Commonwealth of Massachusetts

Massachusetts Veterans War Memorial Tower atop Mt. Greylock in Berkshire County.

Fiscal Year 2015

Draft Unaudited Comprehensive Financial Report*

Issued: February 16, 2016

Thomas G. Shack III, Esq.
Comptroller

* NOTE: THIS INTERIM REPORT IS PROVIDED FOR GENERAL DISCLOSURE PURPOSES AND MATERIALLY REPRESENTS WHAT WILL BE INCLUDED IN THE COMMONWEALTH'S COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) ONCE IT IS FINALIZED. FOR MORE INFORMATION PLEASE VISIT: WWW.MASS.GOV/CTR.

Commonwealth of Massachusetts

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

Thomas G. Shack III, Esq.
Comptroller of the Commonwealth

Prepared by
Financial Reporting and Analysis
Office of the Comptroller

This Document is available at the Comptroller's website: www.mass.gov/osc

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Massachusetts Veterans War Memorial Tower atop Mt. Greylock in Berkshire County

Photo courtesy of Jared Huckle

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Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

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Constitutional Officers
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Certificate of Achievement

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Thomas G. Shack III, Comptroller
One Ashburton Place
Boston, MA 02108

_____, 2016

To the Citizens of the Commonwealth of Massachusetts,
Governor Charles D. Baker and Honorable Members of the General Court

I am pleased to transmit the Commonwealth's fiscal year 2015 (FY15) 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 FY15 are found in the Statutory Basis Financial Report (SBFR) issued separately this past November. The SBFR documents compliance with the legislatively adopted budget at a fund level. Further documentation is found within the Commonwealth's accounting system, the Massachusetts Management Accounting and Reporting System (MMARS). Each state maintains different rules for budgetary reporting and therefore the SBFR should not be used for 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 one year) fully fund all current services provided by the government. Long-term liabilities are excluded with the implicit assumption that future tax revenues will fund these liabilities as they come due. This fund perspective provides results similar to the SBFR.

In addition to the fund perspective, this CAFR presents a "government-wide" perspective. This perspective combines all governmental and business-type activities in a statement of net position and a statement of activities, presenting all functions on a full accrual basis of accounting. All capital assets are added to the government-wide statements as are 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 position format." This format classifies all assets and liabilities as short and long-term and then subtracts liabilities from assets to arrive at net position.

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

This 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.

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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, and 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 the entity-wide basis statements, the latter two of which are included in this report.

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

Governmental Funds - Statutory Basis, June 30, 2015		
Budgeted fund balance	$ 1,570.7	
Non-budgeted special revenue fund balance	2,125.3	
Capital projects fund balance	(524.9)	
Governmental Fund Balance - Statutory Basis, June 30, 2015		**$ 3,171.1**
Plus: Expendable Trust and Similar Fund Statutory balances that are considered Governmental Funds for GAAP reporting purposes		567.3
Less: Massachusetts Department of Transportation Funds		(1,289.5)
Adjusted Statutory Governmental fund balance		2,448.9
Short term accruals, net of allowances and deferrals for increases /(decreases):		
Taxes, net of refunds and abatements	1,967.1	
Tobacco Settlement Agreement receivable	122.0	
Medicaid	(517.0)	
Other short term accruals:		
Assessments and other receivables	268.1	
Amounts due to authorities and municipalities, net	(673.2)	
Claims, judgments and other risks	(11.8)	
Amounts due to health care providers and insurers	(30.5)	
Workers' compensation and group insurance	(145.2)	
Compensated absences	(11.1)	
Other accruals, net	366.4	
Net increase to governmental fund balances	**1,334.8**	
Massachusetts School Building Authority fund balance	1,521.5	
Total changes to governmental funds		**2,856.3**
Governmental fund balance (fund perspective)		**5,305.2**
Plus: Capital assets including infrastructure, net of accumulated depreciation		4,602.3
Deferred revenue, net of other eliminations		556.1
Long term accruals:		
Net pension liability		(24,532.0)
Net deferred (inflows) / outflows of resources related to pension		(1,141.9)
Post employment benefits other than pensions cumulative over / (under) funding		(5,605.0)
Environmental remediation liability		(208.0)
Massachusetts School Building Authority debt and school construction payables		(7,690.2)
Long term debt, unamortized premiums and deferred losses on debt refundings		(24,853.1)
Compensated absences		(566.2)
Capital leases		(42.9)
Accrued interest on bonds		(367.8)
Other long term liabilities		(309.9)
Total governmental net position (entity wide perspective)		**$ (54,853.4)**

The deficit of $54.853 billion in governmental activities net position is largely attributable to two factors: first, the Commonwealth's 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 Massachusetts Department of Transportation (MassDOT), a component unit of the Commonwealth; and second, the Commonwealth's net (or unfunded) pension liability, that

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starting in FY15 has been placed on the Commonwealth's books in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. At the end of FY15, MassDOT held $23.637 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. The Commonwealth also has financed significant transportation and non-transportation assets currently held by Massachusetts Institutions of Higher Education, Massachusetts' cities and towns, and quasi-public authorities. While the exact amount of Commonwealth-funded assets held by these entities is difficult to determine, between FY06 and FY15 the Commonwealth's capital spending on Higher Education capital projects totaled approximately $1.4 billion, capital spending for transportation-related financial assistance to local governments totaled approximately $2.4 billion, and other grants and financial assistance for non-Commonwealth entities such as cities and towns and quasi-public authorities funded through the Commonwealth's capital budget totaled $4.3 billion, including $1 billion to fund the Massachusetts School Building Authority in FY05 and FY06. In addition, the Commonwealth has a net liability of $6.128 billion for debt and grant obligations for the School Building Assistance Program that finances construction of schools for the Commonwealth's cities and towns. As almost all of this capital spending was financed by Commonwealth debt, the liabilities are retained by the Commonwealth while the assets are held by the Institutions of Higher Education, Massachusetts cities and towns, and entities such as local housing and other quasi-governmental authorities.

Since MassDOT's governmental activity ended FY15 with a positive net position of $24.420 billion, it is more informative to view the Commonwealth's financial statements in combination with MassDOT than to analyze the two separately, while also keeping in mind that significant assets owned by the Institutions of Higher Education and local governments and authorities were financed by liabilities still on the Commonwealth's books.

As mentioned above, GASB 68 requires that the Commonwealth's net pension liability, or NPL, be recorded on the Commonwealth's books for the first time in FY15. The FY15 NPL for the Commonwealth totaled $24.532 billion and GASB 68 related adjustments (in the form of deferred inflows and outflows) reduced the Commonwealth's net position by an additional $1.142 billion; thus, the implementation of GASB 68 resulted in reduction of net position of $25.674 billion, compared to an FY14 pension liability (the "net pension obligation") of $2.219 billion under the prior GASB pension standard.

After adjusting for the impact of the pension accounting change due to the implementation of GASB 68 (which required that the Commonwealth restate its FY15 beginning balance to reflect the full net pension liability), the net deficit in governmental activities (which excludes "business-type activities" of Unemployment Insurance and Higher Education) increased by $2.402 billion between June 30, 2014 and June 30, 2015. Virtually all of the growth in the net deficit was due to the following two factors:

- The Commonwealth had until recently funded its other post-employment benefits (OPEB) liability purely 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 $773 million in FY15, reducing net position; cumulative OPEB underfunding is $5.605 billion. However, the Commonwealth has dedicated payments from the Master Settlement Agreement with tobacco companies to fund its OPEB liability. These payments are being phased in over ten years, and are projected to increase from $73 million in FY15 to approximately $250 million annually by FY23.

- As explained on page 5, the Commonwealth continues to fund, through its own debt, transportation-related assets that are owned by the Massachusetts Department of Transportation (MassDOT), Institutions of Higher Education, cities and towns and quasi-public authorities. In FY15, approximately $2.205 billion of the more than $2.843 billion in state-funded capital spending generated assets not owned by the Commonwealth, including $1.520 billion in transportation spending (including more than $349 million in grants and other financial assistance to cities and towns), $176 million for Institutions of Higher Education (which are attributed to the Commonwealth's business-type activities), and approximately $488 million in other capital grants and financial assistance to local governments and quasi-public entities.

The net deficit in government-wide activities, which includes the Commonwealth's business-type as well as governmental activities, increased by $2.171 billion from FY14 (after adjusting the FY14 ending balance for the implementation of GASB 68), with the deficit in governmental activities partially offset by surpluses in Unemployment Insurance and Higher Education.

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REPORTING ENTITY

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

In addition, the financial statements include 40 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 MSBA is blended into the Commonwealth's operations.

INDEPENDENT AUDIT

The Commonwealth's independent auditors, KPMG LLP, have performed an independent audit of the Commonwealth for the fiscal year ended June 30, 2015. The independent auditors' report is presented in the Financial Section.

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

I would like to express my thanks to the many dedicated employees within the Office of the Comptroller. I am proud to have them all on my team as another year of initiatives is now underway.

