-	-	-	-	(143,205)	(143,205)
Debt service	(860,114)	(803,762)	-	-	(233,925)	(1,897,801)
Transfers out	(1,697,981)	(137,917)	(976,534)	(126,928)	(1,082,832)	(4,022,192)
Subtotal	(3,438,758)	(941,679)	(976,534)	(126,928)	(1,463,124)	(6,947,023)
Total governmental funds	**(1,547,107)**	**(936,274)**	**(976,534)**	**(126,928)**	**2,725,939**	**(860,904)**

Proprietary Funds:	University of Massachusetts	State Universities	Community Colleges			Total
Transfers In:						
Transfers in from the General Fund and Other governmental funds	$ 478,204	$ 246,500	$ 302,326			$ 1,027,030
Transfers Out:						
Transfers out to the General Fund	(106,521)	(30,276)	(29,329)			(166,126)
Total proprietary funds	**371,683**	**216,224**	**272,997**			**860,904**
Net transfers in / (out) between funds	**$ (1,175,424)**	**$ (720,050)**	**$ (703,537)**	**$ (126,928)**	**$ 2,725,939**	**$ -**

Remaining receivables and payables between funds as of June 30, 2011 largely occur due to the timing of accruals and the funding of escrows. The University also reported unremitted benefits costs as of June 30, 2011. 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, 2011:

Receivable Fund	Payable Fund	Amount
Governmental Funds:		
General	Federal Grants……..…....	$ 35,518
	Nonmajor Governmental Funds……	73,863
Non-major Governmental Funds	Nonmajor Governmental Funds……	72,910
**Total Governmental Funds……..		**$ 182,291**
Governmental Funds:	**Proprietary Funds:**	
General	University of Massachusetts……	12,046
**Total amounts due……		**$ 194,337**

Central Artery/Tunnel Project

Under the Transportation Reform Act implemented during FY11, the assets of the Central Artery/Tunnel project and responsibility for operations and maintenance were transferred to MassDOT (refer to discussion in Note 1a).

5. CAPITAL ASSETS

Capital asset activities for the fiscal year ended June 30, 2011 were as follows (amounts in thousands):

Primary Government Governmental Activities	July 1, 2010 Beginning Balance	Increases	Decreases and Reclassifications	June 30, 2011 Ending Balance
Capital assets not being depreciated:				
Land	$ 892,380	$ 26,520	$ (152,066)	$ 766,834
Construction in process	452,988	329,466	(45,222)	737,232
Total capital assets not being depreciated	1,345,368	355,986	(197,288)	1,504,066
Capital assets being depreciated:				
Buildings	5,046,708	158,643	(227,256)	4,978,095
Machinery and equipment	881,485	88,207	(21,684)	948,008
Infrastructure non - Central Artery / Tunnel Project	272,159	11,847	(4,215)	279,791
Total capital assets being depreciated	6,200,352	258,697	(253,155)	6,205,894
Less, accumulated depreciation:				
Buildings	(2,759,768)	(99,735)	142,802	(2,716,701)
Machinery and equipment	(579,812)	(81,518)	8,283	(653,047)
Infrastructure non - Central Artery / Tunnel Project	(207,481)	(6,036)	719	(212,798)
Total accumulated depreciation	(3,547,061)	(187,289)	151,804	(3,582,546)
Total capital assets being depreciated, net	2,653,291	71,408	(101,351)	2,623,348
Governmental activity capital assets, net	$ 3,998,659	$ 427,394	$ (298,639)	$ 4,127,414
Business - Type Activities				
Capital assets not being depreciated:				
Land	$ 101,249	$ 15,935	$ (46)	$ 117,138
Construction in process	462,301	524,552	(277,010)	709,843
Historical treasures	863	-	-	863
Total capital assets not being depreciated	564,413	540,487	(277,056)	827,844
Capital assets being depreciated:				
Buildings	4,851,716	417,903	(9,532)	5,260,087
Machinery and equipment	950,267	51,835	(23,213)	978,889
Library collections, not including historical treasures	131,571	9,903	(10,564)	130,910
Total capital assets being depreciated	5,933,554	479,641	(43,309)	6,369,886
Less, accumulated depreciation:				
Buildings	(2,135,907)	(171,605)	1,110	(2,306,402)
Machinery and Equipment	(663,545)	(67,584)	21,359	(709,770)
Library collections, not including historical treasures	(21,529)	(395)	1,739	(20,185)
Total accumulated depreciation	(2,820,981)	(239,584)	24,208	(3,036,357)
Total capital assets being depreciated, net	3,112,573	240,057	(19,101)	3,333,529
Business - type activity capital assets, net	$ 3,676,986	$ 780,544	$ (296,157)	$ 4,161,373
Total Primary Government capital assets, net	**$ 7,675,645**	**$ 1,207,938**	**$ (594,796)**	**$ 8,288,787**

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

Function:		Amount
General government	$	54,177
Judiciary		22,671
Energy and environmental		15,058
Health and human services		43,540
Early elementary and secondary education		111
Public safety and homeland security		50,393
Housing and economic development		69
Labor and workforce development		1,270
Total depreciation	$	187,289

6. SHORT-TERM FINANCING AND CREDIT AGREEMENTS

Massachusetts General Laws authorize the Treasurer to issue temporary notes in anticipation of revenue or bond financing. When this short-term borrowing does not meet long-term financing criteria, it is classified as a fund liability. Short-term borrowing may be issued as fixed rate notes or through a commercial paper program supported by bank liquidity facilities maintained by the Commonwealth.

A. *Credit Facilities*

The balance of revenue anticipation notes (RANs) and commercial paper outstanding may fluctuate during a fiscal year, but all short-term borrowing for cash flow purposes must be reduced to zero by June 30. During FY11, the Commonwealth borrowed by selling $346 million in commercial paper in anticipation of long-term financing that remained outstanding for approximately three months. In terms of short-term borrowing for cash flow purposes, the Commonwealth borrowed $1.2 billion by selling RANs. All of the $1.2 billion in RANs were retired in April, May and June of 2011.

B. *Credit Facilities*

During FY11, the Commonwealth maintained credit facilities to provide liquidity support for commercial paper notes totaling $200 million to $600 million. The Commonwealth started fiscal 2011 with a total of three credit facilities to provide such liquidity support, each in the amount of $200 million. These facilities expire in periods at various times. In addition, the Commonwealth maintained standby bond purchase agreements for various bond issuances sold from FY97 through FY06 in the form of Variable Rate Demand Bonds. As of June 30, 2011, these agreements totaled $1.8 billion.

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

	Beginning Balance July 1, 2010	Issued / Drawn	Redeemed / Repaid	Ending Balance June 30, 2011	Credit Limit June 30, 2011
General Fund:					
Revenue anticipation notes	$ -	$ 1,200,000	$ (1,200,000)	$ -	$ -
Commercial paper	-	346,000	(346,000)	-	-
Lines of Credit		-		-	1,815,450
Total short-term financing and credit agreement activity	-	1,546,000	(1,546,000)	-	1,815,450
Total primary government	$ -	$ 1,546,000	$ (1,546,000)	$ -	$ 1,815,450

7. LONG-TERM OBLIGATIONS

Under the Massachusetts Constitution, the Commonwealth may borrow money (a) for defense, (b) in anticipation of receipts from taxes or other sources, any such loan to be paid out of the revenue of the year in which the loan is made, or (c) by a two-thirds vote of the members of each house of the Legislature present and voting thereon. The Constitution further provides that borrowed money shall not be expended for any other purpose than that for which it was borrowed or for the reduction or discharge of the principal of the loan. In addition, the Commonwealth may give, loan or pledge its credit to another entity by a two-thirds vote of the members of each house of the Legislature. The Legislature may not in any manner allow the Commonwealth credit to be given or loaned to or in aid of any individual, or of any private association, or of any corporation, which is privately owned or managed.

The Commonwealth has waived its sovereign immunity and consented to be sued on contractual obligations, including bonds and notes issued by it and all claims with respect 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 can not file for bankruptcy under the United States Bankruptcy code.

As of June 30, 2011, 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 the Commonwealth's indebtedness, are backed by the full faith and credit of the Commonwealth.

Special obligation bonds are bonds secured by all or a portion of a specific revenue source and are not general obligations of the Commonwealth. The following is a summary of the Commonwealth's outstanding debt (excluding unamortized discounts and premiums), exclusive of capital leases, (amounts in thousands):

Type of Bond	Amount Outstanding
General Obligation Bonds	$ 18,820,409
Special Obligation Bonds, including GANs	2,389,724
Outstanding Commonwealth Bonds	21,210,133
MSBA debt	4,590,912
Total Governmental Activity debt	25,801,045
Less:	
Unamortized premiums and bond issuance costs on Commonwealth debt	(335,078)
Unamortized premiums on MSBA debt	(195,522)
Total Governmental Activity net of unamortized premiums debt	$ 25,270,445

General obligation (GO) bonds include not only such bonds, but also includes obligations for Build America Bonds (BABs) for $2.1 billion, and college opportunity bonds as well as debt assumed from former counties. Special obligation bonds include all notes and bonds secured by federal transportation reimbursements, a portion of the Commonwealth's motor fuel excise tax and bonds secured by certain taxes and fees levied.

The following is a table of the structure of general obligation bonds, (net of unamortized premiums and bond issuance cost of $303.6 million) that are outstanding as of June 30, 2011:

General Obligation Bonds	Amount	Percent of
Fixed Rate Bonds	$ 14,922,160	81%
Variable Rate Bonds	3,594,600	19%

The following is a table of the different types of variable rate general obligation bonds:

Variable Rate GO Bonds	Amount Outstanding	Percent of Total GO
Variable Rate Demand Bonds	$ 1,615,450	9%
Auction Rate Securities	401,500	2%
CPI-Index Bonds	197,455	1%
LIBOR Index Bonds	845,795	4%
SIFMA Index Bonds	534,400	3%

The following is a table of the different type of special obligation bonds currently outstanding:

Special Obligation Bonds	Amount Outstanding
Special Obligation Dedicated Tax Revenue Bonds	
Fixed Rate Convention Center Bonds	$ 557,125
CPI Variable Rate Convention Center Bonds	86,590
Total Convention Center Bonds	643,715
Special Obligation Revenue Bonds	
Fixed Rate Gas Tax Bonds	285,534
CPI Variable Rate Gas Tax Bonds	96,490
Total Gas Tax Bonds	382,024
Special Obligation Revenue Bonds	
Accelerated Bridge Program	573,138
Special Obligation Federal Highway Grant	
Anticipation Notes and Accelerated Bridge Program	790,847
Total Special Obligation Bonds	2,389,724
Less: Unamortized Premiums and bond issuance costs, net	(31,429)
Outstanding Special Obligation Principal	$ 2,358,295

A. *General Obligation Bonds*

General Obligation Bonds are authorized and issued primarily to provide funds for Commonwealth capital projects and Commonwealth supported local government improvements. The Commonwealth borrows by selling general obligation bonds and notes pursuant to Chapter 29 of the General Laws. The responsibility to borrow is statutorily delegated to the Office of the State Treasurer and Receiver-General, pursuant to Chapter 29. General obligation bonds are backed by the full faith and credit of the Commonwealth and are paid from the Governmental Funds, from which debt service principal and interest payments are appropriated. Massachusetts General Laws provide for the allocation of bond proceeds to bond authorizations and capital spending in arrears, as expenditures are made, unless the proceeds are allocated at the time of issuance.

In addition, certain bonds are issued for specific programs approved by the Legislature. These bonds are known as College Opportunity Bonds. As of June 30, 2011, the Commonwealth had outstanding approximately $142 million in variable "U. Plan" bonds (at accreted value), sold in conjunction with a college savings program administered by the Massachusetts Educational Facility Authority (MEFA). These bonds bear deferred interest at a rate equal to the percentage change in the consumer price index plus 2% together with current interest at the rate of 0.5%.

In terms of bond structure, the large majority of general obligation bonds have been sold as fixed rate obligations. As of June 30, 2011, approximately 81% of the Commonwealth's outstanding GO debt is fixed-rate bonds. The remaining 19% of outstanding GO debt is 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 variable rate structures. Most of the outstanding variable rate debt are variable rate demand bonds or VRDBs, or long-term bonds whose interest rates re-set daily or weekly through a remarketing process. Because these bonds offer bondholders a "put" or tender feature, they are supported by standby liquidity facilities provided by commercial banks which require the applicable bank to purchase any bonds that are tendered and not successfully remarketed. As of June 30, 2011, the Commonwealth had $1.6 billion in outstanding VRDBs. This accounts for

approximately 9% of total general obligation debt and approximately 45% of total general obligation variable-rate debt. All of these bonds are uninsured. As of June 30, 2011, none of the Commonwealth's outstanding VRDBs have been subject to failed remarketing and "put" back to the banks' liquidity providers; consequently, there have not been any draws on a liquidity facility.

The Commonwealth has also issued general obligation variable-rate debt in the form of auction-rate securities. Like VRDBs, these are long-term bonds whose interest rates are re-set at pre-determined, short-term intervals. Unlike VRDBs, these bonds do not provide bondholders with a put feature and therefore do not require a supporting credit facility. The Commonwealth's auction-rate securities have long-term nominal maturities of over 20 years with interest rates re-set every seven days. A periodic "Dutch auction" process is designed to provide a mechanism of liquidity to bondholders, with bonds re-priced and traded in auctions managed by broker-dealers.

Beginning in February 2008, and continuing through fiscal 2011, several auctions of the Commonwealth's outstanding auction rate securities experienced auction failure, meaning there were insufficient bids from investors to purchase the securities being offered for sale by existing bondholders. Upon auction failure, the interest rate paid to bondholders is the failure rate as specified in the bond documents. For the four series of Commonwealth bonds whose auctions have experienced failed auctions (approximately $401 million in total outstanding debt obligations, including Commonwealth of Massachusetts General Obligation Bonds, Series 2000 D, 2000 E, 2000 F, and 2000 G), the failure rate is based on a multiple of the non-financial commercial paper rate, with a maximum failure rate of 12%. The failed auctions have resulted in interest costs that were consistently below budgeted debt service levels of 5%.

The remaining outstanding GO variable-rate debt pays interest to bondholders based on certain indices. For example, as of June 30, 2011, the Commonwealth had approximately $197 million of bonds that pay interest based on the consumer price index (CPI), $846 million of bonds that pay interest based on the three-month London interbank offered rate (LIBOR) and $534 million of bonds that pay interest based on the Securities Industry and Financial Markets Association (SIFMA) Index. These bonds make up approximately 1%, 4% and 3% of total outstanding general obligation indebtedness, respectively.

To fund the fiscal 2011 capital budget, the Commonwealth borrowed by issuing $2.06 billion in long-term general obligation bonds, $1.55 billion of which was for new-money needs, with the remainder for refunding already existing debt in two separate refunding and restructuring transactions. The first refunding transaction, which also included debt restructuring mandated by the Legislature, resulted in FY11 budgetary savings, but increased debt service by $19.5 million over the life of the debt at a present value cost of $1.7 million. The second refunding resulted in reduced debt service of $14.1 million and a present value savings of $11.2 million over the life of the debt. Of the new money issues, $708 million was issued as Build America Bonds (BABs). The BABs program is a temporary bond program authorized by the federal government as part of the 2009 America Recovery and Reinvestment Act (ARRA). Under the BABs program, issuers borrow by selling bonds into the taxable bond market and receive in return a subsidy from the federal government equal to 35% to 45% (depending on whether the proceeds are used for projects in economically distressed areas) of the interest costs on the bonds. Given market conditions at the time of the Commonwealth's two 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, and unless the program is reauthorized by the federal government, no additional BABs will be issued.

MSBA Debt

As of June 30, 2011, the MSBA had outstanding approximately $4.4 billion of Dedicated Sales Tax bonds, plus approximately $195 million of unamortized premiums for the purpose of funding school construction and renovation projects. Interest on the bonds ranges from 4.0% to 6.0% and is payable semiannually each August 15 and February 15, until maturity in FY40.

B. *Special Obligation Bonds*

Commonwealth Transportation Fund (CTF)

During FY11, the Commonwealth issued $576 million in special obligation bonds for highway construction purposes under the Commonwealth's Accelerated Bridge Program, secured by Commonwealth motor fuels taxes and Registry of Motor Vehicle fees. The new bonds are secured by a senior lien on 14.1085 cents of the total 21 cent per gallon gasoline tax, the full 21 cents per gallon of special fuels taxes (comprised primarily of taxes on diesel fuel), the full 19.1% of the average price per gallon tax on liquefied natural gas, and all Registry of Motor vehicle fees deposited in the Commonwealth Transportation Fund. The bonds also have a subordinate lien on 6.86 cents of the 21 cent per gallon gasoline tax not included in the senior lien. These new bonds were issued under the federal Build America Bonds program, whereby states are reimbursed by the federal government for 35% of the bonds' interest costs. A portion of the bonds, $156.4 million, was also designated as Recovery Zone Economic Development Bonds, which entitles the Commonwealth to receive a 45% subsidy from the federal government.

As of June 30, 2011, approximately $576 million in principal was outstanding on these bonds and approximately $450 million of interest (net of the federal subsidy) was expected to be paid through maturity. The bonds mature from FY24 to FY40.

Other special obligation bonds for highway construction purposes issued prior to FY11 are secured by a pledge of 6.86 cents of the 21 cents per gallon gasoline tax. As of June 30, 2011, bonds secured by these pledged funds totaled approximately $377 million of principal and approximately $111 million in interest. These bonds mature from FY12 to FY23 and were sold in various series issued prior to FY11. Principal and interest paid during FY11 amounted to approximately $37 million and $22 million, respectively.

Convention Center Fund

Chapter 152 of the Acts of 1997, as amended, authorizes $694.4 million of special obligation bonds to be issued for the purposes of building a new convention center in Boston ($609.4 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 such 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 legislation 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, 2011, taxes within the Convention Center districts support approximately $639 million of outstanding principal and approximately $526 million of interest on debts related to these Convention Centers. Taxes collected in FY11 were approximately $86.0 million, while debt service on the bonds was approximately $34.5 million.

C. *Federal Grant Anticipation Notes*

Approximately $3.0 billion in revenues from federal grants passed through the Federal Grants Fund in FY11 and represents the greatest source of dedicated revenues. (In addition, in conformance with GASB accounting standards, approximately $1.3 billion in food stamp benefit payments made directly to beneficiaries are shown in the Federal Grants Fund, but these payments do not pass through the Commonwealth's accounting system.) A portion of these grants is dedicated to funding the principal portion only of federal grant anticipation notes issued in fiscal 1998, 1999, 2001, 2011 and refunding notes in fiscal 2003 and fiscal 2011. In FY11, the Commonwealth issued federal grant anticipation notes (GANS) totaling $480.5 million – $100 million for new-money needs under the Commonwealth's Accelerated Bridge Program, and $380.5 million to refund previously issued debt. The $100 million in GANS for the Accelerated Bridge Program are subordinate to the outstanding GANS, but also have pledged to their payment Commonwealth Transportation Fund revenues in excess of those needed for the payment of debt service for the $576 million in Special Obligation Bonds described in section C of this note. The refunding transaction resulted in an aggregate debt service savings of $11.8 million over the life of the refunded debt and an economic savings of $11.4 million over the life of the refunded debt. The Commonwealth intends to begin repayments of the principal of the new-money notes beginning in fiscal 2016, after the original and refunded GANS have been paid in full. As of June 30, 2011, total principal remaining to be paid on (GANs) is approximately $767 million. Maturities are from FY12 through FY23. Debt service paid during FY11 was approximately $189 million.

The legislation authorizing such notes contains a statutory covenant that as long as any such grant anticipation notes 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 grant anticipation notes have been met. If the United States Congress reduces the aggregate amount appropriated nationwide to less than $17.1 billion and debt service coverage with respect to the notes falls below 120%, then the legislation further pledges an additional 10¢ per gallon of existing motor fuel tax collections will be deposited into the trust fund, to be used for debt service on the notes, subject to legislative appropriation. Principal amortization of the notes began in fiscal 2006 and will continue through fiscal 2015. Under the trust agreement securing the notes, aggregate annual debt service on grant anticipation notes may not exceed $216 million unless the rating agencies rating the notes confirm that exceeding $216 million in annual debt service will not cause them to withdraw or reduce their credit ratings. Such notes and the interest thereon are secured solely 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. *Interest Rate Swap Agreements – Objectives and Risks*

The Commonwealth has entered into interest rate swap agreements for the sole purpose of hedging changes in the interest rates on a portion of its outstanding variable rate bonds, taking advantage of the fact that these bonds, combined with interest rate swaps, generally result in lower interest costs than fixed-rate bonds. Of the Commonwealth's variable-rate debt outstanding of approximately $3.6 billion (or approximately 20% of total general obligation debt), approximately $3.4 billion were synthetically fixed via floating-to-fixed interest rate swap hedge agreements. The remaining variable-rate debt of approximately $352 million, or approximately 2% of the total outstanding general obligation debt, is un-hedged and, accordingly, floats with interest rates reset on a daily or weekly basis.

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

Objective of the Interest Rate Swap Agreements

In connection with the issuance of variable rate GO refunding bonds in 1997, 1998, 2001, 2003, 2005, and 2007, the Commonwealth entered into interest rate swap agreements with certain counterparties to hedge against the volatility of the market interest rates. Additional swap agreements were entered into to hedge this volatility on certain special obligation bonds, including the Series 2005 Special Obligation Tax Revenue (Gas Tax) Bonds and the Series 2004 Special Obligation Dedicated Tax Revenue (Convention Center) Bonds. In addition, a floating-to-fixed rate swap agreement was transferred to the Commonwealth from the Route 3 North Transportation Improvements Association (secured by Commonwealth Contract Assistance) in November 2008 after the lease revenue bonds associated with that swap experienced remarketing failure. The swap was assigned to a portion of the Commonwealth's previously unhedged variable rate bonds that were outstanding.

The intended effect of these agreements is essentially to fix the Commonwealth's interest rate obligations with respect to its variable-rate bonds in order to hedge or mitigate the Commonwealth's exposure to changes in interest rates on these bonds. For example, during a period when interest rates rise, the Commonwealth would receive higher payments from swap counterparties that would be used to offset higher payments to bondholders of the outstanding variable rate bonds. During a period when interest rates decline, the reduction in interest payments to bondholders would offset the higher payments made to swap counterparties. But in both scenarios, the net obligation of the Commonwealth is essentially fixed through the life of the swap and bonds. This allows the Commonwealth to finance its capital budget using floating rate bonds, which, combined with interest rate swaps are less costly than fixed-rate bonds while hedging the risk of rising interest rates on those bonds to provide long-term budget certainty. As of June 30, 2011, all of the Commonwealth's interest rate swaps were floating-to-fixed rate agreements and

were deemed effective hedges, as provided for in GASB Statement No. 53.

Terms of the Interest Rate Swap Agreements

The bonds and related swap agreements have final maturities ranging from 2013 to 2037. The swaps' total notional value of approximately $3.4 billion effectively matches the par amount of the related variable-rate bonds.

Under the swap agreements, the Commonwealth pays the relevant counterparties fixed rates ranging from 3.333% to 5.25% and receives variable-rate payments equal to or approximately equal to the amount of variable rate payments the Commonwealth pays on the related variable-rate refunding bonds or a payment based on a market index.

Credit Risk of the Interest Rate Swap Agreements

As of June 30, 2011, the Commonwealth is not exposed to credit risk because the swaps had a negative fair value. Should interest rates change and the fair value of the swaps become positive, the Commonwealth would be exposed to credit risk in the amount of the swap's fair value. All of the Commonwealth's counterparties are required to post collateral in certain circumstances. The Commonwealth is not required to post collateral in any of its existing swap agreements.

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

Associated Bond Issue	Notional Amounts Outstanding (thousands)	Terms: Effective Date	Terms: Fixed Rate Paid (Range)	Terms: Variable Rate Received	Fair value at June 30 2011	Fair value at June 30 2010	Change in Fair Value	Final Termination Date	Counterparty	Counterparty Credit Rating
General Obligation Bonds:										
Series 1997B	$ 162,768	8/12/1997	4.659%	Cost of Funds	$ (12,344)	$ (16,634)	$ 4,290	August 1, 2015	Goldman Sachs Mit Mar Der Prod	Aa1 / AAA / NA
Series 1997B	108,512	9/1/2010	4.659%	SIFMA	(8,080)	(10,813)	2,733	August 1, 2015	Sumitomo Mitsui Banking Corp	Aa2 / A+ / A
Series 1998A	177,884	9/17/1998	4.174%	Cost of Funds	(14,812)	(18,008)	3,196	September 1, 2016	Citi Swapco, Inc	Aaa / AAA / AAA
Series 1998A, Series 2006A, Series 2000A, & Series 2000B	266,826	11/17/2008	4.174%	60% 1-Month LIBOR + 25 basis points	(22,466)	(28,367)	5,901	September 1, 2016	Deutsche Bank AG	Aa3 / A+ / AA-
Series 2000A	106,675	8/16/2007	3.942%	SIFMA - 3 basis points	(12,401)	(12,535)	134	August 1, 2018	Merrill Lynch Cap Svcs	A2 / A / A+
Series 2000A	53,575	8/16/2007	3.942%	SIFMA - 3 basis points	(6,069)	(6,135)	66	August 1, 2018	Bear Stearns Fin Prod / JP Morgan	Aa1 / AA- / AA-
Series 2001B & C	496,225	2/20/2001	4.150%	Cost of Funds	(65,765)	(67,728)	1,963	January 1, 2021	Morgan Stanley Der Prod	Aa3 / AAA / NA
Series 2003B	87,455	3/12/2003	4.500%	CPI-based formula	(1,068)	(3,553)	2,485	December 1, 2014	Goldman Sachs Mit Mar Der Prod	Aa1 / AAA / NA
Series 2003B	10,000	10/8/2008	4.500%	CPI-based formula	(84)	(286)	202	December 1, 2013	Deutsche Bank AG	Aa3 / A+ / AA-
Series 2010A & 2011A (refunding)	532,515	3/15/2005	3.333% - 4.004%	SIFMA	(57,029)	(60,398)	3,369	February 1, 2028	Citibank N.A.	A1 / A+ / A+
Series 2006B, Series 2000D	294,000	4/2/2009	4.515%	67% 3-MonthLIBOR	(70,852)	(82,056)	11,204	June 15, 2033	Barclays Bank PLC	Aa3 / AA- / AA-
Series 2006C	100,000	1/1/2007	3.73%-3.85%	CPI-based formula	(646)	(5,246)	4,600	November 1, 2020	Citibank N.A.	A1 / A+ / A+
Series 2007A	400,000	10/8/2008	4.420%	67% 3-Month LIBOR + 0.57%	(39,950)	(47,098)	7,148	May 1, 2037	Barclays Bank PLC	Aa3 / AA- / AA-
Series 2007A (refunding)	414,130	10/8/2008	4.083%	67% 3-Month LIBOR + 0.55%	(53,448)	(62,812)	9,364	November 1, 2025	Bank of NY Mellon	Aaa / AA / AA-
Series 2007A (refunding)	31,665	10/8/2008	3.936%	67% 3-Month LIBOR + 0.46%	(3,896)	(4,390)	494	November 1, 2020	Deutsche Bank AG	Aa3 / A+ / AA-
Subtotal	3,242,230				(368,910)	(426,059)	57,149			
Special Obligation Dedicated Tax Revenue Bonds										
Series 2004 (Convention Ctr)	28,863	6/29/2004	4.45% - 5.25%	CPI-based formula	(1,281)	(2,831)	1,550	January 1, 2018	Goldman Sachs Cap Markets	Aa3 / A / A+
Series 2004 (Convention Ctr)	28,863	6/29/2004	4.45% - 5.25%	CPI-based formula	(550)	(3,373)	2,823	January 1, 2018	JPMorgan Chase Bank	Aa1 / AA- / AA-
Series 2004 (Convention Ctr)	28,864	6/29/2004	4.45% - 5.25%	CPI-based formula	(1,527)	(3,373)	1,846	January 1, 2018	Bear Stearns / JP Morgan	Aa3 / A+ / AA-
Series 2005A (Gas Tax)	96,490	1/12/2005	4.771% - 5.059%	CPI-based formula	(3,602)	(7,939)	4,337	June 1, 2022	Merrill Lynch Cap Serv	A2 / A / A+
Subtotal	183,080				(6,960)	(17,516)	10,556			
Total	$ 3,425,310				$ (375,870)	$ (443,575)	$ 67,705			

Fair value of the Interest Rate Swap Agreements

The aggregate fair value balance of interest rate swaps at June 30, 2011 is negative $376 million and is reflected on the statement of net assets as a liability for derivative instruments which is offset by deferred outflows from derivative instruments. The fair values of the interest rate swaps are estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. Because all of the interest rate swaps were deemed effective hedges, changes in fair value of the interst rate swaps during the fiscal year ended June 30, 2011 were recognized as deferred outflows resulting in no impact on the Statement of Activities.

If all the Commonwealth's swap agreements had been terminated as of the end of fiscal year 2011 the Commonwealth would have been required to make a payment of this magnitude. Although the Commonwealth has the option of terminating its swap agreements at any time (and either make or receive any termination payment due), the Commonwealth's counterparties do not have such an option. Therefore, the Commonwealth would only have to make a payment of the amount estimated if certain termination events occurred, as described herein. Based on the terms and provisions of the swap agreements and the Commonwealth's current bond ratings, an involuntary termination of the swaps due to an event of the Commonwealth is remote. In the case of a voluntary termination due to an event of a counterparty, the Commonwealth would likely seek to maintain the existing hedge by replacing that counterparty with another.

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

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

A majority of the swap contracts have the same maturity dates and amortizations as the related bonds. For two of the swap agreements, the underlying bonds have maturity dates that come due before the termination date of the associated swaps. This applies to the 2006B and 2000D bond being hedged by the $294 million swap with Barclays and the 2010A bonds being hedged by the $533 million swap with Citigroup. The Commonwealth's stated debt plan is to extend the underlying variable rate bonds to match the terms and amounts of the associated swaps. If the Commonwealth is unable to extend the underlying variable rate bonds or identify other variable rate bonds the swaps may hedge, the Commonwealth would be required to make net settlement payments on the swaps without the offsetting effects of changes in variable rate bond settlement payments.

Termination Risk of the Interest Rate Swap Agreements

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

E. *Outstanding Swapped Debt*

Security for Interest Rate Swap Agreements

Under legislation approved by the 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.

Debt service requirements to maturity for variable-rate bonds hedged by interest rate swap agreements and projected future net settlement payments on interest rate swap agreements at June 30, 2011 are provided in the table below.

Future bond interest payments are calculated using rates applicable to the scheduled payment nearest to June 30, 2011 for variable rate bonds. The net swap payments are calculated by subtracting the projected future variable rate interest payment per the swap agreement from the projected future fixed rate payment per the swap agreement. Projected future variable rate payments on the swap agreements are based on variable rates applicable to the scheduled payment nearest to June 30, 2011. The actual amount of variable rate interest paid to bondholders and net swap payments made to counterparties are affected by changes in variable interest rates, changes in inflation (CPI), as well as changes in the London Interbank Offered Rate (LIBOR) and the Securities Industry and Financial Markets Association (SIFMA) floating rate indicies. Changes in the amounts paid to bondholders versus amounts paid to counterparties are largely offsetting:

Fiscal Year	Variable-Rate Bonds		Interest Rate	
Ending June 30	Principal	Interest	Swaps, Net	Total
2012	$ 119,445,000	$ 31,584,320	$ 109,978,131	$ 261,007,451
2013	195,640,000	30,385,605	103,716,686	329,742,291
2014	152,430,000	28,477,740	98,660,319	279,568,060
2015	240,930,000	24,580,893	92,980,440	358,491,333
2016	252,485,000	21,216,850	86,382,376	360,084,226
2017-2021	1,171,515,000	69,737,844	326,415,167	1,567,668,012
2022-2026	780,595,000	22,882,191	168,419,648	971,896,839
2027-2031	305,325,000	9,011,231	63,749,100	378,085,332
2032-2036	177,840,000	3,688,184	19,653,813	201,181,998
2037-2040	29,105,000	109,592	533,629	29,748,221
Total	$ 3,425,310,000	$ 241,674,451	$ 1,070,489,310	$ 4,737,473,761

Business - Type Activities – Swapped Debt

The University System has various swaps. At June 30, 2011, the fair value of liability of the universities outstanding interest rate swaps was $51.3 million.

For financial reporting purposes, long-term debt is carried at its face value. Unamortized discounts and premiums are shown separately. For capital appreciation bonds, the outstanding amount represents total principal and accreted interest to be repaid.

Component Unit-Swapped Debt

At June 30, 2011, the majority of interest rate SWAPs outstanding are held by MassDOT, which in aggregate have a negative fair value of approximately $375.0 million. For complete details, see separate MassDOT financial statements.

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. Only the net proceeds (exclusive of discount and costs of issuance) are deducted from the total authorized by the Legislature.

Long-term debt outstanding (excluding unamortized premiums, discounts and issuance cost) and debt authorized and unissued at June 30, 2011 is as follows (amounts in thousands):

Purpose	Bonds Outstanding	Fiscal Year Maturities	Authorized and Unissued
GANs	$ 666,790	2012 -2015	$ -
Capital Projects:			
General	8,134,051	2012 - 2041	9,622,368
Highway	9,868,946	2012 - 2041	6,226,838
Local Aid	1,566,568	2012 - 2038	11,286
Other	638,700	2015 - 2034	9,939
	20,208,265		15,870,432
Subtotal - Governmental activities debt (exclusive of MSBA)	$ 20,875,055		$ 15,870,432
MSBA Debt	4,395,390		
Governmental activities debt	$ 25,270,445		

The amounts in the table above include $2.8 billion in taxable Build America Bonds.

Interest rates on the Commonwealth's debt outstanding at the end of FY11 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, 2011 are as follows (amounts in thousands):

	Governmental Funds Debt - Primary Government	MSBA	Governmental Funds Bonded Debt	Authorized Unissued *
Balance July 1, 2010	$ 19,726,507	$ 4,488,535	$ 24,215,042	$ 18,516,310
Plus: Increases in bonds authorized	-	-	-	75,000
Less: Authorizations deauthorized	-	-	-	(41,800)
General and special obligation bonds:				
Proceeds, as defined as principal, premium less discount and issuance costs	3,250,858	-	3,250,858	(2,679,078)
Less: Net premium	(129,690)	-	(129,690)	-
Less: Principal on refunded bonds	(997,850)	-	(997,850)	-
Less: Bonds retired	(974,770)	(93,145)	(1,067,915)	-
Outstanding debt June 30, 2011**	$ 20,875,055	$ 4,395,390	$ 25,270,445	$ 15,870,432

* Includes Beginning Balance Adjustment for Authorized/Unissued of $351.3 Million

** Includes unallocated proceeds of approximately $229 million.

Business - Type Activities – Colleges and University Debt

Building authorities related to the University of Massachusetts and the state universities have issued bonds for construction of higher education facilities and equipment. Such bonds are guaranteed by the Commonwealth in an aggregate amount not to exceed $200,000,000. 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 Massachusetts Health and Educational

Facilities Authority's (MHEFA) ongoing capital asset program to finance construction projects and equipment.

At June 30, 2011, debt service requirements to maturity for principal and interest are as follows (amounts in thousands):

	Governmental Activities				Business - Type Activities	
	Excluding MSBA Debt		MSBA Debt		Revenue Obligation	
Fiscal Year Ended June 30	Principal	Interest *	Principal	Interest	Principal	Interest
2012	$ 1,372,784	$ 911,694	$ 94,505	$ 217,486	$ 118,189	$ 143,114
2013	1,529,747	859,006	98,110	213,162	88,777	139,350
2014	1,456,912	795,279	98,865	208,546	91,548	136,929
2015	1,348,569	734,568	120,575	203,792	92,740	132,395
2016	1,200,031	676,304	96,375	197,941	100,434	127,381
2017 - 2021	4,873,888	2,674,155	563,230	910,404	604,388	413,906
2022 - 2026	3,932,972	1,559,617	689,420	755,782	660,980	310,850
2027 - 2031	2,986,348	811,562	1,260,640	524,288	655,911	358,723
2032 - 2036	1,362,070	315,222	770,760	258,239	498,613	250,364
2037 - 2041	811,734	63,291	602,910	48,186	319,220	136,084
2042 - 2046	-	-	-	-	28,885	63,871
2047 - 2051	-	-	-	-	17,728	38,369
Total long - term debt	20,875,055	9,400,698	4,395,390	3,537,826	3,277,413	2,251,336
Less: Current portion	(1,372,784)	(911,694)	(94,505)	(217,486)	(118,189)	(143,114)
Long - term debt	$ 19,502,271	$ 8,489,004	$ 4,300,885	$ 3,320,340	$ 3,159,224	$ 2,108,222

*for all variable rate interest not hedged by swap agreements the assumed interest rate is 5%

G. *Prior Defeasance*

In prior years, the Commonwealth defeased certain general and special obligation bonds by purchasing securities (from the proceeds of refunding bonds or from surplus operating funds) and placing them in irrevocable trusts to provide for all future debt service payments on the defeased bonds. With the exception of the crossover refunding activity discussed previously, the trust account assets and the liabilities for the defeased bonds are not included in the financial statements. At June 30, 2011, approximately $9,159,369,000 of bonds outstanding from activities in prior fiscal years is considered defeased.

H. *Statutory Debt Limit*

The Massachusetts General Laws establish limits on the amount of direct debt outstanding. By statutorily limiting the Commonwealth's ability to issue direct debt, this limit provides a control on annual capital spending. The direct debt limit for FY11 was approximately $18,042,424,000. Outstanding debt subject to the limit at June 30, 2011 was approximately $16,291,254,000. The limit increases 5% per year.

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

	Debt Outstanding
Statutory debt June 30, 2011	$ 21,210,134
Less amounts excluded:	
Premium and issuance cost	(335,078)
Special obligation principal	(1,015,380)
Accelerated Bridge Program	(676,125)
GANs principal	(666,790)
County debt assumed	(150)
MBTA forward funding	(44,472)
SMART bonds	(824,279)
Central Artery / Tunnel	(1,356,606)
Outstanding direct debt	$ 16,291,254

I. *Administration Debt Limit*

During fiscal year 2009, the administration announced a policy that sets the annual borrowing limit at a level designed to keep debt service at a maximum of 8% of budgeted revenues. For this purpose, debt service includes principal and interest payments on all general obligation debt, special obligation gas tax debt, interest on federal grant anticipation notes, general obligation contract assistance payment obligations and budgetary contract assistance payment obligations on certain capital lease financings. Debt of the Massachusetts School Building Authority and of the Massachusetts Bay Transportation Authority that is supported by the portion of the sales tax legally dedicated to such entities is not included for purposes of this analysis, as the Commonwealth is not liable for such debt; similarly, the sales tax revenues legally dedicated to such entities are not included in the budgeted revenue projections.

In addition to keeping debt service at a maximum of 8% of budgeted revenues, the debt management policy limits future annual growth in the bond cap to not more than $125 million through fiscal 2012. This additional constraint is designed to ensure that projected growth in the bond cap will be held to stable and sustainable levels.

The Administration will 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 the debt service as a percentage of budgeted revenues.

Bond Cap (in millions except for percentages)

	Fiscal 2011
Bond Cap as approved by the Governor	$ 1,765
Total Annual Debt Service Obligations	1,820
Budgeted Revenue	36,536
Debt Service as % of Budgeted Revenues	4.98%

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
Tax refunds and abatements payable	$ 813,199	$ 809,958	$ 813,199	$ 809,958	$ 809,958
Other long-term obligations:					
Compensated absences	469,846	479,874	469,846	479,874	307,574
Claims and judgments	60,000	40,000	60,000	40,000	-
Prizes payable	1,484,794	1,463,048	1,484,794	1,463,048	-
School construction grants payable	2,714,133	86,669	475,885	2,324,917	410,327
Retirement system pension obligations	1,218,133	1,267,595	1,286,367	1,199,361	-
Post employment benefit obligations	1,953,000	2,691,000	1,953,000	2,691,000	-
Environmental remediation liability	168,206	15,870	9,863	174,213	4,687
Other liabilities	4,021,361	47,171,085	47,022,537	4,169,909	3,878,288
Total other long-term obligations	12,089,473	53,215,142	52,762,292	12,542,322	4,600,876
Liability for derivative instruments	443,575	375,870	443,575	375,870	-
Bonded Debt:					
Bonds and notes payable - non MSBA	19,726,507	3,250,858	2,102,310	20,875,055	1,372,784
Unamortized bond and note premiums - non MSBA	216,688	129,690	11,300	335,078	9,425
Deferred loss on refunding	(40,225)	(10,187)	(4,270)	(46,142)	(4,100)
MSBA Bonds and notes payable excluding premium	4,488,535	-	93,145	4,395,390	94,505
Unamortized bond and note premiums - MSBA	210,758	-	15,236	195,522	14,866
Other financing arrangements:					
Capital leases	76,608	12,428	28,061	60,975	11,368
Total bonded debt and other financing arrangements	24,678,872	3,382,789	2,245,782	25,815,878	1,498,848
Long-term liabilities, Governmental activities	**$ 38,025,118**	**$ 57,783,759**	**$ 56,264,848**	**$ 39,544,028**	**$ 6,909,682**

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	$ 178,141	$ 28,095	$ 20,649	$ 185,587	$ 128,418
Environmental remediation liability	3,447	-	1,895	1,552	1,552
Total other long-term obligations	181,588	28,095	22,544	187,139	129,970
Bonded Debt:					
Bonds and notes payable, including Foundations and MSCBA	2,731,124	732,582	186,293	3,277,413	118,189
Bonds and notes payable	2,731,124	732,582	186,293	3,277,413	118,189
Other financing arrangements:					
Capital leases	40,924	460	10,279	31,105	8,012
Total bonded debt and other financing arrangements	2,772,048	733,042	196,572	3,308,518	126,201
Long-term liabilities, Business - type activities	**$ 2,953,636**	**$ 761,137**	**$ 219,116**	**$ 3,495,657**	**$ 256,171**

Discretely Presented Component Units – The change in bonds and notes outstanding at June 30, 2011, net of unamortized discounts and premiums and compensated absences are as follows (amounts in thousands):

Discretely Presented Component Units			July 1, 2010 Beginning Balance	Increases	Decreases	June 30, 2011 Ending Balance	Due Within One Year	Long Term
Major component units:								
MassDOT	2.00 - 5.65%	2011-2039	$ 7,890,714	$ 585,609	$ 465,470	$ 8,010,853	$ 788,296	$ 7,222,557
MWPAT	2.00 - 6.375%	2011-2037	3,394,046	514,834	220,871	3,688,009	183,102	3,504,907
Nonmajor component units	1.00 - 9.01%	2011-2034	551,267	36,402	16,490	571,179	12,244	558,935
Total bonds and notes payable			11,836,027	1,136,845	702,831	12,270,041	983,642	11,286,399
Compensated absences, net			3,397	3,653	3,397	3,653	2,523	1,130
Total long term liabilities			$ 11,839,424	$ 1,140,498	$ 706,228	$ 12,273,694	$ 986,165	$ 11,287,529

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, 2011. None of these funds were in deficit due to finance-related contractual provisions and were allowed to be in deficit by General Law. The amounts are as follows (amounts in thousands):

Other Governmental Funds	Amount
Medical Security Trust Fund	$ (50,466)
Government Land Bank Fund	(35,033)
Highway Capital Projects Fund	(326,306)
Capital Improvement and Investment Trust Fund	(121)
Federal Highway Construction Program Capital Projects Fund	(118,805)
Government Land Bank Capital Projects Fund	(855)

Some of the funds above are consolidated within supplementary information. The Commonwealth may fund these deficits with appropriations, or in the case of capital funds, proceeds from bond issuances or payments from third parties.

9. RETIREMENT AND OTHER POST EMPLOYMENT BENEFITS

A. *Plan Descriptions*

Primary Government

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

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

The Massachusetts *Teachers' Retirement System* (MTRS) is a defined benefit PERS managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a non-employer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities towns, regional school districts and Quincy College. Consequently, the Commonwealth reports the MTRS as a single employer PERS with special funding responsibilities. The MTRS is administered by the Commonwealth and is part of the reporting entity and does not issue a stand-alone audited financial report.

Certain Commonwealth employees and current retirees employed prior to the establishment of the State Employees' Retirement System are covered on a "pay-as-you-go" basis. Benefits are recorded when due and payable.

Membership – Membership in SERS and MTRS as of January 1, 2011, the date of the most recent valuation, is as follows:

	SERS	MTRS
Retirees and beneficiaries currently receiving benefits	53,627	55,690
Terminated employees entitled to benefits but not yet receiving them	3,973	N/A
Subtotal	57,600	55,690
Current members	86,586	87,136
Total	144,186	142,826

Legally Required Reserves Accounts - The balances of legally required reserves at December 31, 2010 (most recent available information) were as follows (amounts in thousands):

	SERS	MTRS	Purpose
Annuity Savings Fund	$ 4,944,928	$ 5,163,834	Active members' contribution balance
Annuity Reserve Fund	1,349,031	2,543,502	Retired members' contribution account
Special Military Service Fund	50	337	Members' contribution account while on military leave
Pension Reserve Fund	12,799,486	13,442,065	Amounts appropriated to fund future retirement benefits
Total	$ 19,093,495	$ 21,149,738	

Boston teachers are members of the State Boston Retirement System (SBRS) and are not included in this membership data.

B. *Benefit Provisions*

Massachusetts General Laws establish 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. 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.

C. *Funding and Contributions Policy*

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

D. *Other Financing Situations*

Chapter 112 of the Acts of 2010, signed on May 22, 2010, changed the methodology for the Commonwealth funding of Boston teachers in the SBRS. The cost of pension benefits of the other participants of the SBRS is the responsibility of the City of Boston. Chapter 112 clarified that the Commonwealth is responsible for all contributions and future benefit requirements for Boston Teachers that are members of the SBRS. For the fiscal year ending June 30, 2011, the Commonwealth contributed $121.3 million in satisfaction of its actuarily required contribution to the SBRS. The SBRS is a cost sharing multiple employer pension system that is not administered by the Commonwealth and is not part of the reporting entity of the Commonwealth. For a complete copy of SBRS's separately issued financial statements, please contact the City of Boston Retirement Board at 617-635-4305. In June 2010, the Commonwealth made its final arrears payment to the City of Boston ($132 million) as well as the actuarially required contribution ($126.8 million) to SBRS.

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

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

The actuarial accrued liability for COLAs as of January 1, 2011 was $281.7 million.

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

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

A table of Pension Funding Progress and the Commonwealth's annual pension contributions for the past six fiscal years is presented as supplemental information of this report.

Member contributions 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

Schedule of Annual Required Contributions and Calculation Methodology

Chapter 32 of the General Laws directs the Secretary of Administration and Finance to prepare a funding schedule to meet actuarially determined requirements, and to update this funding schedule every three years on the basis of new actuarial valuation reports prepared under the Secretary's direction. Any such schedule is subject to legislative approval. If a schedule is not so approved, payments are to be made in accordance with the most recently approved schedule. Under the current schedule adopted in 2011, the amortization payments are designed to eliminate the unfunded liability by fiscal year 2040 on the basis of 4.50% annual growth. The funding schedule as published follows an acceptable actuarial funding methodology to compute normal cost and the unfunded accrued actuarial liability.

Contributions by the Commonwealth of $1.442 billion were made during the fiscal year ended June 30, 2011. Of this amount $34.3 million represents budgeted payments for COLAs granted to participants in retirement systems of cities, towns and counties and approximately $121.3 million represents payments for Boston Teachers.

GAAP requires that pension expenditures (costs) be based on the actuarially required contribution determined using an acceptable actuarial cost method and that they are not less than:

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

The Commonwealth contributed approximately 104% of its annual required contributions in FY11.

The following table shows the detail of annual required contributions (ARC) and Commonwealth contribution, as well as pension cost contributions exclusive of cost of living adjustments (amounts in thousands):

	SERS	MTRS	Total
2011			
Annual required contribution	$ 471,096	$ 767,960	$ 1,239,056
Interest on net pension obligation	18,086	71,249	89,335
Adjustment to annual required contribution	(12,308)	(48,488)	(60,796)
Annual pension cost	476,874	790,721	1,267,595
Less: Contributions made, excluding COLAs	431,166	855,201	1,286,367
Increase (decrease) in net pension obligation	45,708	(64,480)	(18,772)
Net pension obligation beginning of year	227,642	990,491	1,218,133
Net pension obligation end of year	$ 273,350	$ 926,011	$ 1,199,361
2010			
Annual pension cost	$ 646,913	$ 1,107,284	$ 1,754,197
Percentage of annual pension cost contributed	63%	62%	63%
Net pension obligation end of year	$ 227,642	$ 990,491	$ 1,218,133
2009			
Annual pension cost	$ 695,604	$ 1,150,782	$ 1,846,386
Percentage of annual pension cost contributed	57%	68%	64%
Net pension obligation end of year	$ (8,589)	$ 573,604	$ 565,015

E. *Funded Status and Funding Process*

The funded status of SERS and MTRS as of January 1, 2011, the most recent actuarial valuation date, is as follows (dollar amounts in thousands except for percentages)

	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Annual Covered Payroll *	UAAL as a % of Covered Payroll *
State Employees Retirement System						
Actuarial Valuation as of January 1, 2011	$ 21,244,900	$ 26,242,776	$ 4,979,876	81.0%	$ 4,808,250	103.6%
Teachers' Retirement System						
Actuarial Valuation as of January 1, 2011	$ 23,117,952	$ 34,890,991	$ 11,773,039	66.3%	$ 5,558,311	211.8%

* The covered payroll amount approximates the employer payroll

The following displays the Schedule of Net Assets and the Schedule of Changes in Net Assets for the SERS, the MTRS and the SRBTF as of June 30, 2011, (amounts in thousands):

	Pension Trust Funds			
	State Employees' PERS	Teachers' PERS	State Retiree Benefits	Total
ASSETS				
Cash and short-term investments	$ 62,656	$ 74,820	$ -	$ 137,476
Investments at fair value:				
Absolute Return	-	-	49,967	49,967
Short-term	340,941	371,676	4,728	717,345
Domestic Equity	3,916,675	4,269,758	163,797	8,350,231
Fixed Income	4,349,478	4,741,577	59,381	9,150,436
International Equity	5,641,073	6,149,608	57,188	11,847,868
Private Equity	2,185,693	2,382,730	-	4,568,423
Hedge fund-of-funds	1,524,673	1,662,120	-	3,186,792
Real Estate	1,638,509	1,786,218	37,429	3,462,156
Timber and Other Natural Resources	410,820	447,855	-	858,676
Total investments at fair value	20,007,862	21,811,542	372,490	42,191,894
Other receivables	184,008	200,601	1,586	386,195
Total assets	**20,254,526**	**22,086,963**	**374,076**	**42,715,565**
LIABILITIES				
Accounts payable	172,879	190,587	6,545	370,011
Total liabilities	**172,879**	**190,587**	**6,545**	**370,011**
Net assets available for post - employment benefits	**$ 20,081,647**	**$ 21,896,376**	**$ 367,531**	**$ 42,345,554**

	State Employees' PERS	Teachers' PERS	State Retiree Benefits	Total
ADDITIONS				
Contribution:				
Employer contributions	$ 465,319	$ 976,491	$ 397,047	$ 1,838,857
Employee contributions	539,549	616,533	-	1,156,082
Total contributions	**1,004,868**	**1,593,024**	**397,047**	**2,994,939**
Net investment gain (loss):				
Investment gain (loss)	3,708,141	4,061,545	66,112	7,835,798
Less: investment expense	(27,621)	(30,111)	(1,102)	(58,834)
Net investment gain (loss)	**3,680,520**	**4,031,434**	**65,010**	**7,776,964**
Total additions	**4,685,388**	**5,624,458**	**462,057**	**10,771,903**
DEDUCTIONS				
Administration	7,901	16,777	979	**25,657**
Retirement benefits and refunds	1,547,554	2,197,622	397,040	**4,142,216**
Payments to State Boston Retirement System	-	121,290	-	121,290
Total deductions	**1,555,455**	**2,335,689**	**398,019**	**4,289,163**
Net increase(decrease)	**3,129,933**	**3,288,769**	**64,038**	**6,482,740**
Net assets available for post - employment benefits at beginning of year	16,951,714	18,607,607	303,493	35,862,814
Net assets available for post - employment benefits at end of year	**$ 20,081,647**	**$ 21,896,376**	**$ 367,531**	**$ 42,345,554**

F. *Additional Actuarial Information*

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the basic financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability (AALs) for benefits.