Respectfully submitted,

Thomas G. Shack III
Comptroller of the Commonwealth

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CONSTITUTIONAL OFFICERS

Charles D. Baker
Governor

Deborah B. Goldberg
Treasurer and Receiver-General

Suzanne Bump
Auditor

Maura Healey
Attorney General

William F. Galvin
Secretary of State

LEGISLATIVE OFFICERS

Stanley C. Rosenberg
President of the Senate

Robert A. DeLeo
Speaker of the House

JUDICIAL OFFICERS

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Chief Justice, Supreme Judicial Court

Scott L. Kafker
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Lewis H. Spence
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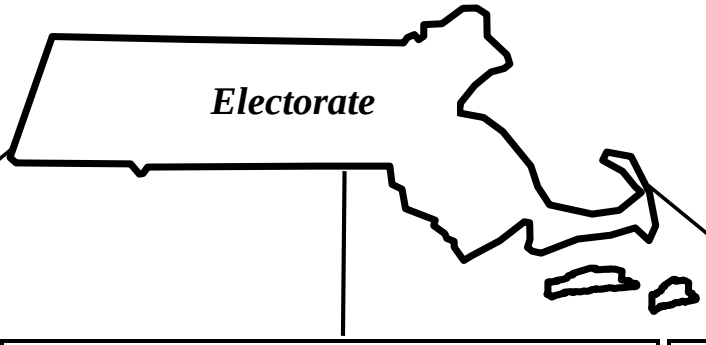

Legislative Branch

House of Representatives
Senate

Executive Branch

Governor and Lieutenant Governor
Governor's Council
Attorney General
Sheriffs
State Auditor
Secretary of the Commonwealth
Treasurer and Receiver-General
District Attorneys
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 the State House
Civil Service Commission
Department of Revenue
Developmental Disabilities Council
Division of Administrative Law Appeals
Division of Capital Asset Management and Maintenance
George Fingold Library
Group Insurance Commission
Health Policy Commission
Human Resource Division
Information Technology Division
Massachusetts Office on Disability
Massachusetts Teachers' Retirement System
Operational Services Division
Public Employee Retirement Administration Commission

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

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 Energy Resources
Department of Environmental Protection
Department of Fish and Game
Department of Public Utilities
State Reclamation Board

Executive Office of Transportation and Public Works

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
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

Public Safety
Executive Office of Public Safety and Homeland 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
Military Division/ Massachusetts National Guard
Municipal Police Training Committee
Parole Board
Sex Offender Registry

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ADVISORY BOARD TO THE COMPTROLLER

Kristen Lepore (Chair)
Secretary of Administration and Finance

Deborah B. Goldberg
Treasurer and Receiver-General

Suzanne Bump
Auditor

Maura Healey
Attorney General

Lewis H. Spence
Chief Administrator, Trial Court

Michael Esmond
Gubernatorial Appointee

Timothy C. Sullivan
Gubernatorial Appointee

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REPORT PREPARED BY:

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Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

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Financial Section

Independent Auditors' Report
Management's Discussion and Analysis
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Other Supplementary Information

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Management's Discussion and Analysis
(Unaudited)

Financial Highlights – Primary Commonwealth Government

Government–Wide Highlights

This analysis, prepared by the Office of the Comptroller, offers readers of the Commonwealth's financial statements a narrative overview of the activities of the Commonwealth for the fiscal year ended June 30, 2015 (FY15). We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal and with the Commonwealth's financial statements, which follow. This analysis is required by the Governmental Accounting Standards Board (GASB), which provides preparers with guidelines on what must be included in and excluded from this analysis.

Net Position – The liabilities of the primary government exceeded its assets at the end of FY15 by almost $49.561 billion, an increase in the net deficit of $2.171 billion from FY14, after a restatement of the beginning balance by negative $23.895 billion due to implementation in FY15 of new accounting standards relating to pension liabilities.

Of the $49.561 billion deficit, "unrestricted net position" has a deficit of $55.145 billion and there is a $2.502 billion positive balance attributable to net investment in capital assets. There are five primary reasons for the negative unrestricted net position:

1. With the implementation of Governmental Accounting Standards Board (GASB) Statement No.68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* the Commonwealth is required to place on its books the full amount of its unfunded pension liability (known as the "net pension liability"), which totaled $24.935 billion as of June 30, 2015.

2. The Commonwealth has a net liability of $6.128 billion for its share of the construction costs of schools owned and operated by municipalities through the Massachusetts School Building Authority (MSBA);

3. In FY10, the Commonwealth implemented transportation reform, which created the Massachusetts Department of Transportation (MassDOT) and transferred to that entity virtually all highway and bridge assets of the Commonwealth totaling approximately $15.521 billion, as of the date of the transfer, net of depreciation. These and subsequently constructed road and bridge assets were valued at $23.637 billion as of June 30, 2015. However, the Commonwealth originally paid and continues to pay for the construction of these assets and retains more than $12 billion in transportation-related debt, which is now unrelated to any capital asset owned by the Commonwealth.

4. The Commonwealth, through debt issuances, also pays for non-transportation capital assets held by quasi-public entities and local governments and housing authorities.

5. The Commonwealth had, until recently, funded its retiree health insurance benefits (Other Post-Employment Benefits, or OPEB) on a pay-as-you-go basis. As a result, as of June 30, 2015, it had accumulated a $5.605 billion liability for OPEB. However, the Commonwealth has dedicated payments from the Master Settlement Agreement with tobacco companies to fund its OPEB liability. These payments are being phased in over ten years, and are projected to increase from $74 million in FY15 to approximately $250 million annually by FY24.

At the end of FY15, the Commonwealth also held $3.081 billion in "restricted net position", which are assets restricted primarily for payment of debt service, unemployment insurance benefits, and the Institutions of Higher Education. Approximately $1.320 billion in restricted net position balances were set aside for unemployment benefits, an additional $1.164 billion was restricted for debt retirement (of which $1.143 billion was restricted for MSBA debt retirement), $219 million was restricted for Higher Education and $378 million was restricted for other governmental purposes.
The Commonwealth's governmental activities (which excludes the "business-type activities" of the Institutions of Higher Education and Unemployment Insurance) net deficit increased by $2.402 billion, to $54.853 billion, and its

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governmental activities unrestricted net deficit increased by approximately $2.402 billion in FY15, to $54.853 billion, after the $23.469 billion downward adjustment to the FY15 beginning balance on account of GASB 68.

Total revenues of the primary government increased by $2.130 billion, or 3.9% in FY15, to $55.170 billion. Total expenses of the primary government increased by $1.993 billion, or approximately3.6%, to $57.341 billion. Detail on revenue and expenses can be found on pages 24 to 27.

After adjusting for a $426 million downward adjustment to Higher Education beginning balances on account of GASB 68, the net position of business–type activities increased by $231 million, due to a surplus of $473 million in Higher Education activity,

At June 30, 2015, the Commonwealth's governmental funds reported a combined ending fund balance of $5.305 billion, an increase of $686 million from June 30, 2014. Of the ending balances:

- $2 million is nonspendable, $1.790 billion is restricted, $2.375 billion is committed, $577 million is assigned and $561 million is unassigned fund balance. (A full discussion of these classifications is included in Note 1 to the basic financial statements, on pages 69 - 71)

- The MSBA's fund balance of $1.521 billion is blended into the Commonwealth. Within this fund balance is $1.307 billion in cash and restricted investments which resulted primarily from the issuance of debt in FY15 and previous fiscal years, less approximately$27 million in liabilities. In FY15, $767 million was dedicated to the MSBA from the Commonwealth from sales taxes, and the MSBA issued $377 million in long-term dedicated sales tax bonds.

Other highlights of FY15 financial operations include:

- Tobacco settlement proceeds for the year were approximately $241 million on a GAAP basis, a decrease of approximately $41 million from FY14. Approximately $122 million has been reported as a receivable in the governmental funds, equal to half of the anticipated tobacco settlement proceeds to be received in FY16. By statute, in FY15 approximately $74 million, or the equivalent of 30% of tobacco settlement proceeds, was transferred to the State Retiree Benefits Trust Fund (SRBTF) to fund the Commonwealth's liability for retiree health care. The FY16 budget funds a transfer to the SRBTF equal to 30% of tobacco settlement proceeds, contingent on unspent debt service appropriations. Per statute, the proportion of tobacco settlement revenues transfered to the SRBTF increases annually until an amount equal to 100% of the tobacco settlement proceeds is to be transferred to the SRBTF in FY23.

- During the fiscal year, the Commonwealth passed or agreed to terms of approximately $5.912 billion in bond authorizations. There were no bond de-authorizations of previously approved capital appropriations during the fiscal year. The Commonwealth determines the timing and extent of capital spending and bonding as part of its five-year capital plan.

- Lottery revenues for FY15 were $5.195 billion, an increase of approximately$145 million, 2.9% from FY14. Prizes were approximately $4.109 billion and operating expenses and mandated transfers to the governmental funds were$1.086 billion.

Full-Time Equivalent Employment

The chart on page 21 shows the Commonwealth's full-time equivalent employment as of June 30 of each fiscal year, including the Massachusetts Department of Transportation (MassDOT) for all state funding sources (budgetary, non-budgetary, capital, federal, and trust) over the past five fiscal years. In FY15, the number of Commonwealth FTEs increased by approximately 1,300, to a total of 87,760, with most of the increases in health and human services (approximately 563 additional FTEs), State Universities (approximately 452 additional FTEs) and the University of Massachusetts (approximately 604 additional FTEs). Employment levels increased by a total of approximately 3,690 FTEs between June 30, 2011 and June 30, 2015 restoring some of the reductions that occurred in FY09 and FY10. It should be noted that although they are included in the FTE numbers as of June 30, 2015, in FY15 the Commonwealth instituted an early retirement incentive program (ERIP) for executive branch employees that required all participants

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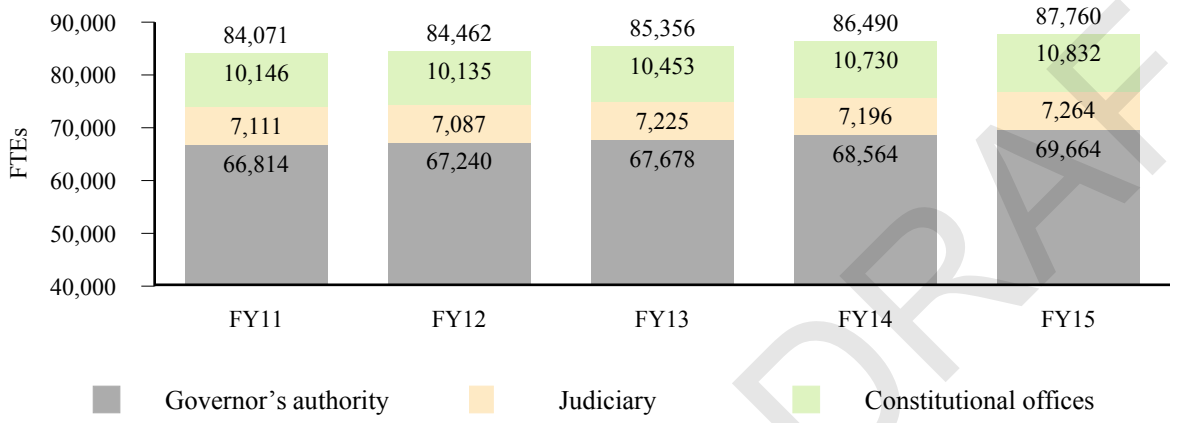
to retire by June 30th. Approximately 2,478 Commonwealth employees took advantage of ERIP, and thus as of July 1, 2015, the number of Commonwealth FTEs was approximately that many FTEs lower than on June 30th.

Full Time Equivalent Workforce
Including Higher Education and the Massachusetts Department of Transportation
June 2011 – June 2015



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 pension and other post-employment benefits (OPEB) funding schedules. Other supplementary information is also provided to furnish additional detail to support the basic financial statements.

Government–Wide Financial Statements

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

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

The government–wide financial statements can be found on pages 38-41 of this report.

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Fund Financial Statements and Component Unit Financial Statements

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

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

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

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

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

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

The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements as of the date provided in the government–wide and the fund financial statements. The notes to the financial statements can be found on pages 65-127.

The required supplementary information section includes a budgetary comparison schedule for the General Fund, along with a reconciliation comparing the original General Appropriation Act and supplemental appropriations to actual budgetary spending. A variance column is also provided. A further reconciliation schedule of the budgeted revenues and expenses to governmental fund perspective revenues and expenditures for the General Fund is also provided. Required pension schedules under GASB Statement No. 67, *Financial Reporting for Pension Plans*, are also presented in this section.

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

GOVERNMENT–WIDE ANALYSIS

The primary government's combined net position (governmental and business-type activities) showed a net deficit of $49.561 billion at the end of FY15, an increase in the net deficit of $2.171 billion from the end of FY14 after restatement of the FY15 beginning balance as a result of implementing GASB 68. Governmental activities unrestricted net position is negative by $55.842 billion. As explained previously, in addition to the $24.935 billion net pension liability recorded on the Commonwealth's books, 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 during FY10, as well as continued borrowing by the Commonwealth that funds, through its capital budget and debt issuance, construction of new assets owned by MassDOT, local governments, and local authorities. In FY15, MassDOT reports its capital assets on its financial statements, which are incorporated into

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the Commonwealth's financial statements similarly to other component units.

Major Long – Term Obligations for Assets of Political Subdivisions

(amounts in thousands)

Massachusetts School Building Authority net deficit	$ 6,128,200
Outstanding bonds issued to fund the MBTA	207
Debt related to MassDOT assets	11,637,806
Effect on unrestricted net position of item unique to the Commonwealth	$ 17,766,213

Of the Commonwealth's more than $2.8 billion in FY15 capital spending, approximately $2.2 billion in state-funded capital spending did not result in capital assets attributed to governmental activities of the Commonwealth, including approximately $1.5 billion in transportation spending (with $349 million in grants and other financial assistance to cities and towns), $176 million for Institutions of Higher Education (which are included in the Commonwealth's business-type activities) and approximately $488 million in other capital grants and financial assistance to local governments and quasi-public entities. Between FY05 and FY15 the Commonwealth's capital spending on projects owned by non-Commonwealth entities or by the Institutions of Higher Education totaled $16.9 billion. These include Higher Education capital projects totaling approximately $1.4 billion, capital spending for transportation projects now owned by the Massachusetts Department of Transportation totaling approximately $8.6 billion, transportation-related financial assistance to local governments totaling more than $2.4 billion and other grants and financial assistance for non-Commonwealth entities such as cities and towns and quasi-public authorities funded through the Commonwealth's capital budget of almost $4.3 billion, including $1 billion in FY05 and FY06 to capitalize the Massachusetts School Building Authority.

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

Current assets and liabilities are amounts that are available in the current period and obligations that will be paid within one year of the financial statement date, respectively. As of June 30, 2015, the Commonwealth's government-wide current cash and short-term investments totaled $4.240 billion, an increase of $798 million from June 30, 2014. Total current assets were $10.873 billion, an increase of $796 million from June 30, 2014. During the year, the Commonwealth issued $1.2 billion in Revenue Anticipation Notes (RANs), which were retired in April, May and June 2015. As of June 30, 2015, the Commonwealth's current liabilities were $9.774 billion, an increase of $893 million from June 30, 2014.

As of June 30, 2015, the primary government's non-current assets totaled $17.373 billion, an increase of $487 million from June 30, 2014. This increase was due mainly to a $518 million increase in capital assets, most of which occurred in business-type of activities, as the result of increases in assets recorded by the Institutions of Higher Education.

The Commonwealth holds $11.287 billion in traditional capital assets such as land, construction in process, buildings, infrastructure and equipment, net of accumulated depreciation. GASB requires the reporting of the value of investments in the Commonwealth's infrastructure, including roads, bridges, beaches, dams and other immovable assets on the face of the Commonwealth's financial statements. As these assets provide services to citizens, they are not available to finance future spending unless they are sold. Although the Commonwealth's investment in its capital assets is also reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The table on page 24 shows the Commonwealth's net position. Restricted net position represents resources that are subject to external constraints.

UNAUDITED DRAFT

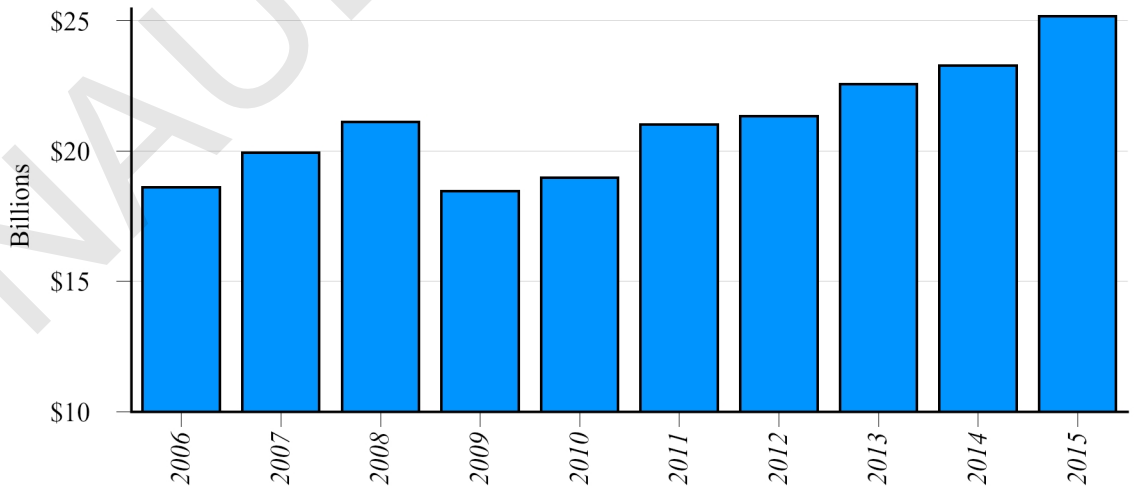
Net Position as of June 30, 2015 and 2014
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Current assets	$ 9,088,754	$ 8,292,538	$ —	$ 1,691,508	$ —	$ 9,984,046
Non-capital non-current assets	3,329,493	3,274,393	—	2,842,280	—	6,116,673
Capital assets	4,602,322	4,572,621	—	6,196,149	—	10,768,770
Deferred outflows of resources	2,300,253	505,587	—	143,319	—	648,906
Total assets and deferred outflows	19,320,822	16,645,139	—	10,873,256	—	27,518,395
Current liabilities	8,727,106	7,852,089	1,047,144	1,029,600	9,774,250	8,881,689
Long term liabilities	—	37,733,551	—	4,337,997	—	42,071,548
Deferred inflows of resources	—	19,189	—	18,018	—	37,207
Total liabilities and deferred outflows	8,727,106	45,604,829	1,047,144	5,385,615	9,774,250	50,990,444
Net Position:						
Net investment in capital assets	(553,272)	(502,370)	—	2,794,845	—	2,292,475
Restricted	1,541,566	1,455,704	—	1,590,545	—	3,046,249
Unrestricted	(55,841,735)	(29,913,024)	—	1,102,251	—	(28,810,773)
Total Net Position	$ (54,853,441)	$ (28,959,690)	$ —	$ 5,487,641	$ —	$ (23,472,049)