Additional information as of the latest actuarial valuation is as follows:

1. The annual required contribution for 2011 was determined as part of the January 1, 2011 actuarial valuation using the entry age normal cost method.

2. The actuarial assumptions included (a) 8.25% investment rate of return, (b) a 3.25% interest rate credited to the annuity savings fund and (c) a 3% cost of living increase per year.

3. Salary increases are based on analyses of past experience but range from 4.5% to 10.0% 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.

   The actuarial value of assets was determined using various techniques that smooth the effects of short-term volatility in the market value of investments, with a phased–in approach. Under this approach, 20% of the gains or losses occurring in the prior year are recognized, 40% of those occurring two years prior, etc, so that 100% of gains and losses occurring five years prior are recognized. The actuarial value of assets is adjusted if necessary in order to remain between 90% and 110% of market value.

5. The remaining amortization period for the unfunded pension liability at January 1, 2011 was 30 years to FY40.

In July 2011, as part of its FY12 budget the Commonwealth enacted legislation including an extension of the Commonwealth's pension funding schedule from 2025 to 2040.

G. *Commonwealth Post Employment Obligations Other than Pensions (OPEB)*

In addition to providing pension benefits, under Chapter 32A of the Massachusetts General Laws the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities and certain other governmental agencies. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care/benefit costs which are comparable to contributions required from employees. The Commonwealth is reimbursed for the cost of benefits to retirees of the eligible authorities and non-state agencies.

The Group Insurance Commission (GIC) of the Commonwealth manages the Commonwealth's defined benefit OPEB plan as an agent multiple employer program including the Commonwealth and 370 municipalities and other non-

Commonwealth governmental entities. These entities that participate in the GIC are responsible for paying premiums at the same rate to the GIC and therefore benefit from the Commonwealth's premium rates. The GIC has representation on the Board of Trustees of the State Retiree Benefits Trust Fund (SRBTF).

At the inception of MassDOT, the employees of the former MTA became eligible to participate in the Commonwealth's OPEB plan. All other employees of MassDOT were members of the plan prior to the creation of MassDOT and remain so. The liability for MDOT (including former MTA employees) is included in the Commonwealth's liability. The former MTA had established an irrevocable trust to fund OPEB liabilities. That trust had a balance of $60.8 million as of June 30, 2011. The trustees have yet to make a decision on the disposition of that Trust. No adjustment has been made in the Commonwealth OPEB valuation for these assets.

The SRBTF 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. GIC administers benefit payments, while the Trustees are responsible for investment decisions. The FY11 General Appropriation Act transferred approximately $397 million to the Trust for the purpose of benefits payments.

Funding Policy

Employer and employee contribution rates are set in General Law. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2011 and as of the valuation date (January 1, 2011), Commonwealth participants contribute 0% 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 FY11 General Appropriation Act, all active employees pay an additional 5% of premium costs. Normal costs paid for OPEB to retirees during FY11 totaled approximately $557 million. There are approximately 145,971 participants eligible to receive benefits at June 30, 2011.

Annual OPEB Cost and Net OPEB Obligation, Funded Status and Funding Progress

The Commonwealth and the MSBA are not required to contribute the actuarially determined annual required contribution (ARC) under the provisions of Statement No. 45 and under Commonwealth general laws. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For fiscal year 2011, the Commonwealth's annual OPEB contribution of approximately $557 million for retiree benefits was less than the ARC. The Commonwealth's annual OPEB cost, the percentage of annual OPEB cost contributed to the SRBTF and the net OPEB obligation for the Commonwealth for fiscal year 2011 are as follows from the valuation calculated as of January 1, 2011 (amounts in millions except percentages):

2011	SRBTF
Annual required contribution (ARC)	$ 1,276
Interest on net OPEB obligation	87
Adjustment to annual required contribution	(68)
Annual OPEB cost (AOC)	1,295
Less: Contributions made	(557)
Increase in net OPEB obligation	738
Net OPEB obligation as reported at beginning of year	1,953
Net OPEB obligation - end of year	$ 2,691
2010	
Annual OPEB cost	$ 1,176
Percentage of annual OPEB cost contributed	32%
Net OPEB obligation - end of year	$ 1,953
2009	
Annual OPEB cost	$ 1,345
Percentage of annual OPEB cost contributed	26%
Net OPEB obligation - end of year	$ 1,149

The funded status of the Commonwealth's OPEB obligation is as follows: (amounts in thousands except for percentages)

	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
Actuarial Valuation as of January 1, 2011	$ 350,500	$ 16,568,600	$ 16,218,100	2.1%	$ 4,808,250	337.3%

The MSBA's ARC for FY11 was approximately $3.4 million. Including the adjustment to the annual required contribution, the net annual OPEB cost for the MSBA was approximately $478,000. The MSBA's net OPEB obligation at June 30, 2011 was $3.4 million. MSBA made no contributions during FY11. Based on an actuarial valuation as of January 1, 2009, the MSBA had an unfunded actuarial accrued liability of approximately $2.5 million and had no plan assets. This amount is included as part of other governmental activities liabilities in the Statement of Net Assets. Therefore the entire amount is unfunded. Covered payroll of active plan members was approximately $3.0 million, yielding an unfunded actuarial accrued liability as a percentage of covered payroll of 82.7%.

During FY10, the MSBA Board voted to establish an irrevocable trust to fund the MSBA's outstanding OPEB liability and to transfer to such trust an amount not to exceed $1,422,000 to fully fund the Authority's outstanding OPEB liability. As of September 30, 2011, the MSBA had not yet established the irrevocable trust, but had set aside $1,422,000 in a separate account to contribute to the trust. The MSBA is currently working with the Commonwealth to develop a process whereby the MSBA could invest these funds in the State Retirement Benefits Trust Fund.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the SRBTF and the annual required contributions of the Commonwealth are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information

following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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 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 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.

The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.5% initially, reduced by decrements to an ultimate rate of 5% after seven years.

Administrative expenses are expected to rise 5% per annum. The Commonwealth's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis for a period of thirty years, increasing at a rate of 4.5% per year, the same rate as the projected salary increases.

A schedule of funding progress for OPEB is presented as Required Supplemenary Information (RSI).

The most recent OPEB actuarial valuation for the Commonwealth is available on the Comptroller's web site at http://www.mass.gov/osc/publications-and-reports/financial-reports/opeb.html. There is currently no separate, audited GAAP-basis postemployment benefit plan report available for the Commonwealth.

10. LEASES

Primary Government

In order to finance the acquisition of equipment, the Commonwealth has entered into various lease/purchase agreements, including tax-exempt lease purchase (TELP) agreements, which are accounted for as capital leases. Included in the capital assets of the Commonwealth are additions financed by capital leases. For FY11, these additions are approximately $17.2 million. Lease agreements are for various terms and contain clauses indicating that their continuation is subject to appropriation by the Legislature.

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

The Colleges and the University lease real property and equipment under numerous operating lease agreements for varying terms. The following schedule summarizes future minimum payments under non-cancelable leases for governmental activities and for the Colleges and University – reported as a business-type activity, for the fiscal year ended June 30, 2011 (amounts in thousands):

	Governmental Activities					Business - Type Activities			
	Capital Leases		Operating	MSBA Operating	Governmental Activities	Capital Leases		Operating	Business -Type Activities
Fiscal Year Ended June 30	Principal	Interest	Leases	Leases	Total	Principal	Interest	Leases	Total
2012	$ 11,368	$ 4,781	$ 164,758	$ 726,921	$ 907,828	$ 8,012	$ 1,261	$ 23,850	$ 33,123
2013	8,478	3,563	111,365	744,578	867,984	7,192	965	25,945	34,102
2014	6,406	2,694	91,345	762,235	862,680	5,673	726	24,912	31,311
2015	5,890	2,477	75,007	451,388	534,762	3,371	513	24,185	28,069
2016	3,356	1,413	63,390	-	68,159	1,027	415	49,636	51,078
2017 - 2021	13,995	5,883	180,770	-	200,648	2,813	1,551	15,588	19,952
2022 - 2026	10,880	4,573	50,380	-	65,833	2,658	38	1,950	4,646
2027 - 2031	602	251	48,919	-	49,772	359	9	798	1,166
2032 - 2036	-	-	17,808	-	17,808	-	-	-	-
Total lease obligations	60,975	25,635	803,742	2,685,122	3,575,474	31,105	5,478	166,864	203,447
Less: current portion:	(11,368)	(4,781)	(164,758)	(726,921)	(907,828)	(8,012)	(1,261)	(23,850)	(33,123)
Long - term lease obligations	$ 49,607	$ 20,854	$ 638,984	$ 1,958,201	$ 2,667,646	$ 23,093	$ 4,217	$ 143,014	$ 170,324

11. COMMITMENTS

A. *Primary Government*

The Commonwealth continues to guarantee certain Massachusetts Bay Transportation Authority (MBTA) debt outstanding at June 30, 2011, totaling approximately $578.6 million.

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

Additional commitments of the Commonwealth remain for the University of Massachusetts Building Authority and the Massachusetts State College Building Authority. As of June 30, 2011, the University of Massachusetts Building Authority has committed debt of approximately $1.95 billion, of which approximately $136.9 million is guaranteed by the Commonwealth. The Massachusetts State College Building Authority has approximately $871.2 million of outstanding debt, of which approximately $29.8 million is guaranteed by the Commonwealth.

B. *Saltonstall Building*

The Massachusetts Development Finance Agency (MDFA) was authorized in legislation to undertake redevelopment of the Saltonstall State Office Building (Building) and its surrounding area. Under the provisions of MDFA's bond authorization, the Building is to be leased by the MDFA for a lease term of up to 50 years with extension terms permitted for an aggregate 30 more years. The MDFA renovated the Building and leased half of it back to the Commonwealth for office space and related parking for a comparable lease term. The remainder of the Building and surrounding area has been redeveloped as private office space, housing and retail establishments. The Commonwealth is obligated for future lease payments for space it rents.

However, this obligation is not a general obligation or a pledge of credit of the Commonwealth. Though MDFA's bonds are revenue obligations, with pledges of the public and private lease payments, the Commonwealth's lease payments are due upon occupancy and are subject to annual appropriation.

C. *Other Construction Commitments*

At June 30, 2011, the Commonwealth had commitments of approximately $665 million related to ongoing construction projects.

D. *Contractual Assistance to Authorities*

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

General obligation contract assistance arise from statutory requirements for payments by the Commonwealth to the Massachusetts Water Pollution Abatement 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 MDOT) 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 universitiess on bonds issued by the Massachusetts Health and Educational Facilities Authority and the Massachusetts State College Building Authority.

E. *MSBA*

The MSBA has estimated the amount of outstanding Waiting List and other program commitments at June 30 to be approximately $305 million.

12. CONTINGENCIES

A number of lawsuits are pending or threatened against the Commonwealth, which arise from the ordinary course of operations. These include claims for property damage and personal injury, breaches of contract, condemnation proceedings and other alleged violations of law. For those cases in which it is probable that a loss will be incurred and the amount of the potential judgment can be reasonably estimated or a settlement or judgment has been reached but not paid, the Attorney General estimates the liability due within a year to be approximately $20,000,000 as of June 30, 2011.

Workers' compensation costs are recognized when claims are presented and paid. The Commonwealth's outstanding liability for such claims at June 30, 2011 is estimated to be $285.400,000 of which approximately $35,960,000 is expected to be paid during FY11.

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

Chapter 200A of the Massachusetts General Laws, the Commonwealth's Abandoned Property Law, requires deposit of certain unclaimed assets into a managed Fiduciary Fund. These unclaimed assets are to be remitted to the General Fund each June 30, where it is included as miscellaneous revenue. Amounts remitted during FY11 totaled approximately $152,163,000. 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.

A. *Tobacco Settlement*

A Master Settlement Agreement (MSA) was executed in November of 1998 between five tobacco companies and 46 states, including the Commonwealth.

The MSA called for, among other things, annual payments to the states in perpetuity. These payments have been estimated to total more than $200 billion over the first 25 years, subject to various offsets, reductions and adjustments. In FY11, the Commonwealth received approximately $248.7 million or 67.2% of the estimated amounts shown in the MSA. All received amounts were transferred to the General Fund. Amounts received in FY10 continued to be less than had previously been projected as payments under the MSA. The Commonwealth's allocable share of the total base amounts payable under the MSA is approximately 4.05%. The Commonwealth's allocable share of the base amounts under the agreement through 2025 is nearly $8.96 billion, 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 certain manufacturers withheld payments to the states due in FY06 and FY07. 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 the claimed 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. To date, however, the attorneys have received more than 10.5% of what the Commonwealth has received under the MSA. As of June 30, 2009, 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 arbitration payments.

B. ***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. 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, Massachusetts General Laws limit the risk assumed by the Commonwealth to $100,000 per occurrence, in most circumstances.

Based on actuarial calculations as of June 30 2011, discounted, the Commonwealth is liable for unfunded claims and incurred but not reported claims totaling approximately $285 million, which is reported in accrued liabilities in the Governmental Activities.

Changes in the Commonwealth's liability relating to workers' compensation claims in FY11 and FY10 were (amounts in millions):

	FY11	FY10
Claim liability, beginnng of year	$ 293.4	$ 307.1
Increase in liability estimate	45.7	35.2
Payments and decreases in liability estimate	(53.7)	(35.7)
MassDOT transfer	-	(13.2)
Claims liability, end of year	$ 285.4	$ 293.4

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.

Based on GIC estimates, the Commonwealth is liable for an amount of $129.9 million, net of the employees' reserve of $20.4 million. Changes in the Commonwealth's liability relating to Group Insurance claims in FY11 and FY10 were (amounts in millions):

	FY11	FY10
Claim liability, beginnng of year	$ 97.1	$ 113.7
Increase in liability estimate	1,113.5	1,044.6
Payments and decreases in liability estimate	(1,130.3)	(1,061.2)
Claims liability, end of year	$ 80.3	$ 97.1

C. *Other Claims & Judgments*

The following amounts were recognized for claims and judgments as of June 30, 2011 (amounts in millions):

	Year ended June 30 2011	Year ended June 30 2010
Unpaid claims, beginning of year……	$ 60.0	$ 91.6
Incurred claims……	11.1	13.5
Claim payments and reductions……	(31.1)	(23.5)
MassDOT transfer-OCIP ……	-	(21.6)
Unpaid claims end of year……	$ 40.0	$ 60.0

D. *Environmental Remediation*

Governmental Accounting Standards Board Statement No 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB 49) became effective in FY09. 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 continuous 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 the fiscal year, the Commonwealth had the following activity related to GASB 49 (amounts in millions):

	Governmental Activities	Business-Type Activities	Government-Wide Total
Environmental remediation liability, beginnng of year……	$ 168.2	$ 3.4	$ 171.6
Expected additional future outlays, increasing liability estimates……	15.9	(1.8)	14.1
FY11 outlays for environmental remdiation ……	(8.5)	-	(8.5)
Estimated recoveries from third parties……	(1.4)	-	(1.4)
Environmental remediation liability, end of year……	$ 174.2	$ 1.6	$ 175.8

The Boston Harbor Clean–Up. The Commonwealth is engaged in various lawsuits in the United States District Court concerning environmental and related laws, including action brought by the federal Environmental Protection Agency alleging violations of the Clean Water Act and seeking to reduce the pollution in Boston Harbor. The Massachusetts Water Resources Authority (MWRA) which is not a component unit and not a related organization of the Commonwealth, has primary responsibility for developing and implementing a court-approved plan for the construction of treatment facilities necessary to achieve compliance with the federal requirements. The cost of initial construction of water treatment facilities required under the federal district court's order amounts to approximately $4.5 billion so far. Going forward, MWRA anticipates spending an additional $188.5 million on initial construction and for remaining work on Combined Sewer Overflow projects. This figure does not include routine ongoing costs, such as maintenance expenses and capital spending for plant and system upgrades, retrofits, and replacements.

Massachusetts Military Reservation. The Commonwealth through various departments has been engaged with various sectors of the federal government including the federal Department of Defense regarding natural resource damages at the Massachusetts Military Reservation on Cape Cod. Federal trustees and others claim that the Commonwealth and others may be 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.

Closed State Facilities. The Commonwealth has 17 facilities which 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 any sort of 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.

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

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 16 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, 2011 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 KPMG LLP:

The Massachusetts School Building Authority (MSBA)
The Pension Reserves Investment Trust Fund (PRIT)
*§The Massachusetts State Lottery Commission
*The Accounts Managed by the Health Care Security Trust Board (HST)
The Massachusetts Department of Transportation (MassDOT)
The Massachusetts Water Pollution Abatement Trust (MWPAT)
Commonwealth Health Insurance Connector Authority

*Community Colleges:
- Bunker Hill Community College
- Greenfield Community College
- Middlesex Community College
- North Shore Community College

Entities Audited by Other Auditors:

*The Massachusetts Municipal Depository Trust (MMDT)
*The University of Massachusetts System

*Community Colleges (in addition to the four Community Colleges audited by KPMG LLP, above):

- Berkshire Community College
- Bristol Community College
- Cape Cod Community College
- Holyoke Community College
- Massasoit Community College
- Massachusetts Bay Community College

Mount Wachusett Community College
Northern Essex Community College
Quinsigamond Community College
Roxbury Community College
Springfield Technical Community College

Community College component units:

Berkshire Community College Foundation
Bristol Community College Foundation
Bunker Hill Community College Foundation
Cape Cod Community College Educational Foundation, Inc.
Greenfield Community College Foundation, Inc.
Holyoke Community College Foundation
Massachusetts Bay Community College Foundation, Inc.
Massasoit Community College Foundation
Middlesex Community College Foundation, Inc.
North Shore Community College Foundation
Springfield Technical Community College Foundation
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.

*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

State university component units:

Bridgewater State University Component Units:
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 UniversityComponent Units:
The Salem State University Foundation, Inc.
Salem State University Assistance Corporation
Westfield State UniversityFoundation, Inc.
Worcester State Foundation

Massachusetts Convention Center Authority (MCCA)

§Massachusetts Development Finance Agency (MassDevelopment)

§Massachusetts Technology Park Corporation (MTPC)

Economic Development Entities (7 separate entities) including:

Massachusetts Clean Energy Center (CEC)
Massachusetts Community Development Finance Corporation (MCDFC)
Commonwealth Corporation
§Community Economic Development Assistance Corporation (CEDAC)
Massachusetts Life Sciences Center
§Massachusetts Housing Partnership (MHP)
§Commonwealth Zoological Corporation (Zoo)

Descriptions of Major and Blended Component Units and Entities that are Legally Separate from the Commonwealth:

Blended Component Units – Blended component units are entities that are legally separate from the Commonwealth but are so 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 assets 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 sole revenues are from dedicated sales taxes from the Commonwealth. The MSBA's bonded debt is secured by these sales tax revenues. Any deficiency in the sales tax revenue was born by the Commonwealth up to a minimum floor that was adjusted annually by Commonwealth statute through FY09. 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 assets totaling approximately $8.3 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 assets is approximately $2.9 billion at June 30, 2011, and is reported as an external investment trust within the fiduciary fund type.

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 assets of the Commission and results thereon are presented as a major governmental fund.

The Accounts Managed by the Health Care Security Trust Board (HST) are the long-term investment account of the Health Care Security Trust, a nonmajor governmental fund and the State Retiree Benefits Trust Fund, a fiduciary fund. The HST is the recipient of tobacco settlement remittances to the Commonwealth. The HST is managed by a board of trustees, which supervises the investment and reinvestment of monies received into the HST. The HST utilizes certain resources and staff of PRIM.

The institutions of higher education of the Commonwealth are also not legally separate from the Commonwealth and have operations and net assets 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 University System also includes discretely presented component units, the University of Massachusetts Dartmouth Foundation, Inc. and the University of Massachusetts Foundation, 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 (a blended component unit of the state university system).

Other Discretely Presented Component Units that are Separately Audited – Discrete component units are entities which 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 component units column of the basic financial statements includes the financial data of the following entities:

Major component units:

The Massachusetts Department of Transportation (MassDOT) incorporates the MTA and has jurisdiction over the MBTA and the RTAs. The Massachusetts Port Authority will become a related organization to MassDOT.

The Massachusetts Water Pollution Abatement Trust (MWPAT) 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.

Commonwealth 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 to small businesses that are eligible for the program.

14. SUBSEQUENT EVENTS

A. Subsequent Bond Issuances

Subsequent to the close of the fiscal year, the Commonwealth sold $500.525 million in bonds in September 2011 ($500,525,000 General Obligation Bonds, Consolidated Loan of 2011, Series D), $1.2 billion in notes in November 2011 ($600,000,000 2011 Series A General Obligation Revenue Anticipation Notes and $600,000,000 2011 Series B Revenue Anticipation Notes), and $400 million in bonds in December 2011 ($400,000,000 General Obligation Bonds, Consolidated Loan of 2011, Series E). All issues were sold as tax exempt.

On October 12, 2011, the Commonwealth allowed Morgan Stanley Derivative Products Inc. ("MSDP") to novate or transfer the existing interest rate swap agreement between the Commonwealth and MSDP to Morgan Stanley Capital Services LLC. The novation was driven by the recent downgrade of MSDP bond ratings. The novation was done at no cost to the Commonwealth.

B. Subsequent Pension Legislation

On November 16, 2011, the Governor approved legislation containing pension reforms, including increasing retirement ages, eliminating early retirement subsidies and increasing the period for calculating average earnings from the highest three years to the highest five years for all new state employees who join a retirement system on or after April 2, 2012. The Executive Office for Administration and Finance estimates that the legislation will generate savings over the next 30 years of more than $3 billion for the Commonwealth and nearly $2 billion for municipalities. These savings projections are not assumed in the current pension funding schedule.

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Required Supplementary Information Other than Management Discussion and Analysis

Schedule of Revenue, Expenditures And Changes In Fund Balances – Statutory Basis – Budget and Actual
Explanation of Differences Between Revenues, Expenditures and Other Financing Sources for Budgetary Funds on a Budgetary Basis and GAAP Basis
Notes to Required Supplementary Information – Budgetary Reporting
Schedule of Post Employment Benefits
Schedule of Post Employment Benefit Contributions

Boston Fish Pier

The Boston Fish Pier, which opened in 1914, is the oldest continuously working fish pier in the United States. The historic Boston Fish Pier is really three buildings: the East and West Buildings which are connected by huge archways; and the Exchange Building. Massport assumed ownership of Fish Pier in 1972 and has invested over $30 million to modernize the pier. The Boston Fish Pier still provides berthing space for the region's fishermen and houses the fish auction. Although alternative uses have been introduced to the Pier, fishing and fish processing remain its primary function.