Changes in Net Position

As noted earlier, the Commonwealth's total primary government net deficit increased by approximately $2.171 billion between FY14 and FY15. The table on page 25 shows the major categories of government-wide revenues and expenses for FY14 and FY15, as well as net position for the two fiscal years. In FY15, approximately 46% of the primary government'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 was federal aid. FY15 revenues totaled $55.163 billion, an increase of $2.551 billion, or 4.8% from FY14, with tax revenue totaling $25.210 billion, an increase of $1.891 billion, or 8.1%, from FY14. The increase in tax revenue was attributable primarily to income tax revenue growth of $1.461 billion, or 11.4%, sales tax growth of $289 million, or 5.2%, and corporate excise tax growth of $92 million, or 4.2%,

Revenue from Taxation
FY06-FY15



UNAUDITED DRAFT

Changes in Net Position during the Fiscal Years Ended June 30, 2015 and 2014
(in thousands of dollars except percentages)

	Governmental Activities		Business - Type Activities		Total Primary Government		Total Primary Government		
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015 Distribution	June 30, 2014 Distribution	'14 to '15 % Change
Revenues									
Program Revenues:									
Charges for services	$ 9,582,046	$ 9,236,702	$ 3,944,735	$ 4,423,762	$ 13,526,781	$ 13,660,464	24.6%	25.8%	(4.7)%
Operating grants and contributions	13,950,227	13,121,648	936,917	1,347,423	14,887,144	14,469,071	27.1%	27.3%	(0.7)%
Capital grants and contributions	81,475	30,699	—	—	81,475	30,699	0.1%	0.1%	— %
General Revenues:									
Taxes	25,209,826	23,319,168	—	—	25,209,826	23,319,168	45.9%	43.8%	4.8 %
Other	1,251,193	1,131,754	7,366	428,771	1,258,559	1,560,525	2.3%	3.0%	(23.3)%
Total Revenues	50,074,767	46,839,971	4,889,018	6,199,956	54,963,785	53,039,927	100.0%	100.0%	(23.9)%
Expenses									
Medicaid	15,086,742	14,034,862	—	—	15,086,742	14,034,862	26.3%	25.3%	4.0 %
Direct local aid	5,469,412	5,353,521	—	—	5,469,412	5,353,521	9.5%	9.7%	(2.1)%
Health and human services	7,605,180	7,360,519	—	—	7,605,180	7,360,519	13.3%	13.3%	— %
Lottery	4,109,611	3,980,980	—	—	4,109,611	3,980,980	7.2%	7.2%	— %
Higher education	—	—	4,695,348	4,700,342	4,695,348	4,700,342	8.2%	8.5%	(3.5)%
Early elementary and secondary education	4,654,161	4,545,848	—	—	4,654,161	4,545,848	8.1%	8.2%	(1.2)%
Unemployment compensation	—	—	1,598,084	2,036,431	1,598,084	2,036,431	2.8%	3.7%	(24.3)%
Other	14,122,138	13,334,933	—	—	14,122,138	13,334,933	24.6%	24.1%	2.1 %
Total Expenses	51,047,244	48,610,663	6,293,432	6,736,773	57,340,676	55,347,436	100.0%	100.0%	(25.0)%
Excess/(Deficiency) before transfers	(972,477)	(1,770,693)	(1,404,414)	(536,817)	(2,376,891)	(2,307,510)			
Transfers	(1,429,174)	(1,205,141)	1,429,174	1,205,141	—	—			
Change in net position (deficits)	(2,401,651)	(2,975,834)	24,760	668,324	(2,376,891)	(2,307,510)			
Net position/(deficit) - beginning, as restated	(52,428,576)	(25,983,856)	5,061,186	4,819,317	(47,367,390)	(21,164,539)			
Net position/(deficit) - ending	($54,853,441)	($28,959,690)	$ 5,085,946	$ 5,487,641	($49,744,281)	($23,472,049)			

Operating grants and contributions (including federal revenue for Medicaid and Unemployment Insurance) totaled $14.469 billion, an increase of $418 million, or 2.9%, in FY15, with Medicaid reimbursements increasing by $1.092 billion, or 14.3%, as enrollment in the program expanded and some reimbursement rates increased due to implementation of the federal Affordable Care Act. The increase in Medicaid reimbursements was offset by a decline of $442 million, or 88.1%, in federal reimbursements for the Unemployment Insurance program, as the economic recovery continued in the Commonwealth. .

Charges for services totaled $13.527 billion, a decrease of $134 million, or 1.0%,, with increases in General Government and Lottery charges more than offset by decreases in Medicaid, Higher Education, and Unemployment Insurance charges.

As of June 30, 2015, government-wide restricted net position totaled $3.081 billion, an increase of $35 million, due primarily to a $26 million increase in assets restricted for indebtedness and a $1 million increase in assets restricted for Higher Education endowments, partially offset in declines in assets restricted for unemployment insurance benefits and other purposes.

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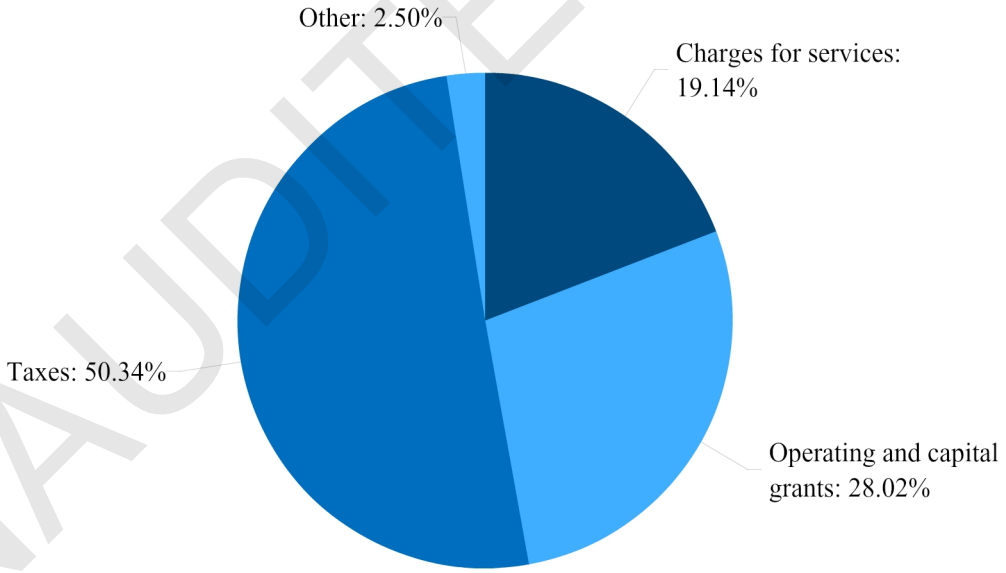
Primary government spending totaled $57.341 billion, an increase of $1.993 billion, or 3.6%, from FY14, with governmental activities spending (i.e., excluding business-type activities such as Higher Education and the Unemployment Insurance program) totaling $51.047 billion, an increase of $2.437 billion, or 5.0%, and business-type activities spending totaling $6.293 billion, a decline of $443 million, or 6.6%. Medicaid expenses totaled $15.087 billion, an increase of $1.052 billion, or 7.5%, from FY14, due to expanded Medicaid eligibility under the Affordable Care Act. Unemployment insurance compensation totaled $1.598 billion, a decrease of $438 million, or 21.5%, as unemployment declined in the Commonwealth and the extended benefit program expired. Other significant spending changes occurred in health and human services, where spending totaled $7.605 billion, an increase of $245 million or 3.3%, in transportation and public works, where spending totaled $2.690 billion, an increase of $299 million, or12.5%, in direct local aid, where spending totaled $5.469 billion, an increase of $116 million, or 2.2%, and in general government expenses, where spending totaled $2.704 billion, an increase of $273 million, or 6.5%.