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

Budgeted Funds

Fiscal Year Ended June 30, 2011

(Amounts in thousands)

	Original Budget	Final Budget	Actual	Variance over/(under)
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	$ 17,686,510	$ 17,686,510	$ 19,094,935	$ 1,408,425
Assessments	-	-	443,403	443,403
Federal grants and reimbursements	9,034,600	9,034,600	9,299,546	264,946
Departmental	2,805,400	2,805,400	2,398,338	(407,062)
Miscellaneous	5,900	5,900	356,608	350,708
Total revenues	**29,532,410**	**29,532,410**	**31,592,830**	**2,060,420**
Other financing sources:				
Fringe benefit cost recovery	-	-	355,811	355,811
Lottery reimbursements	-	105,298	86,391	(18,907)
Lottery distributions	-	904,344	881,817	(22,527)
Tobacco settlement transfer	-	329,930	248,741	(81,189)
Operating transfers in	1,959,300	613,828	288,239	(325,589)
Stabilization transfer	-	5,900	707,649	701,749
Excess permissable tax revenue	-	-	2,374,788	2,374,788
Total other financing sources	**1,959,300**	**1,959,300**	**4,943,436**	**2,984,136**
Total revenues and other financing sources	**31,491,710**	**31,491,710**	**36,536,266**	**5,044,556**
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Legislature	50,883	60,908	57,895	3,013
Judiciary	741,727	800,151	767,635	32,516
Inspector General	2,877	3,587	2,798	789
Governor and Lieutenant Governor	4,685	5,226	5,122	104
Secretary of the Commonwealth	40,239	40,443	39,475	968
Treasurer and Receiver-General	223,610	260,969	204,397	56,572
Auditor of the Commonwealth	17,028	17,903	17,015	888
Attorney General	38,436	42,453	41,029	1,424
Ethics Commission	1,731	1,731	1,660	71
District Attorney	91,631	94,610	93,699	911
Office of Campaign & Political Finance	1,222	1,222	1,170	52
Sheriff's Departments	472,565	510,577	503,053	7,524
Disabled Persons Protection Commission	2,174	2,174	2,174	-
Board of Library Commissioners	21,111	21,461	21,439	22
Comptroller	11,236	11,279	11,245	34
Administration and finance	3,956,416	2,087,960	1,800,623	287,337
Energy and environmental affairs	196,308	199,666	188,114	11,552
Health and human services	4,704,146	4,817,696	4,691,213	126,483
Massachusetts department of transportation	-	160,000	160,000	-
Executive office of education	1,869,323	1,825,548	1,807,528	18,020
Public safety and homeland security	969,559	987,163	942,172	44,991
Housing and economic development	327,621	379,239	363,877	15,362
Labor and workforce Development	85,483	93,881	56,533	37,348
Direct local aid	4,788,108	4,853,108	4,784,717	68,391
Medicaid	9,680,285	10,269,881	10,237,326	32,555
Post employment benefits	-	1,838,857	1,838,857	-
Debt service:				
Principal retirement	825,960	847,187	815,390	31,797
Interest and fiscal charges	975,007	953,780	848,486	105,294
Total expenditures	**30,099,371**	**31,188,660**	**30,304,642**	**884,018**
Other financing uses:				
Fringe benefit cost assessment	-	2,300	4,326	(2,026)
Operating transfers out	-	370,972	521,997	(151,025)
Commonwealth care transfer	-	739,012	739,012	-
Medical assistance transfer	-	886,101	886,101	-
Stabilization transfer	-	5,900	707,649	(701,749)
Excess permissable tax revenue	-	-	2,374,788	(2,374,788)
Total other financing uses	**-**	**2,004,285**	**5,233,873**	**(3,229,588)**
Total expenditures and other financing uses	**30,099,371**	**33,192,945**	**35,538,515**	**(2,345,570)**
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	**1,392,339**	**(1,701,235)**	**997,751**	**2,698,986**
Fund balances (deficit) at beginning of year	903,068	903,068	903,068	-
Fund balances (deficits) at end of year	**$ 2,295,407**	**$ (798,167)**	**$ 1,900,819**	**$ 2,698,986**

Explanation of Differences between Revenues, Expenditures and Other Financing Sources (Uses) for Budgetary Funds on a Budgetary Basis and GAAP Basis (in thousands):

	General	Commonwealth Transportation
REVENUES		
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	$ 29,708,929	$ 1,461,331
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:		
Tax revenue	49,867	23,288
Federal reimbursements and other receivables	(55,477)	10,689
Reclassifications:		
Higher education revenue is reclassified for GAAP reporting	(246,233)	-
Budgetary Stabilization Fund and Administrative Control Funds revenues are reclassified to the General Fund for GAAP reporting	307,329	-
Total budgeted funds revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	29,764,415	1,495,308
Non-Budgeted Activity	-	-
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	**$ 29,764,415**	**$ 1,495,308**
EXPENDITURES		
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedule	$ 28,899,933	$ 973,380
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:		
Medicaid payments	(131,200)	-
Compensated absences and other accrued liabilities	(63,442)	402,155
Reclassifications:		
Budgetary Stabilization Fund and Administrative Control Funds expenditures are reclassified to the General Fund for GAAP reporting	293,602	-
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	(860,114)	(803,762)
Higher education expenditures are reclassified for GAAP reporting	(1,126,896)	-
Total budgeted funds expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	27,011,883	571,773
Non-Budgeted Activity	-	-
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	**$ 27,011,883**	**$ 571,773**
OTHER FINANCING SOURCES		
Actual amounts (budgetary basis) "other financing sources" from the budgetary comparison schedule	$ 2,978,082	$ 5,405
Reclassifications:		
Budgetary Stabilization Fund and Administrative Control Funds expenditures are reclassified to the General Fund for GAAP reporting	1,895,079	-
Adjustments:		
Consolidation of transfers between funds	(2,939,985)	-
Inflows from component units and other miscellaneous financing sources	(29,097)	-
Total budgeted funds other financing sources as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	1,904,079	5,405
Non-Budgeted Activity	-	-
Total other financing sources as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	**$ 1,904,079**	**$ 5,405**
OTHER FINANCING USES		
Actual amounts (budgetary basis) "other financing uses" from the budgetary comparison schedule	$ 3,492,834	$ 473,044
Adjustments and Reclassifications:		
Budgetary Stabilization Fund and Administrative Control Funds expenditures are reclassified to the General Fund for GAAP reporting	1,199,511	-
Consolidation of transfers between funds	(2,939,985)	-
Budgetary higher education amounts are reclassed to transfers under the modified accrual basis	880,663	-
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	860,114	803,762
Outflows from component units and other miscellaneous financing sources	(54,379)	(335,127)
Total budgeted funds other financing uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	3,438,758	941,679
Non-Budgeted Activity	-	-
Total other financing uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	**$ 3,438,758**	**$ 941,679**

The accompanying notes are an intergral part of the required supplementary information

Note to Required Supplementary Information – Budgetary Reporting

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

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. An example of this is the lack of a budget for pension costs.

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

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

The table on the following page summarizes budgetary activity for FY11 (amounts in thousands):

	Revenues	Expenditures
General Appropriation Act, Chapter 131 of the Acts of 2010:		
Direct appropriations	$ 30,041,700	$ 28,992,717
Estimated revenues, transfers, direct appropriations, retained revenue appropriations, interagency chargebacks and appropriations carried forward from FY2010	-	1,106,655
Total original budget	30,041,700	30,099,371
Supplemental Acts of 2010:		
Chapter 359	-	713,554
Chapter 409	-	333,181
Supplemental Acts of 2011:		
Chapter 9	-	325,222
Chapter 27	-	85,460
Chapter 52	-	54,032
Total as of June 30, 2011	30,041,700	31,610,820
Supplemental Acts of 2011, passed after June 30:		
Chapter 142	-	132,115
Total budgeted revenues and expenditures per Legislative action	30,041,700	31,742,935
Plus: Pension contributions and revenue authorized outside of General Appropriations Act, and other transfers of revenue and spending	1,450,010	1,450,010
Budgeted revenues and expenditures as reported	$ 31,491,710	$ 33,192,945

As the budget is not passed taking into account the structure of funds, but of appropriations, reports contained within the Commonwealth's MMARS accounting system demonstrate budgetary compliance by appropriation. Those reports are available upon request at the Office of the State Comptroller, Financial Reporting and Analysis Bureau, at (617) 973-2660.

Schedule of Post Employment Benefits

(Amounts in thousands except for percentages)

Pension Funding Progress for the last six fiscal years

	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
State Employees' Retirement System						
Actuarial Valuation as of January 1, 2011….	$ 21,244,900	$ 26,224,776	$ 4,979,876	81.0%	$ 4,808,250	103.6%
Actuarial Valuation as of January 1, 2010….	19,019,062	24,862,421	5,843,359	76.5%	4,711,563	124.0%
Actuarial Valuation as of January 1, 2009….	16,992,214	23,723,240	6,731,026	71.6%	4,712,655	142.8%
Actuarial Valuation as of January 1, 2008….	20,400,656	22,820,502	2,419,846	89.4%	4,574,233	52.9%
Actuarial Valuation as of January 1, 2007….	18,445,225	21,670,810	3,225,585	85.1%	4,391,891	73.4%
Actuarial Valuation as of January 1, 2006….	16,638,043	20,406,926	3,768,883	81.5%	4,200,577	89.7%
Teachers' Retirement System						
Actuarial Valuation as of January 1, 2011….	$ 23,117,952	$ 34,890,991	$ 11,773,039	66.3%	$ 5,558,311	211.8%
Actuarial Valuation as of January 1, 2010….	21,262,462	33,738,966	12,476,504	63.0%	5,509,698	226.4%
Actuarial Valuation as of January 1, 2009….	18,927,731	32,543,782	13,616,051	58.2%	5,389,895	252.6%
Actuarial Valuation as of January 1, 2008….	22,883,553	30,955,504	8,071,951	73.9%	5,163,498	156.3%
Actuarial Valuation as of January 1, 2007….	20,820,392	29,320,714	8,500,322	71.0%	4,969,092	171.1%
Actuarial Valuation as of January 1, 2006….	18,683,295	27,787,716	9,104,421	67.2%	4,819,325	188.9%

For a complete analysis of the Commonwealth's actuarial valuation report, please go to http://www.mass.gov/perac/valuation/2011commonwealth.pdf. Alternatively, copies of the Commonwealth's actuarial valuation reports may be obtained by contacting the Massachusetts Public Employee Retirement Administration Commission, 5 Middlesex Avenue, Suite 304, Somerville, MA 02145. Telephone number: 617-666-4446.

State Retiree Benefits Trust Fund

	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
Actuarial Valuation as of January 1, 2011….	$ 350,500	$ 16,568,600	$ 16,218,100	2.1%	$ 4,808,250	337.3%
Actuarial Valuation as of January 1, 2010….	309,800	15,166,300	14,856,500	2.0%	4,711,563	315.3%
Actuarial Valuation as of January 1, 2009….	273,500	15,305,100	15,031,600	1.8%	4,712,655	319.0%

For a complete analysis of the Commonwealth's actuarial valuation report, please contact the Office of the State Comptroller, 1 Ashburton Place, 9th Floor, Boston, MA 02108.

Schedule of Post Employment Benefit Contributions

(Amounts in thousands except for percentages)

The following table shows the Commonwealth's annual required contribution (ARC) and percent of the ARC funded for the State Massachusetts Employees' Retirement System (SERS) and the Massachusetts Teachers' Retirement System (MTRS) for each of the past six fiscal years.

	SERS		MTRS		Total	
Fiscal Year Ended 6/30	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2011	$471,096	92%	$767,960	111%	$1,239,056	104%
2010	646,932	63%	1,106,052	62%	1,752,984	63%
2009	397,482	57%	781,026	68%	1,178,508	64%
2008	369,866	125%	749,853	108%	1,119,719	113%
2007	432,219	101%	763,798	98%	1,196,017	99%
2006	445,527	96%	779,158	93%	1,224,685	94%

The following table shows the Commonwealth's annual required contribution (ARC) and percent of the ARC funded for the State Retiree Benefits Trust Fund (SRBTF) for each of the past three fiscal years.

Fiscal Year Ended 6/30	Annual Required Contribution	Percentage Contributed
2011	1,276	44%
2010	1,163	32%
2009	1,222	29%

Commonwealth Pier / World Trade Center

This section of the HarborWalk offers diverse perspectives for the visitor, from waterfront commerce to public art. Commonwealth Pier, once used by large ships, is now a conference, exhibition, and office complex. The World Trade Center project accomplished the renovation and conversion of the 70-year-old former Commonwealth Pier landmark structure into an 800,000-square-foot facility for exhibition space and offices for high-tech and international trade companies. The HarborWalk loops around the Pier, offering good views of Fish Pier, Liberty Wharf, the Harbor, and the Boston skyline. Ferries and harbor-cruise boats dock on the west side of Commonwealth Pier. The historic tugboat Luna, the first diesel-electric vessel in the world built for a commercial tugboat company, is moored on the east side of Commonwealth Pier.

An interior waiting room and public restrooms are available to the public inside the waterfront retail area of Commonwealth Pier along Seaport Boulevard.

Fan Pier

From the HarborWalk on the Fan Pier, visitors can enjoy one of the best panoramas of the city, with unobstructed views of downtown to East Boston and the Harbor Islands. This HarborWalk segment has interpretive elements which describe the history of the Fan Pier, as well as benches, plantings, and trash barrels. Round tables and chairs along the HarborWalk are a favorite at lunch time for office workers and visitors.

Other Supplementary Information

Combined Balance Sheet – Nonmajor Governmental Funds
Combined Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds
Combining Statement of Net Assets Available for Pension Benefits
Combining Statement of Changes in Net Assets Available for Pension Benefits
Combining Statement of Net Assets Held in Trust for Pool Participants
Combining Statement of Changes in Net Assets Held in Trust for Pool Participants
Combining Statement of Changes in Assets and Liabilities – Agency Funds
Combining Statement of Net Assets – Nonmajor Component Units
Combining Statement of Revenues, Expenses and Changes in Net Assets –Nonmajor Component Units

Carson Beach

L and M Street Beaches are adjacent to each other along Day Boulevard in South Boston and link the beach at Pleasure Bay with Carson Beach, providing one of the longest stretches of uninterrupted beach in the Boston area. These popular local beaches provide some of the best family-friendly amenities on the waterfront, including opportunity for sand-castle building, picknicking, and swimming. The HarborWalk is also a great destination for jogging, walking, roller-blading, and biking. The L and M Street Beaches are located near the L Street Bathhouse where the annual L Street Brownies host its New Year's Day polar bear plunge.

Combined Balance Sheet

Other Governmental Funds

June 30, 2011

(Amounts in thousands)

	Special Revenue							
	Universal Health Care	Environmental	Health Care Security Trust	MBTA State & Local Contribution	Convention and Exhibition Center	Grant Anticipation Note Trust	Expendable Trust	Other
ASSETS								
Cash and short-term investments	$ 210,910	18,393	$ -	$ 84,358	$ 34,209	$ 14,389	$ 465,696	$ 294,732
Cash with fiscal agent	-	-	-	-	85,305	188,639	-	-
Receivables, net of allowance for uncollectibles:								
Taxes	12,116	74	-	50,063	11,379	-	-	9,374
Due from federal government	-	772	-	-	-	73,058	966	677
Loans receivable	-	-	-	-	-	-	914	-
Other receivables	54,828	490	137,927	-	-	-	23,191	3,663
Due from other funds	-	-	-	-	-	-	-	-
			-	-				
Total assets	**$ 277,854**	**$ 19,729**	**$ 137,927**	**$ 134,421**	**$ 130,893**	**$ 276,086**	**$ 490,767**	**$ 308,446**
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	$ 51,527	$ 323	$ -	$ 12,037	$ 14,203	$ -	$ 36,458	$ 68,805
Accrued payroll	93	198	-	-	-	-	1,224	1,687
Tax refunds and abatements payable	-	-	-	776	-	-	-	-
Due to other funds	56,285	-	-	-	-	72,910	-	-
Due to component units	-	-	-	121,608	-	-	-	-
Deferred revenue	33,334	-	-	-	-	-	10,476	-
Other accrued liabilities	91,808	-	-	-	-	-	385	-
Total liabilities	**233,048**	**521**	**-**	**134,421**	**14,203**	**72,910**	**48,543**	**70,492**
Fund balances (deficits):								
Nonspendable	-	-	-	-	-	-	914	-
Restricted	-	-	-	-	85,296	203,176	294,207	55,006
Committed	44,806	19,208	137,927	-	31,394	-	147,103	217,981
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	(35,033)
Fund balances (deficits)	**44,806**	**19,208**	**137,927**	**-**	**116,690**	**203,176**	**442,224**	**237,954**
Total liabilities and fund balances	**$ 277,854**	**$ 19,729**	**$ 137,927**	**$ 134,421**	**$ 130,893**	**$ 276,086**	**$ 490,767**	**$ 308,446**

See Independent Auditor's Report

		Capital Projects					
	Debt Service	General Capital Projects	Convention and Exhibition Center	Highway Capital Projects	Other	Permanent Trust	Total
	$ -	$ 280,537	$ 8,393	$ 23,215	$ 14	$ -	$ 1,434,846
	152,276	-	-	-	-	-	426,220
		-		-	-		
	-	-	-	-	-	-	83,006
	-	-	-	-	19,583	-	95,056
	-	-	-	-	-	-	914
	-	-	-	-	22	-	220,121
	-	-	-	-	72,910	-	72,910
	$ 152,276	**$ 280,537**	**$ 8,393**	**$ 23,215**	**$ 92,529**	**$ -**	**$ 2,333,073**
	$ -	$ 188,265	$ -	$ 143,288	$ 71,924	$ -	$ 586,830
	-	897	-	626	4,361	-	9,086
	-	-	-	-	-	-	776
	-	-	-	-	17,578	-	146,773
	-	13	-	205,607	118,442	-	445,670
	-	-	-	-	-	-	43,810
	-	-	-	-	-	-	92,193
	-	**189,175**	**-**	**349,521**	**212,305**	**-**	**1,325,138**
	-	-	-	-	-	-	914
	152,276	91,362	-	-	-	-	881,323
	-	-	8,393	-	6	-	606,819
	-	-	-	-	-	-	-
	-	-	-	(326,306)	(119,782)	-	(481,121)
	152,276	**91,362**	**8,393**	**(326,306)**	**(119,776)**	**-**	**1,007,935**
	$ 152,276	**$ 280,537**	**$ 8,393**	**$ 23,215**	**$ 92,529**	**$ -**	**$ 2,333,073**

Combined Statement of Revenues, Expenditures and Changes in Fund Balances

Other Governmental Funds

Fiscal Year Ended June 30, 2011

(Amounts in thousands)

	Special Revenue							
	Universal Health Care	Environmental	Health Care Security Trust	MBTA State & Local Contribution	Convention and Exhibition Center	Grant Anticipation Note Trust	Expendable Trust	Other
REVENUES								
Taxes	$ 144,490	$ 871	$ -	$ 767,375	$ 86,042	$ -	$ -	$ 131,727
Assessments	338,964	-	-	150,148	-	-	12,314	27,678
Federal grants and reimbursements	-	5,008	-	-	-	617,265	19,645	31,120
Departmental	283,661	8,412	-	-	258	-	49,980	158,153
Miscellaneous	55,382	21	254,696	-	1,579	5,287	330,640	10,093
Total revenues	**822,496**	**14,312**	**254,696**	**917,523**	**87,879**	**622,552**	**412,579**	**358,771**
OTHER FINANCING SOURCES								
Bonds premium	-	-	-	-	-	24,608	-	-
Issuance of general obligation bonds	-	-	-	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-	380,530	-	-
Transfers in for debt service	-	-	-	-	-	-	-	-
Transfers in	1,655,113	138	-	-	-	30,028	13,743	76,021
Total other financing sources	**1,655,113**	**138**	**-**	**-**	**-**	**435,166**	**13,743**	**76,021**
Total revenues and other financing sources	**2,477,609**	**14,450**	**254,696**	**917,523**	**87,879**	**1,057,718**	**426,322**	**434,792**
EXPENDITURES								
Current:								
Judiciary	-	-	-	-	-	-	296	42
Inspector General	281	-	-	-	-	-	489	-
Governor and Lieutenant Governor	-	-	-	-	-	-	-	17
Secretary of the Commonwealth	-	-	-	-	-	-	-	4,194
Treasurer and Receiver-General	-	-	-	917,523	-	161,536	104,468	2,481
Auditor of the Commonwealth	-	-	-	-	-	-	551	-
Attorney General	-	-	-	-	-	-	4,030	350
District Attorney	-	-	-	-	-	-	7,230	192
Office campaign and political finance	-	-	-	-	-	-	-	1,390
Sheriff's Departments	-	-	-	-	-	-	2,025	2,783
Comptroller	-	-	-	-	-	-	544	2,067
Administration and finance	-	-	-	-	77,136	-	21,789	44,328
Energy and environmental affairs	-	10,109	-	-	-	-	37,905	66,970
Health and human services	371,635	-	-	-	-	-	33,648	110,753
Massachusetts department of transportation	-	-	-	-	-	-	-	4,351
Executive office of education	-	-	-	-	-	-	13,899	773
Public safety and homeland security	-	-	-	-	-	-	5,474	62,073
Housing and economic development	-	-	-	-	-	-	24,178	11,120
Labor and workforce development	176,410	-	-	-	-	-	56,850	19,320
Medicaid	1,921,776	-	-	-	-	-	-	9,530
Capital outlay:								
Local aid	-	-	-	-	-	-	-	-
Capital acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Total expenditures	**2,470,101**	**10,109**	**-**	**917,523**	**77,136**	**161,536**	**313,376**	**342,734**
OTHER FINANCING USES								
Payments to refunding bond escrow agent	-	-	-	-	-	405,138	-	-
Transfers out	31,727	2,552	248,741	-	-	458,410	124,236	107,026
Transfers of appropriations	-	-	-	-	-	-	3,162	-
Transfers of bond proceeds	-	-	-	-	-	-	-	-
Transfers out for debt service	-	-	-	-	35,391	188,834	-	9,700
Total other financing uses	**31,727**	**2,552**	**248,741**	**-**	**35,391**	**1,052,382**	**127,398**	**116,726**
Total expenditures and other financing uses	**2,501,828**	**12,661**	**248,741**	**917,523**	**112,527**	**1,213,918**	**440,774**	**459,460**
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	**(24,219)**	**1,789**	**5,955**	**-**	**(24,648)**	**(156,200)**	**(14,452)**	**(24,668)**
Fund balances (deficits) at beginning of year	69,026	17,419	131,972	-	141,338	359,376	456,676	262,622
Fund balances (deficits) at end of year	**$ 44,806**	**$ 19,208**	**$ 137,927**	**$ -**	**$ 116,690**	**$ 203,176**	**$ 442,224**	**$ 237,954**

See Independent Auditor's Report

	Capital Projects					
Debt Service	General Capital Projects	Convention and Exhibition Center	Highway Capital Projects	Other	Permanent Trust	Total
$ -	$ -	$ -	$ -	$ -	$ -	$ 1,130,505
-	-	-	-	-	-	529,104
-	8,372	-	-	160,540	-	841,950
-	-	-	-	291	-	500,755
(1,002)	-	-	1,852	1	-	658,549
(1,002)	**8,372**	**-**	**1,852**	**160,832**	**-**	**3,660,862**
32,816	58,431	-	13,834	1	-	129,690
-	849,730	-	1,382,999	639	-	2,233,368
507,270	-	-	-	-	-	887,800
1,897,801	-	-	-	-	-	1,897,801
-	-	-	-	516,219	-	2,291,262
2,437,887	**908,161**	**-**	**1,396,833**	**516,859**	**-**	**7,439,921**
2,436,885	**916,533**	**-**	**1,398,685**	**677,691**	**-**	**11,100,783**
-	-	-	-	-	-	338
-	-	-	-	-	-	770
-	-	-	-	-	-	17
-	-	-	-	-	-	4,194
-	-	-	-	-	-	1,186,008
-	-	-	-	-	-	551
-	-	-	-	-	-	4,380
-	-	-	-	-	-	7,422
-	-	-	-	-	-	1,390
-	-	-	-	-	-	4,808
-	-	-	-	-	-	2,611
-	-	-	-	-	-	143,253
-	-	-	-	-	-	114,984
-	-	-	-	-	-	516,036
-	45,271	-	898,122	763,501	-	1,711,245
-	-	-	-	-	-	14,672
-	-	-	-	-	-	67,547
-	-	-	-	-	-	35,298
-	-	-	-	-	-	252,580
-	-	-	-	-	-	1,931,306
-	-	-	-	21	-	21
-	846,672	-	33,946	4,247	-	884,865
1,904,881	-	-	-	-	-	1,904,881
1,904,881	**891,943**	**-**	**932,068**	**767,769**	**-**	**8,789,175**
540,086	-	-	-	-	-	945,224
-	10,463	-	85,592	9,085	5,000	1,082,832
-	-	-	-	-	-	3,162
-	143,205	-	-	-	-	143,205
-	-	-	-	-	-	233,925
540,086	**153,668**	**-**	**85,592**	**9,085**	**5,000**	**2,408,348**
2,444,967	**1,045,611**	**-**	**1,017,660**	**776,854**	**5,000**	**11,197,524**
(8,082)	**(129,078)**	**-**	**381,025**	**(99,163)**	**(5,000)**	**(96,740)**
160,358	220,440	8,393	(707,331)	(20,613)	5,000	1,104,675
$ 152,276	**$ 91,362**	**$ 8,393**	**$ (326,306)**	**$ (119,776)**	**$ -**	**$ 1,007,935**

Combining Statement of Net Assets Available for Post - Employment Benefits

Pension Trust Funds
June 30, 2011
(Amounts in thousands)

	Pension Trust Funds			
	State Employees' PERS	Teachers' PERS	State Retiree Benefits	Total
ASSETS				
Cash and short-term investments	$ 62,656	$ 74,820	$ -	$ 137,476
Investments at fair value	20,007,862	21,811,542	372,490	42,191,894
Other receivables	184,008	200,601	1,586	386,195
Total assets	**20,254,526**	**22,086,963**	**374,076**	**42,715,565**
LIABILITIES				
Accounts payable	172,879	190,587	6,545	370,011
Total liabilities	**172,879**	**190,587**	**6,545**	**370,011**
Net assets available for post - employment benefits	**$ 20,081,647**	**$ 21,896,376**	**$ 367,531**	**$ 42,345,554**

See Independent Auditor's Report

Combining Statement of Changes in Net Assets Available for Post -Employment Benefits

Pension Trust Funds

Fiscal Year Ended June 30, 2011

(Amounts in thousands)

	State Employees' PERS	Teachers' PERS	State Retiree Benefits	Total
ADDITIONS				
Contribution:				
Employer contributions	$ 465,319	$ 976,491	$ 397,047	$ 1,838,857
Employee contributions	539,549	616,533	-	1,156,082
Total contributions	**1,004,868**	**1,593,024**	**397,047**	**2,994,939**
Net investment gain (loss):				
Investment gain (loss)	3,708,141	4,061,545	66,112	7,835,798
Less: investment expense	(27,621)	(30,111)	(1,102)	(58,834)
Net investment gain (loss)	**3,680,520**	**4,031,434**	**65,010**	**7,776,964**
Total additions	**4,685,388**	**5,624,458**	**462,057**	**10,771,903**
DEDUCTIONS				
Administration	7,901	16,777	979	25,657
Retirement benefits and refunds	1,547,554	2,197,622	397,040	4,142,216
Payments to State Boston Retirement System	-	121,290	-	121,290
Total deductions	**1,555,455**	**2,335,689**	**398,019**	**4,289,163**
Net increase(decrease)	**3,129,933**	**3,288,769**	**64,038**	**6,482,740**
Net assets available for post - employment benefits at beginning of year, as restated	16,951,714	18,607,607	303,493	35,862,814
Net assets available for post - employment benefits at end of year	**$ 20,081,647**	**$ 21,896,376**	**$ 367,531**	**$ 42,345,554**

Combining Statement of Net Assets Held in Trust for Pool Participants

External Investment Trust Funds
June 30, 2011
(Amounts in thousands)

	Massachusetts Municipal Depository Trust	Pension Reserves Investment Trust	Total
ASSETS			
Assets held in trust for pension benefits:			
Cash and short-term investments	$ -	$ 12,765	$ 12,765
Investments at fair value	-	8,320,105	8,320,105
Assets held in trust for pool participants:			
Cash and short-term investments	2,937,041	-	2,937,041
Other receivables	2,487	76,480	78,967
Total assets	**2,939,528**	**8,409,350**	**11,348,878**
LIABILITIES			
Liabilities:			
Accounts payable	1,217	71,613	72,830
Other accrued liablities	80	-	80
Total liabilities	**1,297**	**71,613**	**72,910**
Net assets held in trust for pool / pension participants	**$ 2,938,231**	**$ 8,337,737**	**$ 11,275,968**

See Independent Auditor's Report

Combining Statement of Changes in Net Assets Held in Trust for Pool Participants

External Investment Trust Funds
Fiscal Year Ended June 30, 2011
(Amounts in thousands)

	Massachusetts Municipal Depository Trust	Pension Reserves Investment Trust	Total
ADDITIONS			
Contribution:			
Proceeds from sale of units	$ 18,300,226	$ 1,535,030	$ 19,835,256
Total contributions	**18,300,226**	**1,535,030**	**19,835,256**
Net investment gain (loss):			
Investment gain (loss)	11,924	1,493,231	1,505,155
Less: Investment expense	(2,539)	(11,486)	(14,025)
Net investment gain (loss)	**9,385**	**1,481,745**	**1,491,130**
Total additions	**18,309,611**	**3,016,775**	**21,326,386**
DEDUCTIONS			
Cost of units redeemed	19,160,470	489,177	19,649,647
Distributions to unit holders from net interest income	9,143	-	9,143
Total deductions	**19,169,613**	**489,177**	**19,658,790**
Net increase (decrease)	**(860,002)**	**2,527,598**	**1,667,596**
Net assets held in trust for pool / pensions participants at beginning of year, as restated	3,798,233	5,810,139	9,608,372
Net assets held in trust for pool / pensions participants at end of year	**$ 2,938,231**	**$ 8,337,737**	**$ 11,275,968**

Combining Statement of Changes in Assets and Liabilities

Agency Funds

Fiscal Year Ended June 30, 2011

(Amounts in thousands)

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Central Agency Funds				
ASSETS				
Cash and short-term investments	$ 269,184	$ 6,720,487	$ 6,721,703	$ 267,968
Investments, restricted investments and annuity contracts	1,484,794	205,064	226,810	1,463,048
Taxes receivable	1,916	2,340	1,916	2,340
Total assets	**$ 1,755,894**	**$ 6,927,891**	**$ 6,950,429**	**$ 1,733,356**
LIABILITIES				
Accounts payable	$ 45,339	$ 4,008,120	$ 4,001,273	$ 52,186
Due to cities and towns	26,833	424,426	423,588	27,671
Due to federal government	-	57	57	-
Lottery prizes payable	1,484,794	205,064	226,810	1,463,048
Agency liabilities	198,928	3,396,300	3,404,777	190,451
Total liabilities	**$ 1,755,894**	**$ 8,033,967**	**$ 8,056,505**	**$ 1,733,356**
Court Escrow and Client Accounts				
ASSETS				
Cash and short-term investments	$ 114,327	$ 2,947,249	$ 2,966,749	$ 94,827
Assets held in trust	53,036	377,451	375,127	55,360
Other receivables	111,758	115,399	111,758	115,399
Total assets	**$ 279,121**	**$ 3,440,099**	**$ 3,453,634**	**$ 265,586**
LIABILITIES				
Accounts payable	$ 6,409	$ 1,220,598	$ 1,226,770	$ 237
Agency liabilities	272,712	1,112,753	1,120,116	265,349
Total liabilities	**$ 279,121**	**$ 2,333,351**	**$ 2,346,886**	**$ 265,586**
Statutory Bonds and Deposits				
ASSETS				
Cash and short-term investments	$ 86	$ -	$ -	$ 86
Assets held in trust	654,071	446,084	459,026	641,129
Total assets	**$ 654,157**	**$ 446,084**	**$ 459,026**	**$ 641,215**
LIABILITIES				
Agency liabilities	$ 654,157	$ 446,084	$ 459,026	$ 641,215
Total liabilities	**$ 654,157**	**$ 446,084**	**$ 459,026**	**$ 641,215**

See Independent Auditor's Report

Combining Statement of Changes in Assets and Liabilities

Agency Funds

Fiscal Year Ended June 30, 2011

(Amounts in thousands)

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Total Agency Funds				
ASSETS				
Cash and short-term investments	$ 383,597	$ 9,667,736	$ 9,688,452	$ 362,881
Investments, restricted investments and annuity contracts	1,484,794	205,064	226,810	1,463,048
Assets held in trust	707,107	823,535	834,153	696,489
Taxes receivable	1,916	2,340	1,916	2,340
Other receivables	111,758	115,399	111,758	115,399
Total assets	**$ 2,689,172**	**$ 10,814,074**	**$ 10,863,089**	**$ 2,640,157**
LIABILITIES				
Accounts payable	$ 51,748	$ 5,228,718	$ 5,228,043	$ 52,423
Due to cities and towns	26,833	424,426	423,588	27,671
Due to federal government	-	57	57	-
Lottery prizes payable	1,484,794	205,064	226,810	1,463,048
Agency liabilities	1,125,797	4,955,137	4,983,919	1,097,015
Total liabilities	**$ 2,689,172**	**$ 10,813,402**	**$ 10,862,417**	**$ 2,640,157**

Combining Statement of Net Assets

Nonmajor Component Units

June 30, 2011

(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	Total
ASSETS AND DEFERRED OUTFLOWS							
Current assets:							
Cash and cash equivalents	$ 18,171	$ 14,559	$ 22,632	$ 278	$ 44,018	$ 71,095	$ 170,753
Short-term investments	-	138,089	-	43,410	18,736	30,348	230,583
Restricted cash and investment	16,016	21,832	-	13,784	-	2,215	53,847
Assets held in trust	-	-	55,604	-	-	-	55,604
Receivables, net of allowance for uncollectibles:							
Federal grants and reimbursement receivable	-	-	-	-	-	291	291
Loans	-	9,619	15,589	-	8,873	11,576	45,657
Other receivables	2,655	11,096	2,445	3,386	8,041	1,188	28,811
Due from primary government	14,202	429	-	4,889	-	23,585	43,105
Inventory	-	139	-	-	-	90	229
Other current assets	894	2,294	135	141	-	397	3,861
Total current assets	**51,938**	**198,057**	**96,405**	**65,888**	**79,668**	**140,785**	**632,741**
Noncurrent assets:							
Cash and cash equivalents - restricted	-	24,465	96,173	-	-	-	120,638
Long - term investments	-	66,485	6,484	-	-	891	73,860
Restricted investments	-	-	65,501	-	-	-	65,501
Accounts receivables, net	-	4,330	-	-	-	535	4,865
Loans receivables, net	1,984	72,721	-	-	339,277	31,295	445,277
Non-depreciable capital assets	99,444	10,871	-	-	-	13	110,328
Depreciable capital assets, net	679,575	236,697	32,788	17,677	-	12,666	979,403
Other noncurrent assets	-	26,878	-	-	338	-	27,216
Total noncurrent assets	**781,003**	**442,447**	**200,946**	**17,677**	**339,615**	**45,400**	**1,827,088**
Deferred outflows from derivative instruments	-	15,973	-	-	-	-	15,973
Total assets and deferred outflows	**832,941**	**656,477**	**297,351**	**83,565**	**419,283**	**186,185**	**2,475,802**
LIABILITES							
Current liabilities:							
Accounts payable and other liabilities	13,021	6,293	21,587	9,448	977	27,091	78,417
Accrued payroll	-	-	185	-	-	-	185
Compensated absences	890	900	-	-	-	733	2,523
Accrued interest payable	-	-	-	-	1,172	-	1,172
Due to primary government	-	421	-	-	-	-	421
Deferred revenue	9,091	-	55,599	-	-	14,180	78,870
Bonds, notes payable and other obligations	-	1,245	-	-	7,994	3,005	12,244
Total current liabilities	**23,002**	**8,859**	**77,371**	**9,448**	**10,143**	**45,009**	**173,832**
Noncurrent liabilities:							
Compensated absences	1,035	-	-	-	-	95	1,130
Accrued interest payable	-	2,753	-	-	-	-	2,753
Due to primary government	-	15,111	-	-	-	-	15,111
Deferred revenue	-	1,870	-	-	21,230	976	24,076
Bonds, notes payable and other obligations	-	172,646	-	-	345,684	40,605	558,935
Post - employment obligations	2,653	-	-	-	-	-	2,653
Liability for derivative instruments	-	15,973	-	-	-	-	15,973
Other noncurrent liabilities	-	2,309	-	5,590	-	2,128	10,027
Total noncurrent liabilities	**3,688**	**210,662**	**-**	**5,590**	**366,914**	**43,804**	**630,658**
Total liabilities	**26,690**	**219,521**	**77,371**	**15,038**	**377,057**	**88,813**	**804,490**
NET ASSETS							
Invested in capital assets, net of related debt	779,019	81,617	32,788	17,677	248	12,553	923,902
Restricted for:							
Clean energy trusts	-	-	187,192	-	-	-	187,192
Economic develpoment financing	-	162,459	-	-	-	-	162,459
Other purposes	18,000	-	-	40,975	26,111	49,807	134,893
Unrestricted	9,232	192,880	-	9,875	15,867	35,012	262,866
Total net assets	**$ 806,251**	**$ 436,956**	**$ 219,980**	**$ 68,527**	**$ 42,226**	**$ 97,372**	**$ 1,671,312**

See Independent Auditor's Report

Combining Statement of Revenues, Expenses and Changes in Net Assets

Nonmajor Component Units

Fiscal Year Ended June 30, 2011

(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	Total
Operating revenues:							
Charges for services	$ 44,472	$ 66,082	$ -	$ -	$ 5,734	$ 37,087	$ 153,375
Other	757	26,416	24,132	18,182	9,741	7,381	86,609
Total operating revenues	**45,229**	**92,498**	**24,132**	**18,182**	**15,475**	**44,468**	**239,984**
Operating expenses:							
Cost of services	49,252	14,844	43,530	22,998	8,074	92,863	231,561
Administration costs	24,767	69,492	6,066	2	4,500	4,399	109,226
Depreciation	38,260	12,691	221	579	98	920	52,769
Total operating expenses	**112,279**	**97,027**	**49,817**	**23,579**	**12,672**	**98,182**	**393,556**
Operating income (loss)	**(67,050)**	**(4,529)**	**(25,685)**	**(5,397)**	**2,803**	**(53,714)**	**(153,572)**
Nonoperating revenues (expenses):							
Operating grants	52,148	465	21,716	-	-	41,006	115,335
Interest income	68	1,903	8,741	363	-	118	11,193
Other nonoperating revenue (expense)	-	(634)	-	-	-	(37)	(671)
Nonoperating revenues (expenses), net	**52,216**	**1,734**	**30,457**	**363**	**-**	**41,087**	**125,857**
Income (loss) before contributions	**(14,834)**	**(2,795)**	**4,772**	**(5,034)**	**2,803**	**(12,627)**	**(27,715)**
Capital contributions	-	3,421	-	-	-	25,275	28,696
Other losses	-	(29,839)	-	-	-	(2)	(29,841)
Change in net assets	**(14,834)**	**(29,213)**	**4,772**	**(5,034)**	**2,803**	**12,646**	**(28,860)**
Net assets - beginning, as restated	821,085	466,169	215,208	73,561	39,423	84,726	1,700,172
Net assets - ending	**$ 806,251**	**$ 436,956**	**$ 219,980**	**$ 68,527**	**$ 42,226**	**$ 97,372**	**$ 1,671,312**

Castle Island

Castle Island is one of the most popular destinations for Boston residents and visitors alike. It features opportunities for both recreation and historical learning. The island (which is connected to the mainland) is home to Fort Independence, a National Historic Landmark, and Pleasure Bay features a sandy beach and swimming in a calm, enclosed lagoon.

Castle Island has been connected to the mainland since the 1930s, when streetcars brought bathers to Pleasure Bay. Fort Independence is the eighth fort to occupy this site and contains over 172,687 linear feet of hammered stone. It was constructed under the direction of Colonel Sylvanus Thayer between 1834 and 1851. The fort and the island are on the State and National Registers of Historic Places, and Fort Independence is a National Historic Landmark.

The HarborWalk extends along Pleasure Bay, with a detour to Castle Island. The causeway located behind the beach provides a great walk way for strolling around or viewing Pleasure Bay from shade shelters. There are views to Logan Airport and the Harbor Islands, and visitors can observe boating activity in the Harbor.

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HarborWalk at the ICA

The first art museum to be built in Boston in nearly 100 years, the Institute of Contemporary Art (ICA) opened its new waterfront home on Fan Pier in December, 2006. Its South Boston location draws thousands of visitors to the HarborWalk year-round, thanks to their extensive free outdoor programs for the public in the summer.

Statistical Section Narrative and Table of Contents

This part of the Commonwealth of Massachusetts' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Commonwealth's overall financial health.

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Financial Trends

These schedules contain trend information to help the reader understand how the Commonwealth's financial performance and fiscal health has changed over time. The schedules presented from an entity wide perspective are only included from FY02 and forward, coinciding with the implementation of GASB 34. Fund perspective statements are presented for the last ten fiscal years, except where noted. Schedules included are:

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Schedule Of Net Assets by Component
Last Ten Fiscal Years

(Amounts in thousands)

	2011	2010*	2009*	2008*
Governmental activities				
Invested in capital assets, net of related debt…	$ (722,469)	$ (885,593)	$ 189,913	$ 446,666
Restricted……	1,520,702	1,403,877	1,377,951	1,413,968
Unrestricted……	(23,631,098)	(22,891,629)	(13,721,519)	(11,022,084)
Total governmental activities net assets……	**$ (22,832,865)**	**$ (22,373,344)**	**$ (12,153,655)**	**$ (9,161,450)**
Business-type activities				
Invested in capital assets, net of related debt…	$ 2,026,223	$ 1,767,434	$ 1,698,825	$ 1,562,002
Restricted……	1,364,646	1,148,751	1,609,145	2,390,206
Unrestricted……	978,043	857,263	621,952	644,363
Total business-type activities net assets……	**$ 4,368,912**	**$ 3,773,448**	**$ 3,929,922**	**$ 4,596,571**
Commonwealth net assets				
Invested in capital assets, net of related debt…	$ 1,303,754	$ 881,841	$ 1,888,738	$ 2,008,668
Restricted……	2,885,348	2,552,628	2,987,096	3,804,174
Unrestricted……	(22,653,055)	(22,034,366)	(13,099,567)	(10,377,721)
Total Commonwealth net assets……	**$ (18,463,953)**	**$ (18,599,896)**	**$ (8,223,733)**	**$ (4,564,879)**

* Restated

2007*	2006*	2005*	2004*	2003*	2002*
$ 489,432	$ 101,510	$ 196,765	$ 2,032,958	$ 3,901,007	$ 5,611,252
1,271,051	2,010,373	1,526,576	776,401	517,115	987,941
(11,357,260)	(12,409,269)	(13,267,433)	(9,150,810)	(12,523,663)	(14,014,718)
$ (9,596,777)	**$ (10,297,385)**	**$ (11,544,092)**	**$ (6,341,451)**	**$ (8,105,541)**	**$ (7,415,525)**
$ 1,392,363	$ 1,283,570	$ 1,149,352	$ 1,132,637	$ 1,073,152	$ 1,032,022
2,295,507	1,816,066	1,331,053	915,583	946,704	1,784,322
645,211	548,774	562,777	434,007	321,523	243,605
$ 4,333,081	**$ 3,648,410**	**$ 3,043,182**	**$ 2,482,227**	**$ 2,341,379**	**$ 3,059,949**
$ 1,881,795	$ 1,385,080	$ 1,346,117	$ 3,165,595	$ 4,974,159	$ 6,643,274
3,566,558	3,826,439	2,857,629	1,691,984	1,463,819	2,772,263
(10,712,049)	(11,860,495)	(12,704,656)	(8,716,803)	(12,202,140)	(13,771,113)
$ (5,263,696)	**$ (6,648,975)**	**$ (8,500,910)**	**$ (3,859,224)**	**$ (5,764,162)**	**$ (4,355,576)**

Changes in Net Assets
Last Ten Fiscal Years

(Amounts in thousands)

	2011	2010	2009	2008
EXPENSES				
Governmental Activities:				
General government	$ 2,305,783	$ 2,358,706	$ 2,630,554	$ 2,321,251
Judiciary	992,990	1,043,004	1,138,179	993,424
Direct local aid	4,845,738	5,030,363	5,210,451	5,118,858
Medicaid	12,124,261	10,677,999	10,842,549	9,769,893
Group health insurance	1,113,544	1,092,178	977,565	828,297
Interest (unallocated)	1,177,569	1,090,471	1,116,278	1,152,162
Energy and environmental	685,032	326,128	426,808	537,691
Housing and economic development*	1,362,822	1,297,143	1,042,084	899,474
Health and human services*	7,124,856	7,244,968	7,452,418	6,726,961
Transportation and public works	2,262,374	2,088,354	1,336,257	1,199,103
Early elementary and secondary education*	3,649,543	3,395,360	3,210,200	2,932,143
Public safety and homeland security	2,276,402	2,409,557	2,561,607	2,097,076
Labor and workforce development*	497,927	483,091	474,438	340,668
Lottery	3,661,834	3,649,396	3,693,318	3,910,362
Total governmental activities	**44,080,674**	**42,186,718**	**42,112,705**	**38,827,362**
Business-type Activities:				
Unemployment compensation	4,388,360	5,435,611	3,475,027	1,554,885
Higher Education:				
University of Massachusetts	2,865,015	2,640,134	2,474,797	2,274,312
State universities	834,453	762,043	736,972	733,842
Community colleges	772,883	716,526	671,923	685,235
Total business -type activities	**8,860,711**	**9,554,314**	**7,358,719**	**5,248,274**
Total Commonwealth expenses	**$ 52,941,385**	**$ 51,741,032**	**$ 49,471,424**	**$ 44,075,636**
REVENUES				
Program Revenues:				
Governmental Activities:				
Charges for services:				
General government	$ 443,869	$ 464,592	$ 436,344	$ 414,614
Judiciary	120,293	128,198	123,819	124,542
Medicaid	258,032	185,463	180,380	176,471
Group health insurance	431,078	349,870	230,456	209,008
Energy and environmental	270,449	214,269	226,754	162,639
Housing and economic development*	142,387	221,340	178,011	185,019
Health and human services*	896,328	797,929	718,628	601,483
Transportation and public works	502,004	517,045	494,733	477,420
Early elementary and secondary education*	6,645	9,661	15,728	10,766
Public safety and homeland security	193,983	202,427	175,069	153,641
Labor and workforce development*	142,731	38,319	37,728	31,758
Lottery	4,630,205	4,626,777	4,643,592	4,905,509
Total Charges for services	8,038,003	7,755,891	7,461,243	7,452,873
Operating grants and contributions	14,217,481	12,771,164	12,059,019	9,271,936
Capital grants and contributions	168,912	779,403	853,221	484,172
Total governmental activities	**22,424,397**	**21,306,458**	**20,373,482**	**17,208,980**
Business-type Activities:				
Charges for services:				
Unemployment Compensation	1,945,801	1,727,964	1,671,098	1,587,543
Higher Education:				
University of Massachusetts	1,685,386	1,527,880	1,419,932	1,160,513
State Colleges	530,078	479,900	442,685	400,369
Community Colleges	250,341	235,865	219,986	204,190
Operating grants and contributions	3,500,210	4,020,351	1,721,199	710,974
Total business-type activities	**7,911,816**	**7,991,960**	**5,474,900**	**4,063,589**
Total Commonwealth program revenues	**$ 30,336,213**	**$ 29,298,418**	**$ 25,848,382**	**$ 21,272,569**
General Revenues and Other Changes in Net Assets (all types consolidated):				
Governmental Activities:				
Taxes (all types)	$ 21,066,430	$ 19,034,227	$ 18,499,273	$ 21,174,430
Investment earnings and miscellaneous	991,230	1,474,995	1,489,018	2,057,309
Gain on sale of capital assets	-	-	-	-
Transfers	(860,904)	(864,697)	(1,070,652)	(1,178,030)
Transfers to \ from MassDOT	-	(8,983,955)	-	-
Total governmental activities	**21,196,756**	**10,660,570**	**18,917,639**	**22,053,709**
Business-type Activities:				
Investment earnings and miscellaneous	$ 695,308	$ 553,088	$ 140,227	$ 270,145
Other losses	(10,746)	(12,125)	(11,530)	-
Transfers	860,904	864,697	1,070,652	1,178,030
Total business -type activities	**1,545,466**	**1,405,660**	**1,199,349**	**1,448,175**
Total Commonwealth general revenues	**$ 22,742,222**	**$ 12,066,230**	**$ 20,116,988**	**$ 23,501,884**
CHANGES IN NET ASSETS				
Governmental activities	$ (459,521)	$ (10,219,689)	$ (2,821,583)	$ 435,327
Business-type activities	596,571	(156,694)	(684,470)	263,490
Current year restatements	-	-	(152,800)	-
Total changes in net assets including restatements	**$ 137,050**	**$ (10,376,383)**	**$ (3,658,854)**	**$ 698,817**

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

2007	2006	2005	2004	2003	2002
$ 2,198,999	$ 2,030,792	$ 1,861,827	$ 2,084,482	$ 1,870,365	$ 1,385,454
852,124	731,931	694,245	570,228	641,227	540,248
5,081,359	4,682,027	4,525,847	4,877,089	5,118,711	5,252,805
9,044,420	8,150,576	7,705,717	6,909,412	6,177,280	5,978,811
1,033,796	970,150	872,970	778,072	732,252	770,832
1,079,551	985,474	861,265	788,908	739,463	687,817
488,883	438,731	419,329	379,710	395,713	469,591
519,399	670,518	609,409	593,000	590,246	554,712
6,414,249	6,585,029	6,441,959	5,940,586	5,778,186	5,626,813
1,271,608	1,286,857	1,566,773	1,569,678	2,053,939	1,764,257
1,870,250	(1,935,643)	8,226,508	1,251,618	1,427,482	1,896,971
1,763,191	1,768,924	1,638,434	1,477,469	1,384,537	1,023,141
641,134	387,132	358,839	387,590	430,982	391,358
3,689,221	3,708,713	3,692,520	3,606,608	3,470,046	3,453,858
35,948,184	**34,358,196**	**39,488,186**	**31,214,448**	**30,810,430**	**29,859,108**
1,430,130	1,337,565	1,662,955	2,461,293	2,589,107	2,183,100
2,233,634	2,116,226	1,977,546	1,597,676	1,531,381	1,437,518
624,470	568,592	514,122	456,022	425,154	418,593
627,400	592,310	548,017	525,179	523,403	508,895
4,915,634	**4,614,693**	**4,702,640**	**5,040,170**	**5,069,045**	**4,548,107**
$ 40,863,818	**$ 38,972,889**	**$ 44,190,826**	**$ 36,254,618**	**$ 35,879,475**	**$ 34,407,214**
$ 564,347	$ 451,753	$ 492,750	$ 463,132	$ 233,135	$ 158,825
118,652	115,443	105,072	101,994	74,412	62,982
172,136	702,104	937,422	687,535	26,772	90,081
151,604	131,611	111,342	98,598	93,529	81,089
168,789	156,074	138,854	152,632	132,531	124,317
1,892	6,245	3,515	1,446	1,373	1,282
538,543	613,780	756,469	861,899	966,813	909,777
461,217	448,349	478,154	13,687	7,813	6,995
8,042	6,346	5,583	11,644	5,073	3,909
126,962	135,846	112,350	564,023	520,496	451,101
187,256	213,078	199,817	179,794	168,471	160,577
4,656,110	4,726,339	4,698,935	4,603,204	4,421,621	4,423,052
7,155,550	7,706,968	8,040,263	7,739,588	6,652,039	6,473,987
8,849,046	8,347,822	7,961,904	8,017,469	7,129,712	7,078,110
487,365	481,780	461,371	602,449	508,235	338
16,491,961	**16,536,570**	**16,463,538**	**16,359,506**	**14,289,986**	**13,552,435**
1,698,249	1,741,101	242,769	1,481,803	940,475	25,183
1,194,393	1,076,875	424,184	822,668	678,812	584,633
287,195	272,918	64,872	222,740	182,428	147,902
190,808	175,418	122,828	165,257	141,480	119,671
746,385	684,108	854,653	1,376,666	1,249,768	869,848
4,117,030	**3,950,420**	**4,108,237**	**4,069,134**	**3,192,962**	**1,824,398**
$ 20,608,991	**$ 20,486,988**	**$ 20,571,775**	**$ 20,428,640**	**$ 17,482,948**	**$ 15,376,834**
$ 20,001,189	$ 18,668,322	$ 17,580,271	$ 16,406,781	$ 15,161,687	$ 14,688,596
1,318,008	1,396,033	1,168,540	1,042,704	1,179,686	(367,695)
-	26,300	-	-	-	-
(1,167,367)	(1,022,320)	(926,715)	(830,453)	(950,217)	(1,018,603)
-	-	-	-	-	-
20,151,830	**19,068,335**	**17,822,096**	**16,619,032**	**15,391,156**	**13,302,298**
$ 315,908	247,181	228,643	181,719	207,296	965,901
-	-	-	-	-	-
1,167,367	1,022,320	926,715	830,453	950,217	1,018,603
1,483,275	**1,269,501**	**1,155,358**	**1,012,172**	**1,157,513**	**1,984,504**
$ 21,635,105	**$ 20,337,836**	**$ 18,977,454**	**$ 17,631,205**	**$ 16,548,670**	**$ 15,286,802**
$ 695,608	$ 1,246,707	$ (5,202,551)	$ 1,764,090	$ (1,129,287)	$ (3,004,374)
684,671	605,228	560,955	41,136	(718,570)	(739,205)
-	-	-	-	-	-
$ 1,380,279	**$ 1,851,935**	**$ (4,641,596)**	**$ 1,805,226**	**$ (1,847,857)**	**$ (3,743,578)**

Fund Balances, Governmental Funds
Last Ten Fiscal Years

(Modified accrual basis of accounting)

(Amounts in thousands)

	2011	2010*	2009*	2008*
Total Unreserved general fund……	**$ -**	**$ -**	**$ 1,734,822**	**$ 3,171,278**
All Other Governmental Funds				
Reserved……	-	-	1,401,985	1,809,058
Unreserved:				
Special Revenue Funds……	-	-	2,044,674	2,437,897
Capital Projects Funds……	-	-	(125,138)	(360,570)
Permanent Trust Funds……	-	-	5,000	5,000
Total Unreserved……	-	-	1,924,535	2,082,327
Total all other governmental funds……	**-**	**-**	**3,326,520**	**3,891,385**
Total governmental fund balances……	**$ -**	**$ -**	**$ 5,061,342**	**$ 7,062,663**

* 2010 has been restated for GASB 54 presentation. Years prior have been restated.