Income taxes comprises the bulk of tax revenue. Of the $25.210 billion in tax revenue within governmental activities, $14.327 billion, or 57% of total taxes, was from income taxes, $5.832 billion, or 23%, was from sales taxes, $2.265 billion, or 9%, was from corporate taxes, $758 million, or 3%, was from motor fuels taxes and $2.028 billion, or 8%, was from other forms of taxation. Lottery revenues of $5.194 billion made up 54% of the Commonwealth's governmental charges for services. The largest operating grants were federal Medicaid subsidies, which totaled $8.709 billion, or 62% of all grants, other health and human services grants of $2.499 billion, or 18% of all grants, and education grants of $1.193 billion, or 9% of grants. Most of the state's capital grants are for highway construction, and those federal grants are recorded not in the Commonwealth's financial statements but in the financial statements of the Massachusetts Department of Transportation.

Revenue–Governmental Activities
Fiscal Year Ending June 30, 2015



Medicaid expenses of $15.087 billion accounted for 29.6% of the Commonwealth's governmental activities expenses. Historically, approximately half of Medicaid expenses have been reimbursed by the federal government, although under the Affordable Care Act some Medicaid expenditures are reimbursed at higher rates. The largest expense that is not subsidized by program revenues is direct local aid to the municipalities of the Commonwealth.

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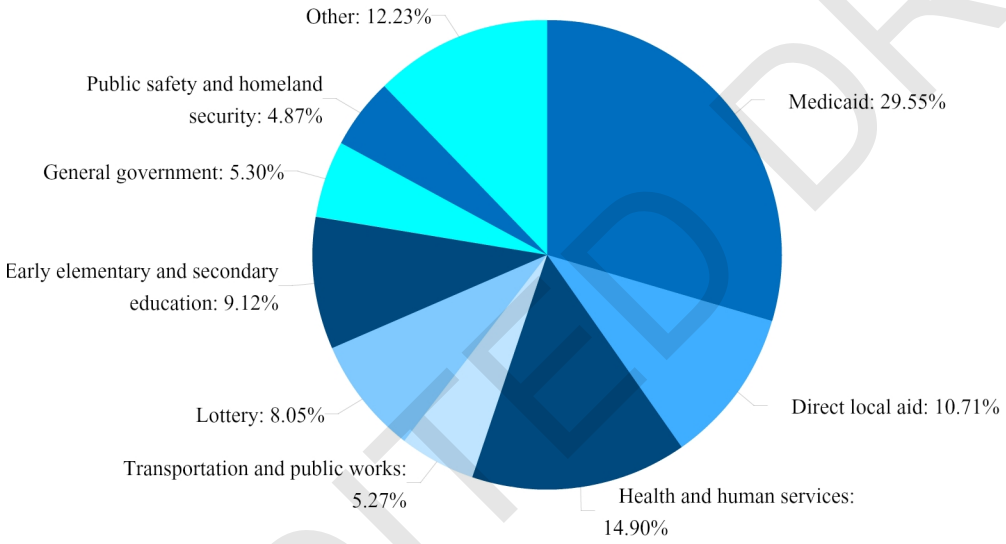
Other large expenditures for governmental activities included non-Medicaid health and human services costs of approximately $7.605 billion, accounting for 14.9% of governmental expenses, pre-kindergarten through secondary education costs of approximately $4.654 billion, accounting for 9.1% of governmental expenses and public safety and homeland security costs of approximately $2.486 billion, accounting for 4.9% of governmental expenses. State employees' pensions and other post-employment benefits, which are included in the department spending amounts above, were $1.954 billion.

Major Expenses–Governmental Activities
Fiscal Year Ending June 30, 2015



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.

As of June 30, 2015, business-type activities' net position totaled $5.292 billion, a decrease of $196 million, or 3.6%, from FY14, with the net position of the Institutions of Higher Education decreasing by $149 million to $3.972 billion, and the net position of the Unemployment Insurance program decreasing by $46 million, to $1.320 billion. Total revenues of business-type activities totaled $5.088 billion a decrease of $683 million, or 11.8%. Operating grants and contributions totaled $937 million, a decrease of $240 million, or 30.5%, due almost entirely to reduced unemployment insurance reimbursements from the federal government as unemployment fell in the Commonwealth. Charges for services totaled $3.945 billion, a decrease of $479 million, or 10.8%, again mainly due to a decline in unemployment insurance charges, which dropped by $405 million, or 21.4%.

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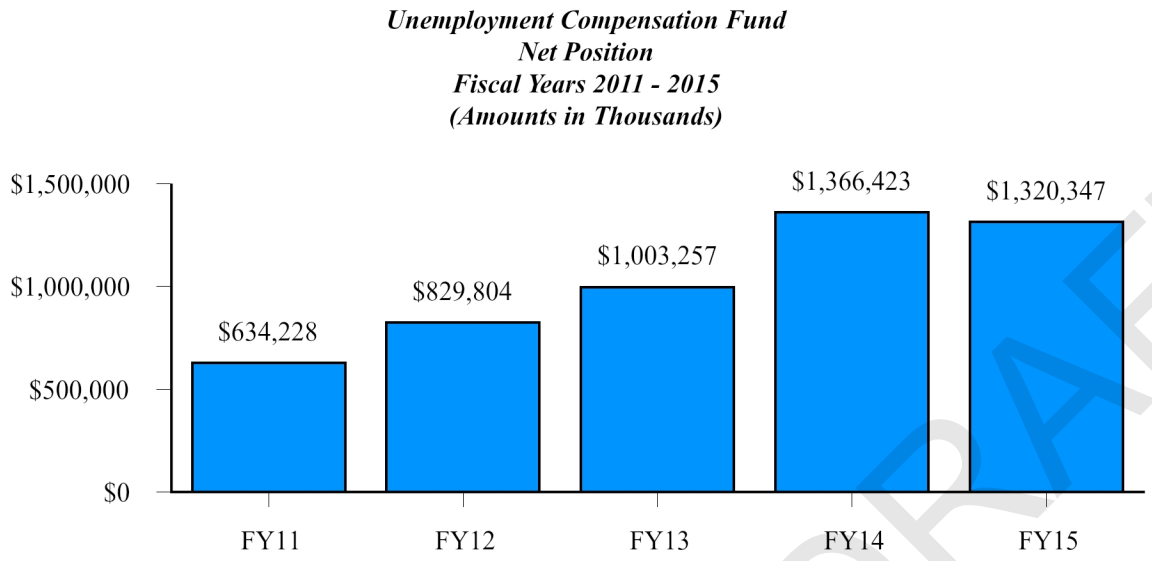
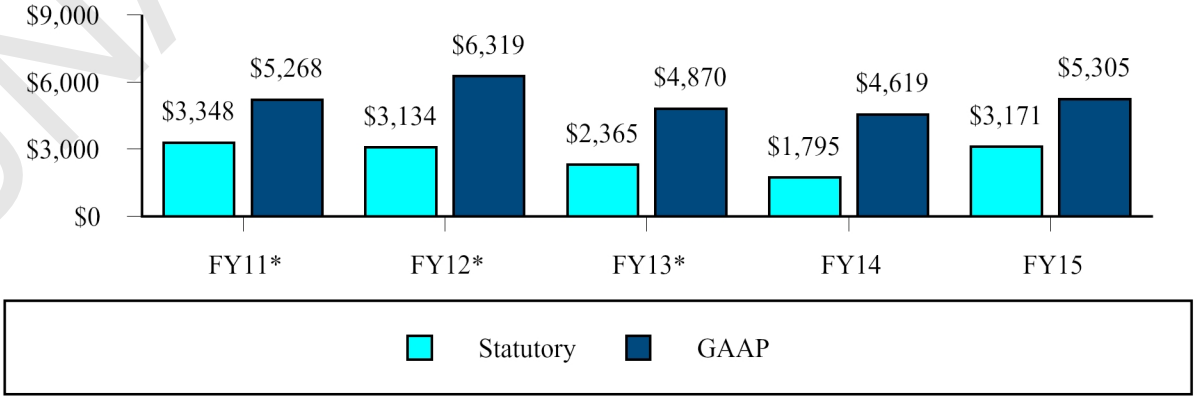


FINANCIAL ANALYSIS OF THE COMMONWEALTH'S FUNDS

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

Governmental Funds

Governmental funds account for the near term inflows, outflows and balances of expendable resources of the Commonwealth's core functions and services. Each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The General Fund is the primary operating fund of the Commonwealth. At the end of FY15, the fund balance of the General Fund was $2.743 billion. Of this amount, $1.252 billion represents the balance in the Commonwealth's Stabilization Fund. $210 million was classified as assigned for continuing appropriations from FY15 into FY16.



*Statutory basis excludes the Massachusetts Department of Transportation (MassDOT)

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The Federal Grants Fund is used to manage categorical grants funded in their entirety by the federal government. Between FY09 and FY11, this fund saw a significant increase in activity as a result of the American Recovery and Reinvestment Act (ARRA), with annual ARRA revenues in excess of $2 billion, but by FY15 ARRA revenues had declined to approximately $95 million, almost entirely for education and transportation projects. Also reported in the Federal Grants Fund is $1.210 billion in food stamp benefit payments, $72 million of childhood immunization grant and $23 million from the USDA food program, which do not flow through the Commonwealth but are included in this report under governmental accounting rules.