Fund balances (deficits) GASB54 :		
Nonspendable……	$ 914	$ 5,914
Restricted……	1,675,055	1,905,749
Commited……	2,020,009	2,166,175
Assigned……	750,462	156,483
Unassigned……	821,188	351,395
Total governmental fund balances……	**$ 5,267,628**	**$ 4,585,716**

2007*	2006*	2005*	2004*	2003*	2002*
$ 4,899,154	**$ 4,922,074**	**$ 4,067,885**	**$ 2,497,447**	**$ 1,309,917**	**$ 2,375,393**
1,496,094	1,361,980	1,392,209	2,204,552	1,680,261	1,920,540
1,587,596	1,476,440	91,913	330,353	234,754	(613,027)
(251,985)	(497,300)	(503,441)	(607,946)	(1,203,914)	(1,286,550)
5,000	-	-	-	-	71,497
1,340,611	979,140	(411,528)	(277,593)	(969,160)	(1,828,080)
2,836,705	**2,341,120**	**980,681**	**1,926,959**	**711,101**	**92,460**
$ 7,735,859	**$ 7,263,194**	**$ 5,048,566**	**$ 4,424,406**	**$ 2,021,018**	**$ 2,467,853**

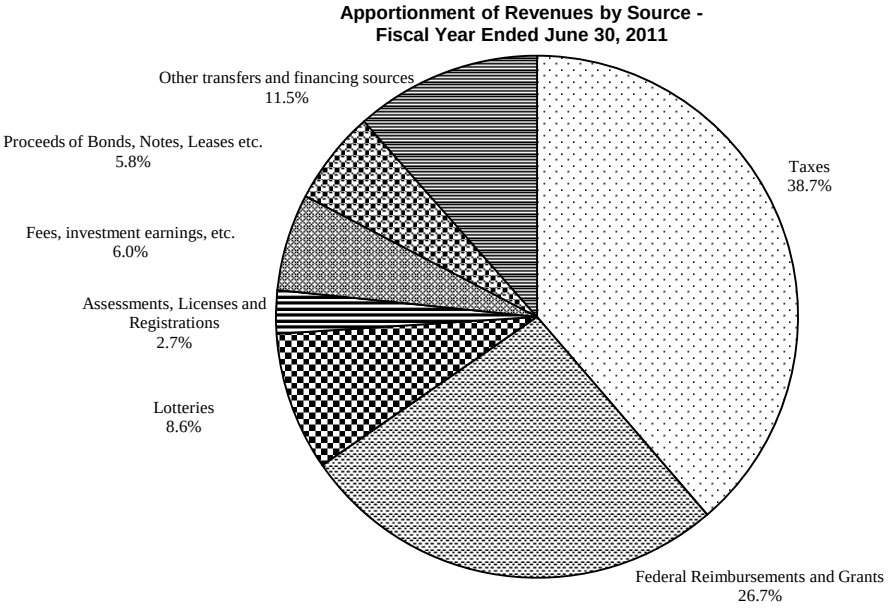
Ten-Year Schedule Of Revenues And Other Financing Sources

All Governmental Fund Types - Fund Perspective

(Modified Accrual Basis of Accounting)

(Amounts in millions)

	2011	% Total	2010	% Total	2009	% Total	2008	% Total	2007	% Total
Taxes	$ 20,854	38.7	$ 18,991	37.3	$ 18,354	36.9	$ 21,120	42.1	$ 19,985	40.5
Federal reimbursements	10,066	18.7	9,453	18.5	9,392	18.9	7,037	14.0	6,847	13.9
Federal grants	4,311	8.0	4,097	8.0	3,510	7.0	2,681	5.3	2,489	5.0
Lotteries	4,631	8.6	4,628	9.1	4,650	9.3	4,915	9.8	4,670	9.5
Assessments	980	1.8	965	1.9	929	1.9	858	1.7	860	1.7
Motor vehicle licenses and registrations	461	0.9	463	0.9	383	0.8	376	0.7	380	0.8
Fees, investment earnings, etc.	3,246	6.0	3,365	6.6	3,204	6.4	3,546	7.1	2,875	5.8
Proceeds of general obligation bonds	2,233	5.1	2,419	4.7	2,042	4.1	1,281	2.6	3,181	6.4
Proceeds of refunding bonds	888	1.6	538	1.1	390	0.8	-	-	1,428	2.9
Proceeds of capital lease	12	-	17	-	18	-	17	-	21	-
Transfers	6,216	11.5	6,043	11.9	6,916	13.9	8,305	16.6	6,666	13.5
Other financing sources	-	-	-	-	-	-	-	-	-	-
Total revenues and other financing sources	$ 53,898	100.0	$ 50,979	100.0	$ 49,788	100.0	$ 50,136	100.0	$ 49,402	100.0



2006	% Total	2005	% Total	2004	% Total	2003	% Total	2002	% Total
$ 18,754	39.7	$ 17,671	40.6	$ 16,133	36.4	$ 15,091	35.3	$ 14,428	39.6
6,350	13.5	6,053	13.9	6,284	14.2	5,522	12.9	5,267	14.4
2,479	5.3	2,369	5.4	2,336	5.3	2,112	4.9	1,812	5.0
4,739	10.0	4,705	10.8	4,605	10.4	4,423	10.3	4,425	12.1
850	1.8	831	1.9	773	1.7	645	1.5	572	1.6
361	0.8	401	0.9	376	0.8	383	0.9	326	0.9
3,270	7.0	3,213	7.5	3,028	6.8	2,331	5.4	2,178	6.0
4,492	9.5	1,354	3.1	1,993	4.5	1,911	4.5	1,489	4.1
633	1.3	1,385	3.2	3,302	7.4	3,398	7.9	1,501	4.1
30	0.1	58	0.1	11	-	-	-	10	-
5,232	11.1	5,493	12.6	5,531	12.5	6,981	16.3	4,454	12.2
-	-	-	-	-	-	-	-	3	-
$ 47,190	100.0	$ 43,533	100.0	$ 44,372	100.0	$ 42,796	100.0	$ 36,477	100.0

Ten-Year Schedule Of Expenditures And Other Financing Uses By Secretariat

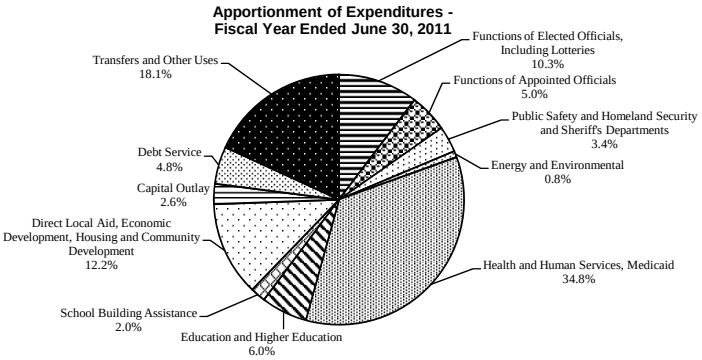
All Governmental Fund Types - Fund Perspective

(Modified Accrual Basis of Accounting)

(Amounts in millions)

	2011	% Total	2010	% Total	2009	% Total	2008	% Total	2007	% Total
Legislature	$ 58	0.11	$ 59	0.11	$ 60	0.12	$ 58	0.11	$ 59	0.12
Judiciary	771	1.45	769	1.49	797	1.54	796	1.57	799	1.63
Inspector General	4	0.01	4	0.01	3	0.01	3	0.01	3	0.01
Governor and Lieutenant Governor	5	0.01	5	0.01	8	0.02	9	0.02	5	0.01
Secretary of the Commonwealth	45	0.08	52	0.10	51	0.10	51	0.10	52	0.11
Treasurer and Receiver-General	5,084	9.55	4,862	9.45	5,097	9.84	5,089	10.02	4,712	9.63
Auditor of the Commonwealth	18	0.03	18	0.03	19	0.04	19	0.04	18	0.04
Attorney General	34	0.06	52	0.10	53	0.10	45	0.09	62	0.13
Ethics Commission	2	0.00	2	0.00	2	-	2	-	2	-
District Attorney	104	0.20	102	0.20	112	0.22	111	0.22	102	0.21
Office of Campaign and Political Finance	3	0.00	1	0.00	1	-	1	-	2	-
Sheriff's Department	514	0.97	394	0.77	296	0.57	295	0.58	272	0.56
Disabled Persons Protection Commission	2	0.00	2	0.00	3	-	2	-	2	-
Board of Library Commissioners	25	0.05	28	0.05	37	0.07	36	0.07	10	0.02
Comptroller	14	0.03	13	0.03	14	0.03	14	0.03	14	0.03
Administration and finance	1,852	3.48	1,686	3.29	1,709	3.30	1,528	3.01	1,849	3.78
Energy and environmental	368	0.69	403	0.78	352	0.68	312	0.61	318	0.65
Housing and communities development	-	-	-	-	-	-	-	-	402	0.82
Early education and care	-	-	-	-	-	-	560	1.10	518	1.06
Health and human services	6,791	12.76	6,655	12.93	6,684	12.91	6,423	12.64	5,907	12.07
Transportation and public works	-	-	474	0.92	389	0.75	347	0.68	350	0.72
Massachusetts department of transportation	2,086	3.92	1,209	2.35	-	-	-	-	-	-
Executive office of educaion*	3,232	6.07	2,968	5.77	2,920	5.64	2,205	4.34	2,048	4.19
Massachusetts school building assistance	791	1.49	973	1.89	657	1.27	765	1.51	1,411	2.88
Higher education	-	-	-	-	-	-	131	0.26	126	0.26
Public safety and homeland security	1,146	2.15	1,282	2.49	1,416	2.73	1,407	2.77	1,238	2.53
Housing and economic development*	1,082	2.03	1,060	2.06	793	1.53	710	1.40	512	1.05
Labor and workforce development*	478	0.90	447	0.87	398	0.77	308	0.61	81	0.17
Elder affairs*	-	-	-	-	-	-	-	-	-	-
Consumer affairs*	-	-	-	-	-	-	-	-	-	-
Labor*	-	-	-	-	-	-	-	-	-	-
Medicaid	12,124	22.78	10,678	20.75	10,843	20.94	9,770	19.23	9,044	18.48
Pension	744	1.40	587	1.14	647	1.25	368	0.72	373	0.76
Direct local aid	4,846	9.11	5,030	9.78	5,208	10.06	5,108	10.05	5,072	10.36
Capital outlay:		-								
Local aid	-	-	1	-	3	0.01	10	0.02	9	0.02
Capital acquisition and construction	885	1.66	1,300	2.53	2,514	4.85	1,698	3.34	1,724	3.52
Debt service	2,220	4.17	2,407	4.68	2,410	4.65	2,486	4.89	2,538	5.19
Other financing uses:		-								
Payments to refunded bond escrow agent	945	1.78	537	1.04	410	0.79	-	-	1,520	3.11
Transfers	6,947	13.05	7,395	14.37	7,887	15.23	10,141	19.96	7,781	15.90
Total expenditures and other financing uses	$ 53,217	100.0	$ 51,455	100.0	$ 51,789	100.0	$ 50,810	100.0	$ 48,935	100.0
Change in Governmental Fund Balance	$ 681		$ (476)		$ (2,001)		$ (674)		$ 467	

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



2006	% Total	2005	% Total	2004	% Total	2003	% Total	2002	% Total
$ 55	0.12	$ 50	0.1	$ 51	0.1	$ 53	0.1	$ 60	0.2
660	1.47	580	1.4	577	1.4	568	1.3	593	1.5
3	0.01	3	-	2	-	2	-	2	-
5	0.01	5	-	5	-	5	-	6	-
44	0.10	46	0.1	43	0.1	39	0.1	36	0.1
4,803	10.68	4,706	11.0	4,535	10.8	4,446	10.3	3,558	9.2
18	0.04	16	-	16	-	16	-	16	-
52	0.12	70	0.2	52	0.1	55	0.1	62	0.2
1	-	1	-	1	-	1	-	1	-
94	0.21	84	0.2	86	0.2	85	0.2	89	0.2
1	-	1	-	1	-	1	0.0	5	-
247	0.55	216	0.5	218	0.5	215	0.5	216	0.6
2	-	2	-	2	-	2	0.0	2	-
8	0.02	7	-	6	-	6	-	10	-
14	0.03	12	-	8	-	8	-	8	-
1,651	3.67	1,536	3.6	1,508	3.7	1,202	2.8	1,361	3.5
282	0.63	238	0.6	225	0.5	236	0.5	268	0.7
536	1.19	483	1.1	470	1.1	476	1.1	449	1.2
482	1.07	-	-	-	-	-	-	-	-
5,865	13.04	6,208	14.5	5,868	14.0	5,327	12.3	5,386	13.9
282	0.63	316	0.7	189	0.5	218	0.5	139	0.4
-	-	-	-	-	-	-	-	-	-
1,978	4.40	2,990	7.0	1,587	3.8	1,546	3.6 `	1,506	3.9
2,330	5.18	-	-	-	-	-	-	-	-
106	0.24	114	0.3	99	0.2	111	0.3	119	0.3
1,165	2.59	1,053	2.5	1,039	2.5	991	2.3	999	2.6
384	0.85	346	0.8	376	0.9	29	0.1	32	0.1
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	315	0.7	304	0.8
-	-	-	-	-	-	55	0.1	63	0.2
-	-	-	-	-	-	330	0.8	284	0.7
8,151	18.12	7,706	18.0	6,909	16.5	6,177	14.3	5,979	15.4
346	0.77	439	1.0	212	0.5	290	0.7	238	0.6
4,674	10.39	4,515	10.5	4,861	11.6	5,103	11.8	5,231	13.5
8	0.02	11	-	16	-	15	-	21	0.1
1,754	3.90	1,863	4.3	2,120	5.1	2,526	5.8	2,562	6.6
2,088	4.64	1,719	4.0	1,605	3.8	1,467	3.4	1,382	3.6
633	1.41	1,153	2.7	2,833	6.8	3,398	7.9	1,277	3.3
6,253	13.90	6,419	15.0	6,448	15.4	7,931	18.3	6,551	16.9
$ 44,975	100.0	$ 42,908	99.9	$ 41,968	100.0	$ 43,245	100.0	$ 38,815	100.0
$ 2,215		$ 624		$ 2,403		$ (447)		$ (1,788)	

Personal Income by Industry
Last Ten Calendar Years

(Amounts in millions)

	2010	2009	2008	2007
Total personal income	**$ 336,400**	**$ 324,680**	**$ 335,722**	**$ 322,543**
Unearned Income	81,190	78,336	80,365	71,529
Farm earnings	186	137	180	135
Nonfarm earnings	255,024	246,208	255,176	250,878
Private earnings	**223,784**	**215,396**	**225,122**	**222,302**
Agricultural services, forestry, fishing	383	376	383	405
Mining	97	101	181	301
Construction	11,687	11,717	13,671	14,900
Manufacturing	**25,108**	**23,290**	**25,449**	**25,865**
Durable goods	18,053	16,466	18,170	18,464
Nondurable goods	7,055	6,824	7,280	7,401
Transportation and utilities	6,208	6,029	6,235	5,891
Wholesale trade	12,501	12,458	13,412	13,025
Retail trade	12,599	12,255	12,545	12,960
Services	155,202	149,171	153,246	148,954
Government	**31,240**	**30,812**	**30,054**	**28,577**
Federal, civilian	5,431	5,314	5,157	5,045
Military	1,260	1,220	1,092	1,025
State and local	24,550	24,278	23,806	22,507
Personal income tax revenue (fiscal year, statutory basis)	$ 10,110	$ 10,584	$ 12,484	$ 11,400
Total personal income	$ 336,400	$ 324,680	$ 335,722	$ 322,543
Average Effective Rate	3.0%	3.3%	3.7%	3.5%
Highest Earned Income Tax Rate	5.3%	5.3%	5.3%	5.3%

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.

Note: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System adjusted its methodology in 2008. Prior years restated.

2006	2005	2004	2003	2002	2001
$ 304,855	**$ 282,368**	**$ 271,086**	**$ 258,600**	**$ 254,103**	**$ 253,007**
65,384	55,211	51,966	52,227	51,123	49,830
131	126	147	132	131	110
239,340	227,030	218,974	206,242	202,849	203,068
211,900	**200,639**	**193,996**	**182,312**	**179,478**	**180,697**
396	400	371	315	299	278
363	311	297	318	284	306
15,193	14,460	13,976	13,223	13,301	12,878
24,698	**24,485**	**24,356**	**24,159**	**24,560**	**26,170**
17,639	17,539	17,547	17,175	17,772	19,204
7,059	6,947	6,809	6,984	6,787	6,967
5,706	5,456	5,388	5,226	5,141	5,327
12,538	11,478	11,529	10,887	10,373	10,789
12,952	13,188	12,900	12,472	11,919	11,624
140,056	130,864	125,180	115,712	113,603	113,325
27,439	**26,392**	**24,978**	**23,930**	**23,370**	**22,370**
4,873	4,700	4,626	4,319	4,216	4,028
1,005	1,009	934	897	733	583
21,561	20,683	19,419	18,714	18,423	17,759
$ 10,483	$ 9,690	$ 8,830	$ 8,026	$ 7,913	$ 9,903
$ 304,855	$ 282,368	$ 271,086	$ 258,600	$ 254,103	$ 253,007
3.4%	3.4%	3.3%	3.1%	3.1%	3.9%
5.3%	5.3%	5.3%	5.3%	5.3%	5.6%

Commonwealth of Massachusetts
Personal Income Tax Filers and Liability by Income Level
Calendar (Tax) Years 2009 and 2000

(Amounts, except income level are in thousands)

Calendar Year 2009 (or Fiscal Year 2010)

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$100,001 and higher	565,950	17%	$ 6,236,117	64%
$75,001 - $100,000	280,653	8%	1,048,554	11%
$50,001 - $75,000	450,337	13%	1,144,959	12%
$25,001 - $50,000	749,799	22%	990,642	10%
$10,001 - $25,000	632,963	19%	251,104	3%
$10,000 and lower	703,069	21%	27,975	0%
Total	3,382,771	100%	$ 9,699,351	100%

Calendar Year 2000 (or Fiscal Year 2001)

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$100,001 and higher	380,943	12%	$ 5,364,943	59%
$75,001 - $100,000	250,888	8%	1,027,591	11%
$50,001 - $75,000	449,066	14%	1,252,591	14%
$25,001 - $50,000	837,263	25%	1,258,619	14%
$10,001 - $25,000	709,543	22%	348,082	4%
$10,000 and lower	668,225	20%	25,365	0%
Total	3,295,928	100%	$ 9,277,191	100%

Source: Massachusetts Department of Revenue - 2009 is the most recent tax year for which complete data are available.

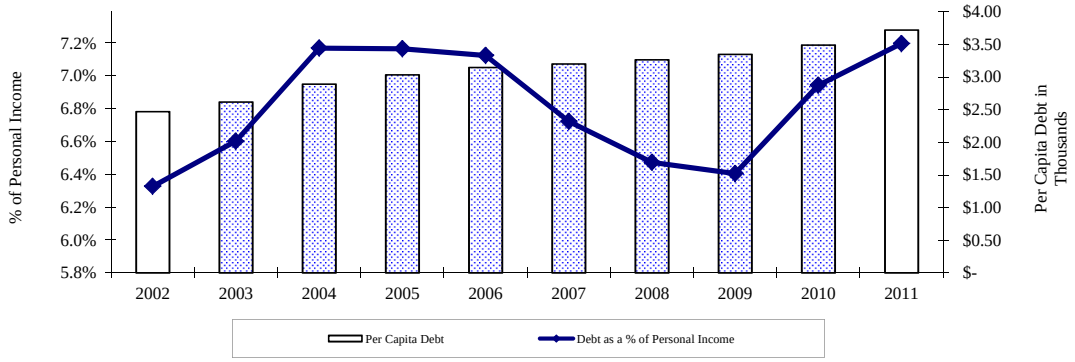
Ten -Year Schedule Of Per Capita General Long-Term Bonded Debt and Capital Leases

(Amounts in thousands, except for percentages)

Fiscal year ended June 30	Governmental Activities Bonded Debt (2)	Governmental Activities Capital Leases (2)	Business-Type Activities Bonded Debt (2)	Business-Type Activities Capital Leases (2)	Total Primary Government	Prior Year Personal Income	Massachusetts Resident Population (1)	Debt as a Percentage of Personal Income	Amount of Debt Per Capita
2011	$ 20,875,055	$ 60,975	$ 3,277,413	$ 31,105	$ 24,244,548	$ 336,399,750	6,518	7.2%	$ 3.72
2010	19,726,507	76,608	2,731,124	40,924	22,575,163	324,680,250	6,469	7.0%	3.49
2009	19,264,569	109,765	2,103,675	58,885	21,536,894	335,721,500	6,432	6.4%	3.35
2008	18,734,440	83,741	2,026,551	67,631	20,912,363	322,542,500	6,410	6.5%	3.26
2007	18,736,961	81,351	1,624,617	83,443	20,526,372	304,855,000	6,410	6.7%	3.20
2006	18,461,406	74,552	1,519,727	87,798	20,143,483	282,367,750	6,403	7.1%	3.15
2005	17,856,799	71,018	1,421,557	101,596	19,450,970	271,086,000	6,412	7.2%	3.03
2004	17,382,172	57,900	1,049,095	73,971	18,563,138	258,600,250	6,423	7.2%	2.89
2003	15,962,506	75,754	673,398	91,934	16,803,592	254,102,750	6,417	6.6%	2.62
2002	14,955,135	91,146	670,432	79,880	15,796,593	249,243,450	6,398	6.3%	2.47

(1) Population estimates have been restated to most current United States Census Bureau Data. Population data is reported as of 7/1 of the previous year
Source: - HTTP://www.fedstats.gov (US Census Bureau.) (2) Excludes Massachusetts School Building Authority debt. Amounts of bonded debt for governmental activities are the amount of debt for statutory debt calculation purposes. Capital leases above exclude the lease between the Commonwealth and the Route 3 North Transportation Improvement Association, a discretely presented component unit. Business - Type Activities includes notes payable of Institutions of Higher Education.

Ten- Year Per Capita Debt and Capital Leases

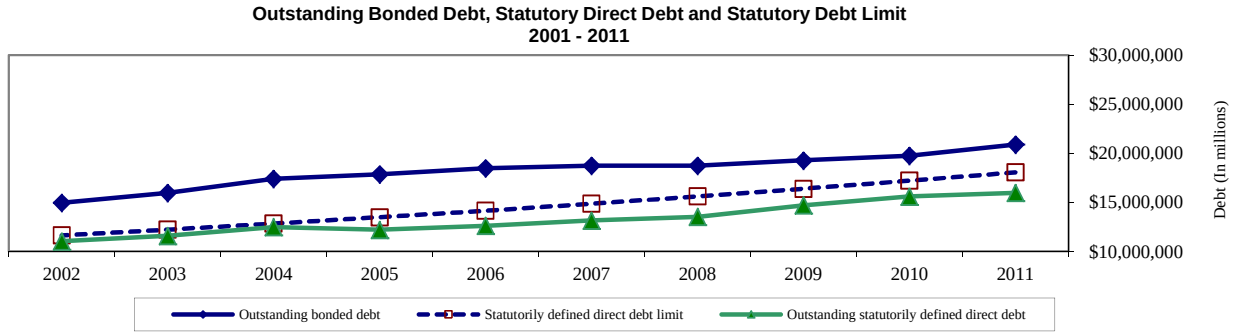


Ten-Year Schedule of Outstanding Direct Debt and Statutory Debt Limit

(Amounts in thousands)

	2011	2010	2009	2008
Outstanding debt for Statutory Purposes as of June 30 (1).....	$ 20,875,055	$ 19,726,507	$ 19,264,569	$ 18,734,440
Less amounts excluded by statute:				
Central artery project bonds net proceeds.....	(1,356,606)	(1,243,250)	(1,401,581)	(1,434,654)
Accelerated Bridge Program.....	(676,125)	-	-	-
County debt assumed.....	(150)	(225)	(300)	(375)
Premium / (Discount) and issuance costs.....	(335,078)	216,688	216,890	123,335
Grant anticipation notes (GANs) net proceeds (2).....	(666,790)	(997,467)	(1,134,797)	(1,536,206)
School Modernization and Reconstruction Trust bonds.....	(824,279)	(894,502)	(921,751)	(946,285)
Convention Center bonds net proceeds	(643,715)	(643,715)	(643,715)	(643,715)
MBTA forward funding bonds net proceeds	(44,472)	(165,559)	(231,000)	(309,203)
Special obligation gas bonds net proceedes.....	(371,665)	(419,785)	(456,984)	(482,953)
Outstanding statutorily defined direct debt.....	$ 15,956,175	$ 15,578,692	$ 14,691,332	$ 13,504,384
Statutorily defined direct debt limit.....	$ 18,042,424	$ 17,183,261	$ 16,365,011	$ 15,585,725
Debt margin (Debt limit less direct debt).....	$ 1,839,771	$ 1,604,569	$ 1,673,679	$ 2,081,341
Debt margin as a percentage of direct debt limit.....	10.20%	9.34%	10.23%	13.35%

(1) Exclusive of the Massachusetts School Building Authority debt.
(2) Inclusive of Crossover Refunding Amounts.



2007	2006	2005	2004	2003	2002
$ 18,736,961	$ 18,461,406	$ 17,856,799	$ 17,382,172	$ 15,962,506	$ 14,955,135
(1,462,870)	(1,476,287)	(1,336,741)	(1,066,638)	(1,386,869)	(838,193)
-	-	-	-	(10,600)	(22,043)
(450)	(525)	(600)	(675)	(855)	(1,115)
102,048	112,673	70,937	1,120	(68,718)	(181,910)
(1,666,690)	(1,789,876)	(1,908,015)	(1,908,015)	(1,500,000)	(1,500,000)
(946,285)	(1,000,002)	(500,000)	-	-	-
(643,715)	(643,715)	(693,400)	-	-	-
(368,873)	(416,830)	(511,546)	(601,027)	(680,869)	(625,000)
(617,226)	(647,551)	(792,148)	(1,347,882)	(748,124)	(772,812)
$ 13,132,900	$ 12,599,293	$ 12,185,286	$ 12,459,055	$ 11,566,472	$ 11,014,062
$ 14,843,547	$ 14,136,712	$ 13,463,535	$ 12,822,414	$ 12,211,823	$ 11,630,307
$ 1,710,647	$ 1,537,418	$ 1,278,249	$ 363,359	$ 645,352	$ 616,245
11.52%	10.88%	9.49%	2.83%	5.28%	5.30%

Ten Year Schedule of Pledged Revenue Coverage

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

(Statutory Basis, Amounts in Thousands, Except for Federal Highway Appropriations which are in Billions and on a federal fiscal year and Except for Ratios)

Highway Bonds

For issues prior to December 2010, the bonds are secured by a pledge of 6.86¢ of the 21¢ per gallon state gasoline excise tax for FY2008 and before. For FY2009 and beyond, the pledge is up to 10¢ of the tax. Bonds issued in December 2010 are secured by a senior lien on 14.085 cents of the total 21 cent per gallon gasoline tax, the full 21 cents per gallon of special fuels taxes (comprised primarily of taxes on diesel fuel), the full 19.1% of the average price per gallon tax on liquefied natural gas, and all Registry of Motor vehicle fees deposited in the Commonwealth Transportation Fund. The bonds also have a subordinate lien on 6.86¢ of the 21¢ per gallon gasoline tax not included in the senior lien. Revenues pledged to the bonds are available prior to use for any other purposes. Thus, operating expenses paid from the these revenue sources are not applicable for the purpose of calculating debt service coverage ratios and are not shown in this table. The 2010 bonds were issued as federally taxable Build America Bonds/Recovery Zone Economic Development Bonds; the programs provide an interest subsidy of 35-45% directly to the Commonwealth. The interest subsidy is shown as pledged funds and debt service is gross of the subsidy.

	2011	2010	2009	2008
Pre-2010 Bond Issues				
Tax Receipts…….	$ 189,763	$ 188,666	$ 189,246	$ 194,785
Operating Expenses……	N/A	N/A	N/A	N/A
Net Available Revenues……..	$ 189,763	$ 188,666	$ 189,246	$ 194,785
Annual Debt Service…….	$ 59,453	$ 58,931	$ 58,924	$ 56,535
Debt Service Coverage Ratio……..	3.19	3.20	3.21	3.45
Ratings History of Bonds*……	AA-, Aa3, AA	AA-, Aa3, AA	AA-, Aa3, AA	AA-, Aa3, AA
December 2010 Bond Issue (Includes Revenues in Excess of Those Needed to Pay Debt Service on Pre-2010 Highway Bonds for FY11 Q3-Q4)				
Receipts…….	$ 626,619			
Operating Expenses……	N/A			
Net Available Revenues……..	$ 626,619			
Annual Debt Service…….	$ 14,318			
Debt Service Coverage Ratio……..	43.76			
Ratings History of Bonds*……	AAA, Aaa, 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 those cities. Revenues pledged to the bonds are available prior to use for any other purposes. Thus, operating expenses paid from the these revenue sources are not applicable for the purpose of calculating debt service coverage rations and are not shown in this table.

Receipts……..	$ 84,905	$ 75,432	$ 73,918	$ 78,984
Operating Expenses……..	N/A	N/A	N/A	N/A
Net Available Revenues……..	$ 84,905	$ 75,432	$ 73,918	$ 78,984
Annual Debt Service……	$ 35,391	$ 36,296	$ 36,293	$ 35,600
Debt Service Coverage Ratio…….	2.40	2.08	2.04	2.22
Ratings History of Bonds*……..	A2, A	A2, A	A2, A	A2, A

Grant Anticipation Notes (GANS)

Notes issued prior to December 2010 ("Senior Federal Highway Highway Notes")are secured by all federal highway reimbursements into the Grant Anticipation Note Trust fund, released by the Commonwealth once all debt service and reserve funding obligations of the notes have been met. If the United States Congress reduces the aggregate amount appropriated nationwide for federal highway spending to less than $17.1 billion and debt service coverage with respect to the notes falls below 120%, then the legislation further pledges that 10¢ per gallon of existing motor fuel tax collections will be deposited into the trust fund to be used for debt service, subject to appropriation. Notes issued in December 2010 ("Federal Highway Grant Anticipation Notes") are secured by all federal highway reimbursements after payment of debt service on the Senior Federal Highway Notes and also by any revenues pledged to the payment of pre-2010 and December 2010 Highway Bonds (as described above) in excess of debt service paid on those bonds. Revenues pledged to the notes are available prior to use for any other purposes. Thus, operating expenses paid from the these revenue sources are not applicable for the purpose of calculating debt service coverage rations 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.

Pre-2010 GANS				
Receipts……	$ 623,410	$ 761,351	$ 828,956	$ 463,588
Operating Expenses……	N/A	N/A	N/A	N/A
Net Available Revenues……..	$ 623,410	$ 761,351	$ 828,956	$ 463,588
Annual Debt Service……	$ 188,379	$ 196,248	$ 204,788	$ 211,709
Debt Service Coverage Ratio…….	3.31	3.88	4.05	2.19
Ratings History of Bonds*……..	Aa3, AA	Aa3, AA	Aa3, AA	Aa3, AA
Amount appropriated for national federal highway spending (federal fiscal year) (billions) (1) …….	$ 41,955	$ 43,040	$ 39,358	$ 36,747
December 2010 GANS (Includes Revenues in Excess of those Needed to Pay Debt Service on Pre-2010 Highway Bonds and GANS for FY11Q3-Q4)				
Receipts……	$ 909,546			
Operating Expenses……	N/A			
Net Available Revenues……..	$ 909,546			
Annual Debt Service……	$ 2,039.28			
Debt Service Coverage Ratio…….	446.01			
Ratings History of Bonds*……..	AAA, Aa2, AA+			

*(1) Source: The Federal Budget for Fiscal 2012, Historical Tables, Table 9.6 2011 is estimated. *Uninsured rating, if available.*

2007	2006	2005	2004	2003	2002
$ 148,047	$ 239,469	$ 196,210	$ 196,380	$ 194,232	$ 191,559
N/A	N/A	N/A	N/A	N/A	N/A
$ 148,047	$ 239,469	$ 196,210	$ 196,380	$ 194,232	$ 191,559
$ 58,867	$ 56,545	$ 48,378	$ 124,751	$ 52,123	$ 52,123
2.51	4.24	4.06	1.57	3.73	3.68
AA-, Aa3, AA	AA-, Aa3, AA	AA-, Aa3, AA	AA-, Aa3, AA	AA-, Aa3, AA	AA-
$ 66,347	$ 55,052	$ 50,561	$ 35,103		
N/A	N/A	N/A	N/A		
$ 66,347	$ 55,052	$ 50,561	$ 35,103		
$ 34,486	$ 33,964	$ 18,350	$ -		
1.92	1.62	2.76	NMF		
A2, A	A2, A	A2, A	A2, A		
$ 462,484	$ 451,284	$ 449,331	$ 599,040	$ 507,716	$ 497,453
N/A	N/A	N/A	N/A	N/A	N/A
$ 462,484	$ 451,284	$ 449,331	$ 599,040	$ 507,716	$ 497,453
$ 211,712	$ 211,712	$ 95,223	$ 93,466	$ 74,822	$ 74,821
2.18	2.13	4.72	6.41	6.79	6.65
Aa3, AA	Aa3, AA	Aa3, AA	Aa3, AA	Aa3, AA	Aa3, AA
$ 34,373	$ 33,975	$ 31,433	$ 30,188	$ 30,379	$ 30,115

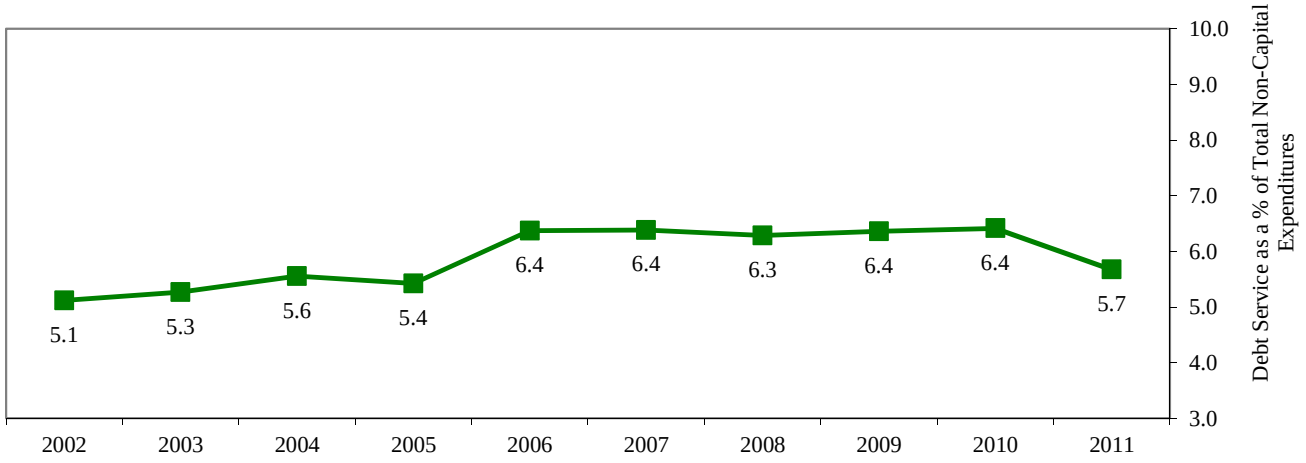
Ten-Year Schedule Of Percentage Of Annual Debt Service Expenditures
For General Bonded Debt To Total Non-Capital Expenditures - Fund Perspective
All Governmental Fund Types

(Amounts in millions)

Fiscal year ended June 30	Debt service	Total Non-capital expenditures	Ratio
2011	$ 2,220	$ 39,127	5.7
2010	2,407	37,519	6.4
2009	2,410	37,878	6.4
2008	2,239	35,609	6.3
2007	2,166	33,918	6.4
2006	2,028	31,831	6.4
2005	1,719	31,700	5.4
2004	1,605	28,888	5.6
2003	1,467	27,858	5.3
2002	1,382	26,998	5.1
2001	1,408	25,295	5.6

Amounts are shown net of Massachusetts School Building Authority expenditures and debt service. Business type activities debts are secured solely by leases between the Institutions of Higher Education and two blended building authorities.

Debt Service to Non-Capital Expenditures Ratio 2002- 2011



Component Units Revenue Bond Coverage
For The Last Ten Fiscal Years

(Amounts in thousands)

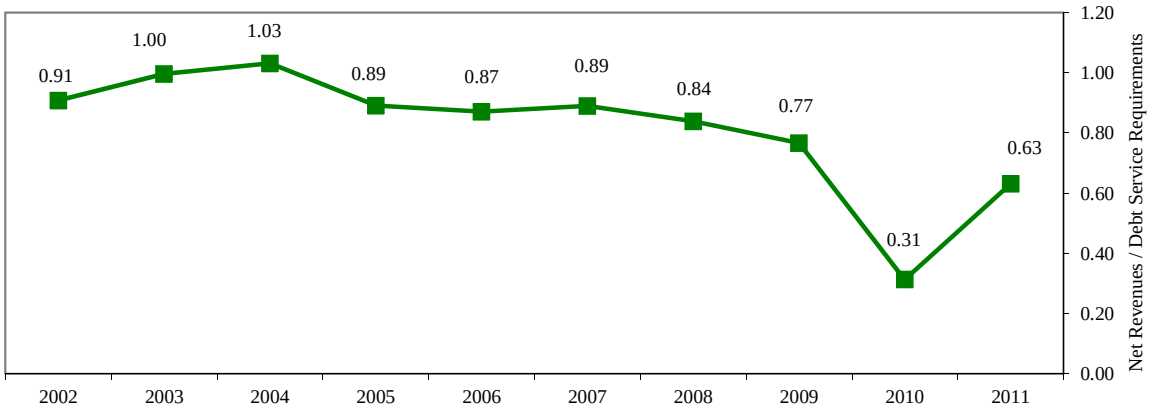
Fiscal year ended June 30	Net revenues [1]	Debt service requirements [2]	Coverage Ratio
2011	$ 738,470	$ 1,170,149	0.63
2010	433,617	1,383,231	0.31
2009	805,316	1,050,655	0.77
2008	728,445	868,331	0.84
2007	870,919	978,819	0.89
2006	717,190	823,406	0.87
2005	648,282	727,316	0.89
2004	700,677	679,457	1.03
2003	663,234	665,538	1.00
2002	716,951	789,318	0.91

(1) Net revenues represent the regular recurring operating income (loss) plus operating grants, transfers and depreciation of only those Authorities with revenue bonds outstanding. Beginning FY2010, interest expenses were included in the net revenue calculation.

(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

Component Units Revenue Bond Coverage 2002 - 2011



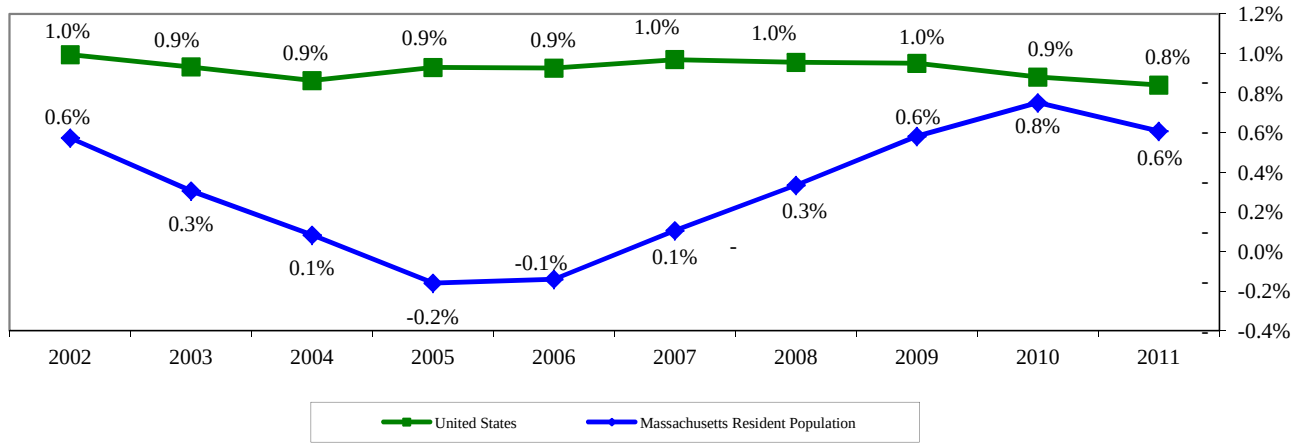
Ten-Year Schedule Of Massachusetts And United States Resident Population

(Amounts in thousands)

Beginning of Fiscal Year	United States	% Change	Massachusetts Resident Population (1)	% Change	Massachusetts as % of U.S.
2011	309,350	0.8%	6,557	0.6%	2.1%
2010	306,772	0.9%	6,518	0.8%	2.1%
2009	304,094	1.0%	6,469	0.6%	2.1%
2008	301,231	1.0%	6,432	0.3%	2.1%
2007	298,380	1.0%	6,410	0.1%	2.1%
2006	295,517	0.9%	6,403	-0.1%	2.2%
2005	292,805	0.9%	6,412	-0.2%	2.2%
2004	290,108	0.9%	6,423	0.1%	2.2%
2003	287,625	0.9%	6,417	0.3%	2.2%
2002	284,969	1.0%	6,398	0.6%	2.2%

(1) Population estimates have been restated to most current United States Census Bureau Data. Population data is reported as of 7/1 of the previous year. *Source: - HTTP://www.fedstats.gov (US Census Bureau.).*

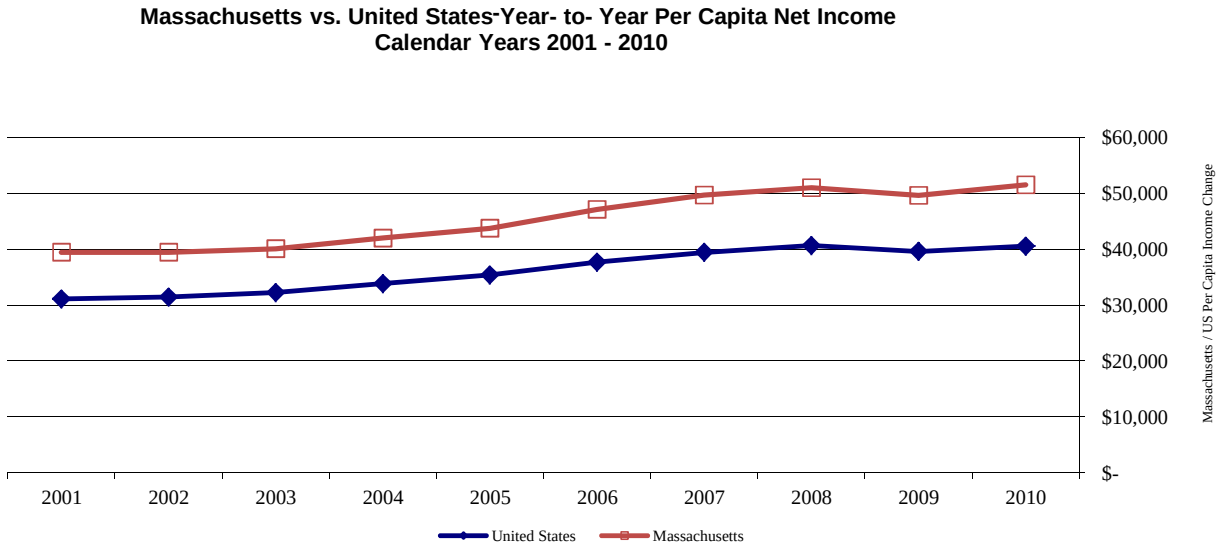
Massachusetts and United States Estimated Year- to- Year Population Change
2002 - 2011



Ten-Year Schedule Of Massachusetts And United States Resident Per Capita Net Income

Calendar Year	United States (1)	% Change	Massachusetts (1)	% Change	Massachusetts as % of U.S.
2010	40,584	2.4%	51,552	3.8%	127.0%
2009	39,626	-2.6%	49,643	-2.7%	125.3%
2008	40,673	4.3%	51,028	4.3%	127.5%
2007	39,458	4.7%	49,727	5.5%	126.0%
2006	37,698	6.4%	47,144	7.7%	125.1%
2005	35,424	4.6%	43,757	4.1%	123.5%
2004	33,881	5.0%	42,021	4.8%	124.0%
2003	32,271	2.6%	40,083	1.6%	124.2%
2002	31,461	1.0%	39,451	0.0%	125.4%
2001	31,145	2.7%	39,460	3.3%	126.7%

Source: Bureau of Economic Analysis, US Department of Commerce. Revised state personal income estimates for 1990-2010 were released on March 23, 2011.



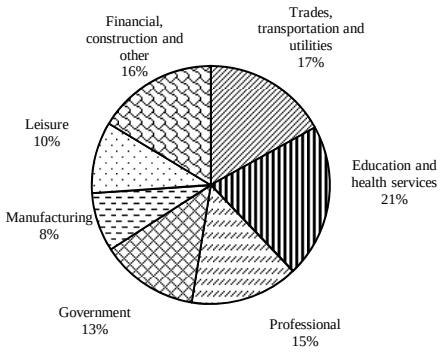
Nonagricultural Employment By Sector and Industry
In Massachusetts And The United States For 2011

(Amounts in thousands)

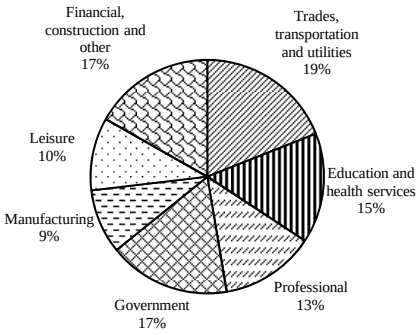
Type of industry	Massachusetts	% of MA Total	United States	% of U.S. Total	MA % vs. U.S. %
Manufacturing - Durable and nondurable goods	259	8.0%	11,724	9.0%	89.4%
Non-manufacturing:					
Construction	110	3.4%	5,522	4.2%	80.7%
Trade, Transportation and Utilities	549	17.0%	24,919	19.0%	89.2%
Education and health services	677	20.9%	19,944	15.2%	137.4%
Financial activities	209	6.5%	7,609	5.8%	111.2%
Information activities	90	2.8%	2,682	2.0%	135.9%
Leisure and hospitality services	315	9.7%	13,202	10.1%	96.6%
Professional and business services	475	14.7%	17,155	13.1%	112.1%
Natural Resources, Mining and Other	120	3.7%	6,177	4.7%	78.7%
Federal, state and local government	431	13.3%	22,050	16.8%	79.1%
Total Non-manufacturing	**2,976**	**92.0%**	**119,260**	91.0%	101.0%
Total	**3,235**	**100.0%**	**130,984**	100.0%	

Source: - Bureau of Labor Statistics, June 2011 Employment, seasonally adjusted, data as of November 2011.

Massachusetts Employment by Industry June 2011



United States Employment by Industry June 2011

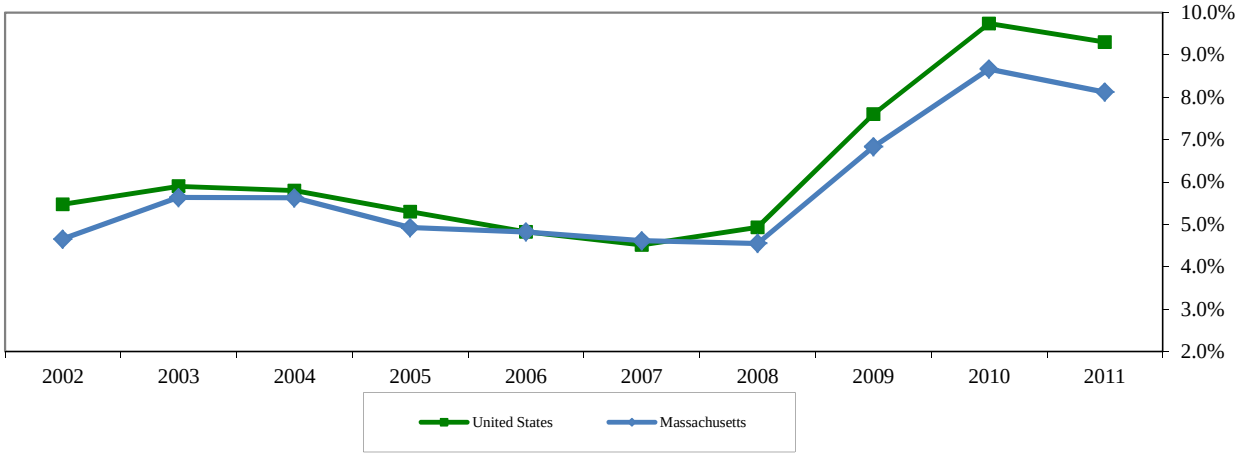


Ten-Year Schedule Of Fiscal Year Annual Average Civilian Labor Force, Unemployment And Unemployment Rates For Massachusetts And The United States

(Amounts in thousands)

	Massachusetts			United States			
Fiscal Year	Labor Force	Unemployment	Unemployment Rate %	Labor Force	Unemployment	Unemployment Rate %	Massachusetts Rate as % of U.S. Rate
2011	3,497	284	8.1%	153,654	14,288	9.3%	87.4%
2010	3,484	302	8.7%	153,916	15,006	9.7%	89.0%
2009	3,479	238	6.8%	154,555	11,758	7.6%	89.9%
2008	3,446	157	4.6%	153,686	7,591	4.9%	92.2%
2007	3,432	158	4.6%	152,436	6,898	4.5%	102.2%
2006	3,399	164	4.8%	150,353	7,252	4.8%	100.0%
2005	3,376	166	4.9%	148,241	7,861	5.3%	92.6%
2004	3,396	191	5.6%	146,815	8,512	5.8%	96.7%
2003	3,421	193	5.6%	145,740	8,600	5.9%	95.6%
2002	3,412	159	4.7%	144,254	7,901	5.5%	85.1%
2001	3,380	99	2.9%	143,151	5,939	4.1%	70.8%

Massachusetts and United States Average Unemployment Rates FY2002 to FY2011



Source: - Federal Bureau of Labor Statistics, November 2011. Seasonally adjusted. Previous data may be updated by the Federal Bureau of Labor Statistics.