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

	FY15	FY14	FY13	FY12	FY11
Beginning fund balances	$ 4,619,434	$ 4,869,951	$ 6,318,958	$ 5,267,628	$ 4,585,715
Revenues and other financing sources	60,658,637	57,209,970	55,289,871	54,370,101	53,898,404
Expenditures and other financing uses	59,972,852	57,460,487	56,738,878	53,318,771	53,216,491
Excess/(deficiency)	685,785	(250,517)	(1,449,007)	1,051,330	681,913
Ending fund balances	$ 5,305,219	$ 4,619,434	$ 4,869,951	$ 6,318,958	$ 5,267,628

FY15 governmental fund revenues and other financing sources totaled $60.659 billion, an increase of $3.449 billion, or 6.0%, from FY14. Tax revenues totaled $23.786 billion, an increase of $1.472 billion, or 6.2%, primarily due to growth in income, sales and corporate taxes as the Massachusetts economy continued to recover from recession. Federal grants and reimbursements totaled $9.609 billion, an increase of $898 million, or 6.8%, due primarily to growth in reimbursable Medicaid spending. Assessments, fees, and investment earnings totaled $11.306 billion, an increase of $530 million, or 4.9%. Revenues from other financing sources totaled $10.049 billion, an increase of $549 million, or 5.8%.

FY15 governmental fund expenditures and other financing uses totaled $59.973 billion, an increase of $2.512 billion, or 4.4% from FY14. Medicaid expenditures totaled $15.087 billion, an increase of $1.052 billion or 7.5%. Debt service expenditures totaled $2.968 billion, an increase of $198 million, or7.2%, post-employment benefits totaled $902 million, an increase of $37 million, or 4.3%, and direct local aid totaled $5.469 billion, an increase of grew by $116 million, or2.2%. Other financing uses totaled $2.714 billion, an decrease of $178.427 million, or 2.4%.

As of June 30, 2015, the Commonwealth's governmental funds reported combined ending fund balance of $5.305 billion , an increase of $686 million, or 14.8%, from the previous year.

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Governmental Funds - Fund Balance Classification
(Amounts in thousands)

	2015	2014	Change	Percentage Change
Nonspendable/Restricted:				
Nonspendable	$ 2,318	$ 1,116	$ 1,202	107.7%
Restricted	1,790,143	1,517,555	272,588	18.0%
Total Nonspendable/Restricted	**1,792,461**	**1,518,671**	**273,790**	18.0%
Unrestricted				
Committed	2,375,021	2,249,906	125,115	5.6%
Assigned	576,632	510,353	66,279	13.0%
Unassigned	561,105	340,505	220,600	64.8%
Total Unrestricted	**3,512,758**	**3,100,764**	**411,994**	13.3%
Total fund balances	**$ 5,305,219**	**$ 4,619,435**	**$ 685,784**	14.8%

GAAP requires that fund balances be classified by the degree of restriction placed upon their use by constitutional, statutory, or contractual requirements, and these classifications are shown in the table above. 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, as well the fund balance of 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, on pages 69-71.

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 position by approximately $669 million.

BUDGETARY HIGHLIGHTS

The FY15 General Appropriation Act (GAA) authorized approximately $36.996 billion in spending, exclusive of approximately $1.793 billion in required pension contributions and $176 million in FY14 spending authorized to be continued into FY15 as part of FY14 end-of-year supplemental budgets.

The FY15 budget as enacted by the Legislature was based on an FY15 consensus tax revenue estimate of $24.337 billion, of which approximately $22.732 billion was to be credited to the Commonwealth's budgeted funds after adjusting for $1.605 billion in tax revenue that is deposited directly into non-budgeted funds for transfers of sales tax revenue dedicated to the Massachusetts Bay Transportation Authority ($811 million) and the Massachusetts School Building Authority ($772 million), and revenue deposited in the non-budgeted Workforce Training Fund ($22 million). The FY15 enacted budget adjusted the estimate to $24.670 billion, including $240 million in tax settlements (of which $23.065 billion was to be deposited in the budgeted funds), due to several tax law changes included in the budget. Both estimates included $122 million of capital gains revenue that under statute was to be transferred to the Stabilization Fund and would not be available for budgetary purposes.

In January 2015, the FY15 tax revenue estimate was further adjusted downward by $62 million, to $24.508 billion

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(including $183 million in settlements revenue, virtually all of which were tax-related), of which $22.903 billion was to be deposited in the budgeted funds, as a result of a reduction in the income tax rate triggered by revenue growth in FY14 and other tax law changes.

FY15 tax revenues ended the year at $24.932 billion (including $215 million in tax settlements), of which $23.174 billion was deposited in the budgeted funds. Tax revenue deposited in the budgeted funds grew by $1.352 billion, or 6.2% from FY14, and was $271 million above the final FY15 tax estimate and $109 million above the original FY15 tax estimate.

Approximately $1.204 billion in supplemental appropriations were authorized during FY15, $764 million of which were enacted prior to June 30, 2015. Subsequent to year end, an additional supplemental budget was enacted totaling approximately $440 million in new and continued appropriations, $249 million of which was for FY15 expenditures, with the remainder continued to FY16 and reappropriated. The year's significant supplemental appropriation activity included:

- $228 million for Medicaid payments to local hospitals that care for lower income residents;
- $203 million for the costs of health care for beneficiaries covered by the Commonwealth's MassHealth, or Medicaid, program;
- $190 million for the Group Insurance Commission to pay health care benefits for Commonwealth employees;
- $113 million to establish a non-budgeted fund to pay FY16 debt service and thereby reduce FY16 budgeted fund debt service expenditures;
- $52 million for emergency homeless assistance for family shelters and services;
- $43 million to the Department of Developmental Disabilities for residential and non-residential services provided to the developmentally disabled;
- $39 million for snow and ice removal and related costs incurred as a result of blizzards during the winter of 2014-15;
- $35 million to compensate private counsel who defend indigent defendants;
- $22 million to pay Sheriffs' Department costs;
- $15 million for a substance abuse treatment program.

In FY15 the previous and current Governor each reduced spending authorizations, or allotments, using their authority under Section 9C of Chapter 29, in order to maintain a balanced budget. Those reductions totaled approximately $411 million.

In FY15, there were approximately $1.188 billion in one-time revenues and savings used to balance the Commonwealth's budget, up from approximately $754 million in FY14 one-time solutions.

Significant FY15 uses of one-time resources included:

- $621 million in capital gains tax revenue that under statute would have been required to be deposited in the Stabilization Fund ($559 million), the State Pension Fund ($31 million), and the State Retiree Benefits Trust Fund ($31 million); however, that requirement was suspended for FY15 under budget-balancing measures enacted in February 2015;
- $170 million from shifting the payment of some FY15 Medicaid expenses into FY16 ;
- $124 million in one-time federal and other revenues;
- $89 million from the proceeds of the sale of the Saltonstall State Office Building;
- $85 million generated by a tax amnesty program;

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- $53 million from gaming facility license fees;
- $46 million in additional revenues from the delay in implementation of the so-called FAS109 corporate tax deduction.

During FY15, the Commonwealth also transferred $4.8 million in investment income earned by the Stabilization Fund to the General Fund.

FY15 budgeted revenues and other financing sources (before transfers between the budgeted funds, which are included in both spending and revenue and thus have no effect on fund balances) totaled $38.236 billion, an increase of $2.775 billion, or 7.8%, from FY14. Tax revenue grew by $1.352 billion, or 6.2%, as a result of continuing growth in the economy and the strong stock market, which generated an increase in capital gains taxes of approximately $432 million, or 35%, compared to FY14. Federal reimbursements totaled $9.480 billion, an increase of $1.108 billion, or 13.2%, primarily due to growth in reimbursable Medicaid spending as the Affordable Care Act covered an increased number of Massachusetts residents and reimbursement rates increased for some services. Departmental revenue, which consists primarily of assessments and fees for state licenses and state services, totaled $3.853 billion, an increase of $140 million, or 3.8%, from FY14. Large increases in departmental revenue included $95 million in additional reimbursements by cities and towns participating in the state's health plan, an $89 million payment generated from the sale of the Saltonstall State Office Building, $85 million in pharmacy rebates paid to the state's Medicaid program, and $34 million in additional motor vehicle registration fees. These increases were offset by several large decreases in departmental revenue, including a $120 million reduction as a result of a non-recurring payment from the University of Massachusetts Medical School, a $44 million decline in pediatric immunization assessments, and a reduction of $36 million in tobacco settlement payments received by the Commonwealth. Interfund transfers from non-budgeted funds totaled $1.729 billion, an increase of $174 million, or 11.2%, from FY14, due primarily to $100 million in additional transfers from gaming license fees to the budgeted funds, $35 million in additional trust fund closeouts, and $19 million in higher fringe benefit recoveries from capital, federal grants, and non-budgeted and trust funds.

FY15 budgeted expenditures and other financing uses, including transfers to non-budgeted funds (but before transfers between the budgeted funds) totaled $38.116 billion, an increase of $2.231 billion, or 6.2%, from FY14, with virtually all of the increase attributable to health care spending (including Medicaid and employee health insurance benefits), debt service, pension contributions, and Local Aid.