Largest Private Sector Massachusetts Employers 2011 and 2002
(Alphabetical Order)

2011			2002		
Employer	Headquarters	Product or Service	Employer	Headquarters	Product or Service
Bay State Medical Center, Inc.	Springfield	Hospital	Bay State Medical Center, Inc	Springfield	Insurance
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	Brigham and Women's Hospital, Inc.	Boston	Hospital
Brigham and Women's Hospital, Inc.	Boston	Hospital	Caritas Christi Inc	Boston	Hospital
DeMoulas Supermarkets, Inc.	Tewksbury	Supermarket	CGU Corp	Boston	Insurance
EMC Corporation	Hopkinton	Computer Storage & Peripherals	Children's Hospital Corp	Boston	Hospital
General Hospital Corporation	Boston	Hospital	Dennison Manufacturing	Framingham	Office Products
Harvard University	Cambridge	University	FMR Co. (Fidelity)	Boston	Investments
Massachusetts Institute of Technology	Cambridge	University	John Hancock Life Insurance Company	Boston	Insurance
Partners Healthcare Systems, Inc.	Boston	Hospital	Lahey Clinic	Burlington	Hospital
Raytheon Company	Lexington	Electronics / Defense	Liberty Mutual Insurance Company, Inc. (and Subsidiaries)	Boston	Insurance
S & S Credit Company, Inc (Stop & Shop)	Quincy	Supermarket	Massachusetts General Hospital	Boston	Hospital
Shaw's Supermarkets, Inc.	West Bridgewater	Supermarket	Massachusetts Mutual Life Insrance Co	Springfield	Insurance
Southcoast Hospitals Group	New Bedford	Hospital	New England Medical Center Hospitals	Boston	Hospital
State Street Bank and Trust Company	Boston	Banking	Putnam Investments	Boston	Investments
The Children's Hospital Corporation	Boston	Hospital	Raytheon Company	Lexington	Electronics / Defense
UMASS Memorial Medical Center, Inc.	Worcester	Hospital	State Street Bank and Trust Company	Boston	Banking
			Tufts Associated Health Maintenance Organization	Waltham	HMO

Source: - Massachusetts Executive Office of Labor and Workforce Development, Division of Unemployment Assistance - March 2011 survey. In addition, Bank of America NA,, Home DepotUSA, Inc., Massachusetts CVS Pharmacy LLC, Target Corp, United Parcel Service, Inc and Wal-Mart Associates, Inc. are all large Massachusetts employers, but are headquartered outside of Massachusetts. Verizon New England is a subsidiary of Verizon Communications, headquartered in New York. The information is based on employers registered for unemployment insurance. The list may not include those employers who do business in Massachusetts under multiple legal corporations and those who registereach store, facility or franchisee as a separate employer.

Standard and Poors 500 Companies Headquartered in Massachusetts

Company	Stock Symbol	Headquarters	Product or Service	Worldwide Employees	Latest Audited Revenues ($millions)	Fortune 500 Rank 2011	Fortune 500 Rank 2010
Raytheon Corp.	RTN	Waltham	Industrials	72,400	25,300	104	95
Staples Inc.	SPLS	Framingham	Consumer Discretionary	52,919	24,980	108	101
TJX Companies Inc.	TJX	Framingham	Consumer Discretionary	166,000	22,810	119	119
EMC Corporation	EMC	Hopkinton	Information Technology	48,500	19,320	152	166
Thermo Fisher Scientific	TMO	Waltham	Health Care	37,200	11,530	227	234
State Street Corp.	STT	Boston	Diversified Financial Services	29,685	9,320	253	249
Analog Devices	ADI	Norwood	Information Technology	2,990	9,200	-	-
Boston Scientific	BSX	Natick	Health Care Equipment	25,000	7,780	305	279
Biogen IDEC Inc.	BIIB	Weston	Health Care	4,850	4,930	476	471
Iron Mountain Incorporated	IRM	Boston	Industrials	19,500	3,230	-	-
American Tower Corp.	AMT	Boston	Telecommunication Services	1,729	2,340	-	-
PerkinElmer Inc.	PKI	Waltham	Health Care	6,200	1,850	-	-
Waters Corporation	WAT	Milford	Health Care	5,381	1,810	-	-
Boston Properties	BXP	Boston	Financials	680	1,740	-	-
Teradyne Inc.	TER	North Reading	Information Technology	3,000	1,480	-	-
Akamai Technologies Inc.	AKAM	Cambridge	Information Technology	2,200	1,120	-	-

Sources: - Standard and Poors (from Standardandpoors.com) , Finance.Yahoo.com and Fortune Magazine (from fortune.com). Massachusetts Mutual Life Insurance, Liberty Mutual Insurance Group, BJ's Wholesale Club, Global Partners and Perini are part of the Fortune 500, but are not part of the Standard and Poors 500.

Full Time Equivalent Employees
By Function / Program
Last Ten Years

Functions / Programs	2011	2010	2009	2008	2007
General Government……	8,020	8,280	6,277	6,368	6,204
Judiciary……	7,111	7,388	7,821	8,021	7,993
Energy and Environmental affairs……	2,737	2,783	2,955	2,928	2,847
Health and human services……	21,011	21,401	22,605	23,322	22,972
Transportation and construction……	4,209	4,127	3,043	2,892	1,903
Education……	1,037	1,575	844	615	617
Public safety and homeland security……	15,785	15,857	13,951	14,242	14,550
Housing and economic development……	831	846	2,314	2,302	2,339
Higher Education:					
University of Massachusetts……	14,159	14,031	13,814	13,651	13,602
State colleges……	4,487	4,282	4,650	4,519	4,495
Community colleges……	4,684	4,276	4,781	4,775	4,689
Totals……	**84,070**	**84,846**	**83,055**	**83,636**	**82,211**
Percentage Change ……	**-1%**	**2%**	**-1%**	**2%**	**2%**

Source: Office of the State Comptroller

"Education" includes the Department of Elementary & Secondary Education, Executive Office of Education, Board of Higher Education and in 2009 Early Education and Care. Transportation and constructions includes MassDOT. FTE's are rounded. Prior years not restated for changes. Includes approximately 6,600 FTEs transferred to the Commonwealth's payroll in FY09 and FY10 in the categories of Higher Education, Transportation and construction and Public safety and homeland security (see page 23 of Management's Discussion and Analysis for details).

2006	2005	2004	2003	2002	Change - 2011 from 2002
6,177	5,750	5,449	5,644	5,724	40%
7,635	7,467	7,099	7,198	7,393	-4%
2,686	2,744	2,612	2,814	2,949	-7%
22,935	22,855	22,229	23,087	23,269	-10%
2,708	2,759	1,794	1,843	1,820	131%
651	587	569	579	545	90%
13,517	13,152	13,578	13,964	14,446	9%
2,264	2,299	2,300	2,322	2,382	-65%
13,360	12,807	12,356	12,513	11,821	20%
4,301	4,224	3,914	3,957	3,812	18%
4,603	4,523	4,219	4,408	4,340	8%
80,837	**79,167**	**76,120**	**78,328**	**78,501**	7%
2%	**4%**	**-3%**	**0%**	**-6%**	

Massachusetts Road Inventory
Calendar Year End, Lane Miles by Type
Last Ten Calendar Years

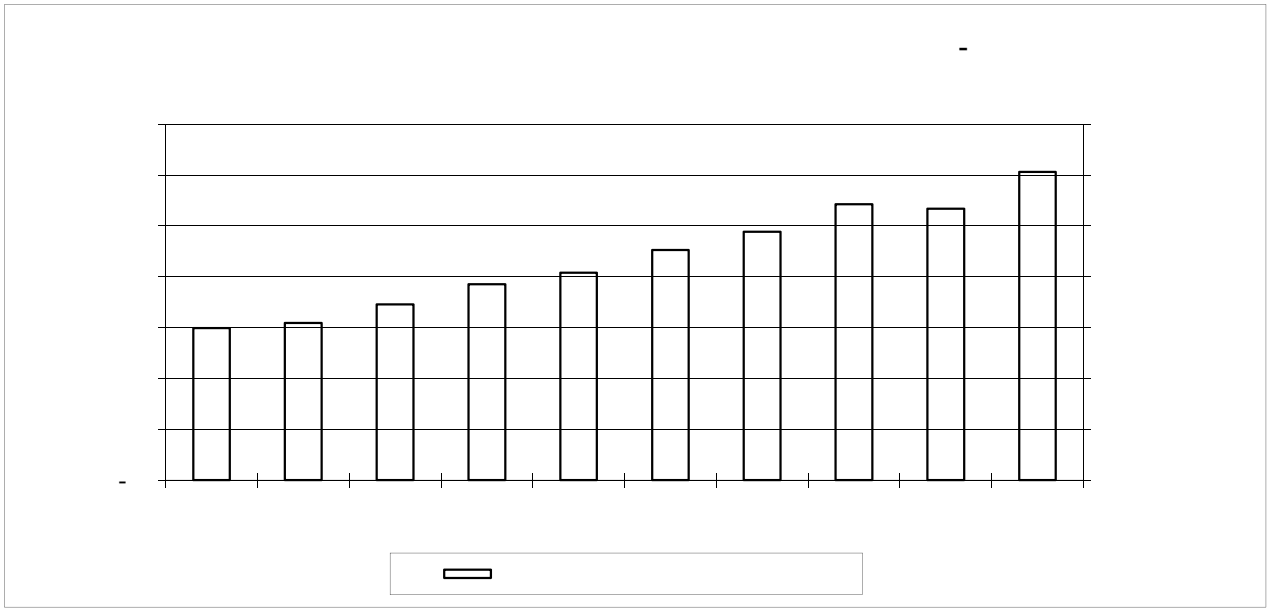
Calendar Year	Interstate	Arterial	Collector	Local	Total	% Change	Total Urban	Total Rural
2010	2,793	13,841	5,806	36,011	58,451	-18.69%	99.8%	0.2%
2009	3,212	14,974	9,589	44,112	71,887	0.30%	81.1%	18.9%
2008	3,212	14,976	9,591	43,893	71,672	0.41%	81.1%	18.9%
2007	3,213	14,993	9,566	43,612	71,383	0.17%	80.9%	19.1%
2006	3,209	14,958	9,567	43,527	71,261	0.31%	81.0%	19.0%
2005	3,202	14,966	9,573	43,303	71,044	0.11%	81.0%	19.0%
2004	3,202	14,929	9,584	43,260	70,967	0.96%	81.0%	19.0%
2003	3,186	13,513	10,950	42,654	70,295	0.00%	68.7%	31.3%
2002	3,186	13,513	10,950	42,654	70,295	0.21%	68.7%	31.3%
2001	3,186	13,478	10,946	42,539	70,149	0.28%	68.7%	31.3%

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

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

(Caseload amounts in thousands, Expenditure amounts in Millions)

Fiscal year ended June 30	Average Annual Caseload	Medicaid expenditures	Average Expenditures per Case
2011	1,317	$ 12,124	$ 9,206
2010	1,236	10,678	8,639
2009	1,178	10,843	9,205
2008	1,124	9,770	8,690
2007	1,077	9,044	8,397
2006	1,038	8,151	7,853
2005	986	7,706	7,815
2004	952	6,909	7,257
2003	987	6,177	6,258
2002	1,005	5,979	5,949
2001	948	4,761	5,022



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

Functions / Programs	Survey Year 2011	Survey Year 2010	Survey Year 2009	Survey Year 2008	Survey Year 2007
General Government:					
Total Acreage	2,993	2,373	2,495	1,858	1,681
Number of Improvements	255	227	240	163	84
Gross square footage	7,206,548	6,797,819	6,660,792	5,736,028	4,767,751
Judiciary:					
Total Acreage	141	141	141	145	135
Number of Improvements	68	68	69	71	71
Gross square footage	4,787,564	4,787,564	4,826,836	5,080,836	4,889,645
Energy and environmental affairs					
Total Acreage	627,286	623,952	606,662	591,511	586,173
Number of Improvements	2,182	2,183	2,170	2,162	2,156
Gross square footage	7,295,922	7,299,322	7,246,280	7,242,870	7,185,678
Housing and economic development:					
Total Acreage	2	2	2	2	2
Number of Improvements	6	6	6	6	6
Gross square footage	77,642	77,642	77,642	77,642	77,642
Health and human services:					
Total Acreage	6,449	7,196	7,166	7,259	7,604
Number of Improvements	866	866	902	980	1,059
Gross square footage	10,834,266	10,809,259	11,214,034	12,270,433	13,371,858
Transportation and public works:					
Total Acreage	7,013	6,966	7,050	6,930	6,933
Number of Improvements	918	918	915	915	914
Gross square footage	4,873,783	4,876,689	4,876,936	4,876,936	4,856,942
Education:					
Total Acreage	233	233	233	233	233
Number of Improvements	43	43	43	43	43
Gross square footage	272,352	272,352	272,352	272,352	272,352
Public safety and homeland security:					
Total Acreage	19,158	18,693	18,331	18,324	18,319
Number of Improvements	991	1,029	1,028	1,023	1,031
Gross square footage	12,141,396	12,685,447	12,632,897	12,631,497	12,768,250
Higher Education:					
Total Acreage	7,178	7,169	7,151	7,149	7,133
Number of Improvements	987	975	937	940	932
Gross square footage	32,144,815	32,117,854	31,101,329	31,197,929	30,947,996
Totals for Commonwealth (exclusive of Component Units):					
Total Acreage	**670,454**	**666,725**	**649,231**	**633,412**	**628,212**
Number of Improvements	**6,316**	**6,315**	**6,310**	**6,303**	**6,296**
Gross square footage	**79,634,288**	**79,723,948**	**78,909,098**	**79,386,523**	**79,138,114**
Percentage Change for Commonwealth:					
Acreage	**0.6%**	**2.7%**	**2.5%**	**0.8%**	**2.8%**
Improvements	**0.0%**	**0.1%**	**0.1%**	**0.1%**	**-1.3%**
Gross square footage	**-0.1%**	**1.0%**	**-0.6%**	**0.3%**	**-0.4%**

Source: Executive Office of Administration and Finance, Division of Capital Asset Management. 2002's large change was due to the absorbtion of county properties. See http://www.mass.gov/Eoaf/docs/dcam/dlforms/re/massets_report_2010.pdf.

Survey Year 2006	Survey Year 2005	Survey Year 2004	Survey Year 2003	Survey Year 2002
2,050	2,772	2,486	3,137	3,750
232	300	306	263	352
6,745,962	8,429,827	8,315,791	8,428,905	10,124,543
118	117	114	113	113
68	68	68	68	68
4,351,128	4,884,206	4,884,206	4,952,821	4,887,321
569,282	558,347	552,857	539,437	511,732
2,159	2,168	1,916	1,903	2,042
7,057,840	7,039,038	6,677,076	6,601,985	6,965,507
2	2	2	2	2
6	6	6	6	6
77,642	76,812	76,812	76,812	76,812
7,615	7,311	7,284	7,561	7,784
1,001	992	997	1,068	1,110
12,333,804	12,251,382	12,493,551	13,339,508	13,669,358
7,217	7,175	7,513	7,736	7,484
910	908	909	909	965
4,845,365	4,812,965	4,821,599	4,823,279	4,954,627
233	233	234	233	-
43	43	44	43	-
272,352	272,352	272,352	272,352	-
17,530	17,515	17,454	17,485	17,391
1,026	1,038	1,037	1,069	1,113
12,885,742	13,137,177	13,131,414	13,563,676	13,630,934
7,089	7,138	7,163	7,169	7,353
933	941	939	935	990
30,870,743	30,997,427	30,728,820	30,267,370	30,975,993
611,136	**600,609**	**595,107**	**582,873**	**555,609**
6,378	**6,464**	**6,222**	**6,264**	**6,646**
79,440,578	**81,901,186**	**81,401,621**	**82,326,708**	**85,285,095**
1.8%	**0.9%**	**2.1%**	**4.9%**	**3.3%**
-1.3%	**3.9%**	**-0.7%**	**-5.7%**	**22.1%**
-3.0%	**0.6%**	**-1.1%**	**-3.5%**	**12.5%**

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

Academic Year	Fall 2010	Fall 2009	Fall 2008	Fall 2007	Fall 2006	Fall 2005
ENROLLMENT, TUITION AND FEES						
University System						
Undergraduate (FTE)……	48,018	44,543	42,768	40,806	39,283	38,286
Graduate (FTE)……	11,734	10,177	9,460	9,328	8,906	8,549
System Enrollment……..…	**59,752**	**54,720**	**52,228**	**50,134**	**48,189**	**46,835**
Tuition and Fees (per student)						
Resident (undergraduate)……	**$ 10,804**	**$ 9,704**	**$ 9,585**	**$ 9,305**	**$ 9,000**	**$ 8,697**
State University System						
Undergraduate (FTE)……..….	36,721	34,129	33,040	32,106	31,384	30,464
Graduate (FTE)……..……	7,227	4,582	4,495	4,428	4,352	4,258
System Enrollment……..…	**43,948**	**38,711**	**37,535**	**36,535**	**35,736**	**34,722**
Tuition and Fees (per student)						
Resident (undergraduate)……	**$ 7,436**	**$ 6,880**	**$ 6,399**	**$ 6,123**	**$ 5,855**	**$ 5,448**
Community College System						
Undergraduate (FTE)……	64,971	60,602	54,228	51,257	49,347	48,555
Tuition and Fees (per student)……						
Resident……	**$ 4,625**	**$ 4,305**	**$ 3,851**	**$ 3,654**	**$ 3,526**	**$ 3,477**

	2011	2010	2009	2008	2007	2006
DEGREES CONFERRED						
University System						
Certificates (MD's)……	246	329	280	270	268	260
Associate's…….....	100	111	103	96	117	99
Bachelors……	9,958	9,362	8,763	8,437	8,191	8,089
Masters…….....	3,242	3,029	2,882	2,808	2,503	2,484
Doctoral……	414	400	381	390	443	371
Cert. of Adv. Grad. Study……	87	79	70	86	77	97
Post-Bacc. Certificate……	550	509	173	133	146	115
First Professional……	47	-	-	-	-	-
Total Degrees……..	**14,644**	**13,819**	**12,652**	**12,220**	**11,745**	**11,515**
State University System						
Certificates……..….	35	572	605	597	615	556
Bachelors……	7,190	6,886	6,621	6,328	6,207	5,885
Masters…….....	2,376	2,467	2,343	2,318	2,201	2,190
Cert. of Adv. Grad. Study……	116	170	157	224	151	179
Post-Bacc. Certificate……	408	362	406	347	431	361
Total Degrees……..…	**10,125**	**10,457**	**10,132**	**9,814**	**9,605**	**9,171**
Community College System						
Certificates……..….	3,020	2,770	2,587	2,495	2,297	2,422
Associates……..….	9,693	9,257	8,549	8,247	7,942	8,024
Total Degrees……..	**12,713**	**12,027**	**11,136**	**10,742**	**10,239**	**10,446**
Total All Systems - Degrees…….	**37,482**	**36,303**	**33,920**	**31,986**	**31,589**	**31,132**

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

Fall 2004	Fall 2003	Fall 2002	Fall 2001	Change - 2010 from 2001
37,598	37,904	37,762	37,961	26.5%
8,494	8,494	8,334	8,223	43%
46,093	**46,398**	**46,097**	**46,184**	**29.4%**
$ 8,437	**$ 6,801**	**$ 5,798**	**$ 4,693**	**130.2%**
29,051	29,238	26,489	623	5794.2%
8,658	8,360	7,296	7,138	1%
37,709	**37,598**	**33,785**	**7,761**	**466.3%**
$ 5,100	**$ 4,590**	**$ 3,743**	**$ 2,954**	**151.7%**
50,972	51,067	49,483	46,756	39.0%
$ 3,380	**$ 3,265**	**$ 2,833**	**$ 2,273**	**-100.0%**

2005	2004	2003	2002	Change - 2010 from 2001
167	150	146	196	25.5%
95	119	106	111	-9.9%
8,205	7,764	7,645	7,525	32.3%
2,588	2,467	2,311	2,165	49.7%
389	407	322	358	15.6%
88	67	63	78	11.5%
63	56	30	38	N/A
-	-	-	-	N/A
11,595	**11,030**	**10,623**	**10,471**	**39.9%**
540	490	535	313	-88.8%
5,549	5,525	5,545	5,096	41.1%
2,048	2,157	2,053	1,881	26.3%
142	108	121	61	90.2%
369	361	392	222	83.8%
8,648	**8,641**	**8,646**	**7,573**	**33.7%**
2,278	2,281	1,947	1,930	56.5%
7,993	7,670	7,184	6,939	-100.0%
10,271	**9,951**	**9,131**	**8,869**	**43.3%**
30,514	**29,622**	**28,400**	**26,913**	**39%**

Calculation of Transfers: Stabilization Fund

June 30, 2011
(Amounts are in thousands)

This statement is prepared on the statutory basis of accounting pursuant to General Laws Chapter 29, Section 5c, as most recently amended by Section 171 of Chapter 68 of the Acts of 2011, which superceded certain parts of the Section 5c . It presents information contained in the official books and accounting records of the Commonwealth. Financial statements supporting this calculation are presented in the Financial Section of this report.

	General	Commonwealth Transportation	Workforce Training	Massachusetts Tourism	Commonwealth Substance Abuse Prevention & Treatment	Marine Recreational Fisheries Development	Total
Undesignated Budgeted Fund Balances Before Transfers	**$ 425,882**	**$ 60,498**	**$ 3,834**	**$ 36,682**	**$ (64,732)**	**$ 319**	**$ 462,483**
Fund Balance Deficit Elimination Transfers Per Ch. 29, Sec. 5c	(52,290)	(7,428)	(471)	(4,504)	$ 64,732	(39)	-
Fund Balances after Deficit Elimination Transfers per Ch. 29, Sec. 5c (Consolidated Net Surplus)	**373,592**	**53,070**	**3,364**	**32,178**	**-**	**280**	**462,483**
Statutory Carryforwards and Transfers							
1/2 of 1% of Tax Revenue Carryforward per Sec. 171 of Ch. 68 of Acts of 2011 (see Schedule A) and per Ch 29, Sec. 5c	(83,912)	(11,920)	(755)	(7,227)	-	(63)	(103,878)
1/2 of 1% of Tax Revenue Deposited in Stabilization Fund per Sec. 171 of Ch. 68 of Acts of 2011 (see Schedule A) and per Ch 29, Sec. 5c	(83,912)	(11,920)	(755)	(7,227)	-	(63)	(103,878)
$10 Million Transfer from General to Massachusetts Life Sciences Investment Fund per Sec. 171 of Ch. 68 of the Acts of 2011	(10,000)	-	-	-	-		(10,000)
Remaining Consolidated Net Surplus to be Deposited in Stabilization Fund	**195,767**	**29,230**	**1,853**	**17,723**	**-**	**154**	**244,727**

Stabilization Balance Reconciliation:

Balance as of July 1, 2010		**$ 669,803**
Capital Gains Tax Transfers to Stabilization Fund during FY 2011 per Chapter 29, Section 5G		-
Investment income, certain tax revenues and other recoveries		10,663
Less: Transfers from Stabilization Fund:		
Investment Income per Sec. 143 of Ch. 131 of the Acts of 2010	(7,089)	
Change in Market Value per Sec. 143 of Ch. 131 of the Acts of 2010	(1,955)	
Total Transfers from Stabilization Fund during FY 2011		(9,044)
Transfer to Stabilization Fund from Temporary Holding Fund, per Chapter 62F, Section 6A		9,044
Transfer to Stabilization Fund per Sec. 92 of Ch. 142 of the Acts of 2011		350,000
Transfer Equal to 1/2 of 1% of Tax Revenues, per Sec. 171 of Ch. 68 of Acts of 2011		103,878
Remaining Consolidated Net Surplus Deposited in Stabilization Fund, per Calculation Above		244,727
Stabilization Fund Balance as of June 30, 2011		**$ 1,379,071**

Calculation Of Transfers: Tax Reduction Fund

June 30, 2011
(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	$ 1,379,071
Allowable Stabilization Fund balance (per Schedule B)	4,961,300
	-
Stabilization Fund excess, if any, transferable to Tax Reduction Fund	$ -

Part 2: Status of Stabilization Fund after transfers:

Stabilization Fund balance	$ 1,379,071
Transfer to Tax Reduction Fund	-
Stabilization Fund balance after transfer to Tax Reduction Fund	$ 1,379,071

Part 3: Status of Tax Reduction Fund after transfers:

Tax Reduction Fund balance	$ -
Transfers from Stabilization Fund	-
Tax Reduction Fund balance after transfers	$ -

MASSACHUSETTS GENERAL INFORMATION

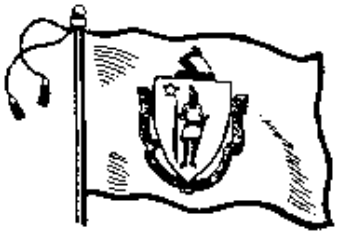
Admitted to Union (6th State): 1788
Population: 6,557,254

Capital: Boston
Nickname: Bay State

The State Seal

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



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

The State Flower

The Mayflower

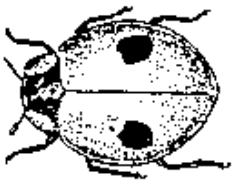
The State Fish

The Cod, a soft-finned fish, usually 10-20bs. 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 Insect



The Lady Bug

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