Spending on programs and services totaled $32.635 billion, an increase of $2.423 billion, or 8.0% from FY14. Medicaid expenditures totaled $13.655 billion, an increase of $1.754 billion, or 14.7%, from FY14, primarily due to provisions of the federal Affordable Care Act (ACA) that expanded eligibility for Medicaid as of January 1, 2015, and also due to base enrollment and health care cost growth. In addition, individuals who were eligible for non-Medicaid subsidized coverage under the ACA but could not obtain it due to problems with the Commonwealth Connector's eligibility and enrollment system temporarily received health benefits through MassHealth until the Connector system could be repaired, adding approximately $521 million to FY15 spending, which is included in the $1.754 billion Medicaid increase.

Debt service totaled $2.190 billion, up $68 million, or 3.2% from FY14, with the entire growth in debt service expenditures charged to the Commonwealth Transportation Fund, as principal and interest payments began to come due on borrowing for the Commonwealth's road and bridge capital programs. Interfund transfers to non-budgeted funds (primarily the Universal Health Care funds) totaled $1.078 billion, a decrease of $424 million or 28.2%, primarily due to decreases in health care transfers to the Commonwealth Care Trust Fund and the Medical Assistance Trust Fund. Post-employment benefits (for pension contributions and retiree health insurance) totaled $2.213 billion, an increase of $163 million, or 7.9%, as the Commonwealth increased its pension contribution by 10% over FY14, and employee health benefits paid through the Group Insurance Commission, increased by $243 million, or 17.3%, from $1.403 billion to $1.646 billion. Spending for direct local aid (both education aid and unrestricted aid), at $5.420 billion, was up $128 million, or 2.4%, from FY14. The FY15 financial statements for each of the fourteen active budgeted funds are included in the financial section of this report.

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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, 2015 amounts to approximately $19.550 billion, with accumulated depreciation of approximately $8.263 billion, leaving a net book value of $11.287 billion. Infrastructure includes assets that are normally immovable and of value only to the Commonwealth, such as roads, bridges, piers and dams. (The investments in capital assets noted above do not include capital assets owned by MassDOT.) The total increase in the Commonwealth's investment in capital assets from 2014 to 2015 was approximately $518 million, with $30 million in governmental activities and $489 million in business-type activities. The major increases in the net value of capital assets was in construction in process for governmental activities and construction in process, buildings and machinery and equipment for the business-type activities.

The table below details the capital asset activity for the Commonwealth.

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

	Governmental Activities		Business - Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	$ 861,487	$ 842,713	$ 118,415	$ 114,530	$ 979,902	$ 957,243
Historical treasures	—	—	1,196	1,162	1,196	1,162
Construction in process	960,752	866,236	759,125	1,139,836	1,719,877	2,006,072
Buildings	2,386,166	2,483,617	4,980,724	4,125,043	7,366,890	6,608,660
Machinery and equipment	228,921	245,966	747,841	728,235	976,762	974,201
Infrastructure, excluding central artery	164,996	134,089	—	—	164,996	134,089
Library collections	—	—	77,420	87,343	77,420	87,343
Total	**$ 4,602,322**	**$ 4,572,621**	**$ 6,684,721**	**$ 6,196,149**	**$ 11,287,043**	**$ 10,768,770**

Additional detail on the Commonwealth's FY15 capital asset activity can be found in Note 5 to the basic financial statements ("Capital Assets") on pages 87 – 88.

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 FY15 capital budget, the Commonwealth borrowed by issuing $2.919 billion in long-term bonds, $2.472 billion of which was general obligation debt and $447 million of which was special obligation debt secured by motor fuels taxes, motor vehicle license and registration fees, and future federal reimbursements for transportation spending. All new bond sales were either for general government purposes, for road and bridge repair, or unallocated as of year-end and assumed to be for general purposes, including for construction and equipment purchases. In addition, the Commonwealth issued $632 million in debt to refund already existing debt, taking advantage of continued low interest rates in FY15.

Approximately 17.9% percent of the Commonwealth's $20.802 billion in general obligation debt outstanding as of June 30, 2015 was issued as variable rate bonds. Included in this variable rate debt was approximately $402 million in auction rate securities (about 1.9% of all general obligation debt).

The table below details the Commonwealth's debt by type for the fiscal year compared to the prior fiscal year, excluding

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premiums and discounts.

Additional detail on the Commonwealth's short-term debt can be found in Note 6 ("Short-Term Financing and Credit Arrangements") on pages 88-89 and Note 7 ("Long-Term Obligations") on pages 89-104.

Outstanding Long - Term Debt Obligations

(Amounts in thousands)

	Governmental Activities		Business - Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	$ 20,801,956	$ 19,596,662	$ —	$ —	$ 20,801,956	$ 19,596,662
Special obligation bonds (excluding GANs)	2,324,490	2,292,255	—	—	2,324,490	2,292,255
Revenue obligation bonds	—	—	4,578,604	4,243,731	4,578,604	4,243,731
Grant anticipation notes	699,855	530,935	—	—	699,855	530,935
Subtotal	23,826,301	22,419,852	4,578,604	4,243,731	28,404,905	26,663,583
Massachusetts School Building Authority	5,714,410	5,632,470	—	—	5,714,410	5,632,470
Total	**$ 29,540,711**	**$ 28,052,322**	**$ 4,578,604**	**$ 4,243,731**	**$ 34,119,315**	**$ 32,296,053**

ECONOMIC FACTORS AFFECTING NEXT YEAR'S BUDGET

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

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 were sharp during the recession as the nation's gross domestic product fell and unemployment hit the highest levels in decades. While the national recession ended in June 2009, recovery has been slow compared to previous recessions.

The Massachusetts economy outperformed the nation's economy as a whole during and immediately following the most recent recession. Home prices fell in Massachusetts by approximately 18% at their lowest point during the recession, compared to a decline of 34% nationally. The unemployment rate for the Commonwealth rose from 5.2% in July of 2008 to a high of 9.5% in February 2011, declined to a low of 5.6% in June 2014, and stood at 5.8% as of November 2014. Nationally, the unemployment rose from 5.8% in July 2008 to a high of 10.0 % in October 2009 (a rate that had not been seen since 1983), and had declined to 5.8% as of November 2014. Based on the "establishment survey" of employment, which is considered by most economists to be more accurate than the "household survey" upon which the unemployment rate is based, Massachusetts employment growth has exceeded the nation's both since the start and end of the most recent recession.

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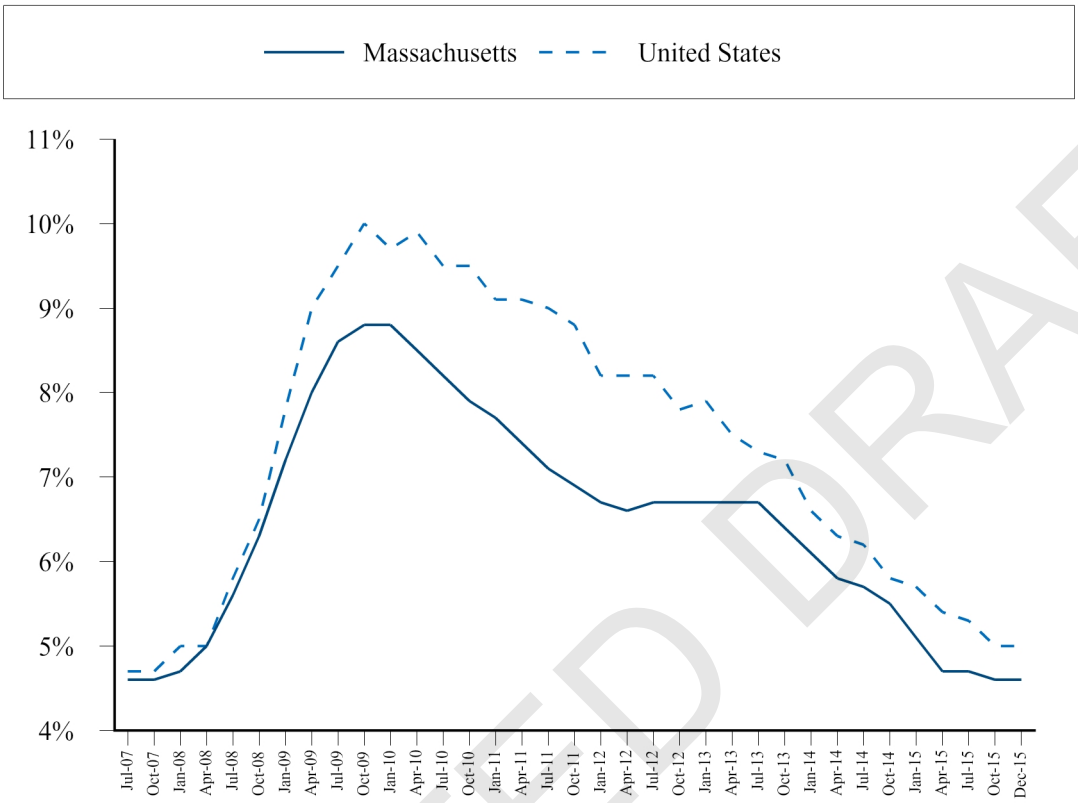
Unemployment Rate
July 2007 – December 2015



The General Appropriation Act for FY16 is based on a consensus tax revenue estimate of approximately $25.479 billion, an increase of $547 million, or 2.2%, from FY15 actual tax collections. Of that amount, $21.696 billion represents taxes available for budget after adjusting for $3.784 billion in total tax revenue that is allocated to state pension contributions ($1.972 billion), sales tax revenue dedicated to the Massachusetts Bay Transportation Authority ($985 million) and the Massachusetts School Building Authority ($804 million) and revenue transferred to the non-budgetary Workforce Training Fund ($22.4 million). The FY16 tax revenue estimate was further adjusted to $25.711 billion (including $100 million in tax settlements), of which $21.927 billion was available for budget, as a result of several tax law changes included in the FY16 budget or enacted separately. That represented an increase of $779 million, or 3.1%, from FY15 actual tax collections.

Based on tax revenue collections through December 2015, the Secretary for Administration and Finance increased the FY16 tax revenue estimate by $140 million above the amount upon which the enacted budget was based. Through January 31, 2016, tax revenue collections were reported by the Department of Revenue to have been $48 million above the year-to-date benchmark based on the FY16 upwardly revised official tax revenue estimate.

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/publications-and-reports/financial-reports/cafr-reports.html.

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Basic Financial Statements

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

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Statement of Net Position

June 30, 2015

(Amounts in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Government Wide Total	Component Units
ASSETS AND DEFERRED OUTFLOWS				
Current assets:				
Cash, cash equivalents and short-term investments	$ 3,206,633	$ 1,033,313	$ 4,239,946	$ 2,842,328
Cash with fiscal agent	197,836	—	197,836	—
Assets held in trust	—	—	—	148,066
Receivables, net of allowance for uncollectibles:				
Taxes	3,084,006	—	3,084,006	—
Federal grants and reimbursements receivable	2,135,280	100,702	2,235,982	153,371
Loans	8,998	47,616	56,614	424,108
Other receivables	435,791	549,703	985,494	305,440
Due from cities and towns	19,722	—	19,722	—
Due from component units	488	383	871	—
Due from primary government	—	—	—	689,469
Other current assets	—	52,089	52,089	57,046
Total current assets	9,088,754	1,783,806	10,872,560	4,619,828
Noncurrent assets:				
Cash and cash equivalents - restricted	—	752,683	752,683	855,081
Long-term investments	—	914,457	914,457	1,708,327
Investments, restricted investments and annuity contracts	2,662,627	843	2,663,470	165,392
Receivables, net of allowance for uncollectibles:				
Taxes	463,648	—	463,648	—
Federal grants and reimbursements receivable	48,735	—	48,735	—
Loans	101,218	9,292	110,510	4,199,099
Other receivables	43,757	47,909	91,666	23,917
Due from component units	9,508	—	9,508	—
Non-depreciable capital assets	1,822,239	878,736	2,700,975	8,905,874
Depreciable capital assets, net	2,780,083	5,805,985	8,586,068	25,247,444
Other noncurrent assets	—	22,401	22,401	36,894
Other noncurrent assets - restricted	—	1,008,476	1,008,476	—
Total noncurrent assets	7,931,815	9,440,782	17,372,597	41,142,028
Deferred outflows of resources:				
Deferred change in fair value of interest rate swaps	329,833	46,111	375,944	241,180
Deferred loss on refunding	142,805	114,672	257,477	363,301
Deferred outflows related to pension	1,827,615	74,097	1,901,712	123,083
Total deferred outflows of resources	2,300,253	234,880	2,535,133	727,564
Total assets and deferred outflows	19,320,822	11,459,468	30,780,290	46,489,420
LIABILITIES AND DEFERRED INFLOWS				
Current liabilities:				
Accounts payable and other liabilities	3,314,917	280,168	3,595,085	1,156,283
Accrued payroll	212,696	200,958	413,654	1,946
Compensated absences	371,870	146,271	518,141	26,739
Accrued interest payable	367,821	22,915	390,736	221,782
Tax refunds and abatements payable	1,058,406	46,600	1,105,006	—
Due to component units	637,298	224	637,522	—
Due to primary government	—	—	—	871
Due to federal government	24,504	—	24,504	—
Claims and judgments	11,819	—	11,819	—
Unearned revenue	—	22,665	22,665	308,721

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Statement of Net Position

June 30, 2015

(Amounts in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Government Wide Total	Component Units
Deposits and unearned revenue	—	74,510	74,510	—
School construction grants payable	357,100	—	357,100	—
Capital leases	7,876	2,471	10,347	4,569
Massachusetts School Building Authority notes payable	435,000	—	435,000	—
Massachusetts School Building Authority bonds and unamortized premiums	173,529	—	173,529	—
Bonds payable and unamortized premiums	1,743,338	250,351	1,993,689	739,773
Environmental remediation liability	10,932	11	10,943	—
Total current liabilities	8,727,106	1,047,144	9,774,250	2,460,684
Noncurrent liabilities:				
Compensated absences	205,446	66,729	272,175	21,598
Accrued interest payable	—	—	—	215,127
Due to primary government	—	—	—	9,508
Due to federal government - grants	—	10,692	10,692	—
Unearned revenue	—	—	—	38,722
Prizes payable	1,243,000	—	1,243,000	—
Capital leases	35,052	7,424	42,476	61,246
Bonds payable and unamortized premiums	23,047,571	4,328,253	27,375,824	10,944,888
Massachusetts School Building Authority bonds and unamortized premiums	6,027,865	—	6,027,865	—
School construction grants payable	723,919	—	723,919	—
Environmental remediation liability	197,047	—	197,047	—
Liability for derivative instruments	329,833	72,517	402,350	483,309
Net pension liability	24,531,950	403,393	24,935,343	1,348,661
Post-employment benefits obligations (other than pensions)	5,605,000	—	5,605,000	856,556
Other noncurrent liabilities	468,795	120,314	589,109	229,013
Total noncurrent liabilities	62,415,478	5,009,322	67,424,800	14,208,628
Deferred inflows of resources:				
Deferred service concession arrangements	—	16,923	16,923	—
Deferred inflows related to pension	2,969,528	90,883	3,060,411	82,917
Deferred gain on refunding	62,151	122	62,273	300
Governmental voluntary nonexchange transactions	—	3,000	3,000	—
Total deferred inflows of resources	3,031,679	110,928	3,142,607	83,217
Total liabilities and deferred inflows	74,174,263	6,167,394	80,341,657	16,752,529
NET POSITION				
Net investment in capital assets	(553,272)	3,055,273	2,502,001	31,378,813
Restricted for:				
Unemployment benefits	—	1,320,347	1,320,347	—
Retirement of indebtedness	1,164,045	—	1,164,045	—
Higher education endowment funds	—	18,920	18,920	—
Higher education academic support and programs	—	2,961	2,961	—
Higher education scholarships and fellowships:				
Nonexpendable	—	3,553	3,553	—
Expendable	—	6,442	6,442	—
Other nonexpendable purposes	—	3,536	3,536	—
Capital projects - expendable purposes	—	2,206	2,206	—
Other purposes	377,521	181,820	559,341	3,772,412
Unrestricted (deficits)	(55,841,735)	697,016	(55,144,719)	(5,414,334)
Total net position	$ (54,853,441)	$ 5,292,074	$ (49,561,367)	$ 29,736,891

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

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Statement of Activities

Fiscal Year Ended June 30, 2015

(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	$ 2,703,519	$ 634,289	$ 643,770	$ —	$ (1,425,460)	$ —	$ (1,425,460)	$ —
Judiciary	1,026,429	105,521	1,213	—	(919,695)	—	(919,695)	—
Direct local aid	5,469,412	—	—	—	(5,469,412)	—	(5,469,412)	—
Medicaid	15,086,742	1,052,170	8,709,401	80,237	(5,244,934)	—	(5,244,934)	—
Group health insurance	1,657,018	755,712	—	—	(901,306)	—	(901,306)	—
Energy and environmental affairs	671,801	253,856	496,978	—	79,033	—	79,033	—
Housing and economic development	1,314,980	164,438	56,780	—	(1,093,762)	—	(1,093,762)	—
Health and human services	7,605,180	405,710	2,499,315	—	(4,700,155)	—	(4,700,155)	—
Transportation and public works	2,689,975	577,430	217	1,238	(2,111,090)	—	(2,111,090)	—
Early elementary and secondary education	4,654,161	7,649	1,192,664	—	(3,453,848)	—	(3,453,848)	—
Public safety and homeland security	2,486,107	256,596	178,224	—	(2,051,287)	—	(2,051,287)	—
Labor and workforce development	309,091	175,130	171,665	—	37,704	—	37,704	—
Lottery	4,109,611	5,193,545	—	—	1,083,934	—	1,083,934	—
Interest (unallocated)	1,263,218	—	—	—	(1,263,218)	—	(1,263,218)	—
Total governmental activities	**51,047,244**	**9,582,046**	**13,950,227**	**81,475**	**(27,433,496)**	**—**	**(27,433,496)**	**—**
Business-Type Activities:								
Unemployment Compensation	1,598,084	1,492,067	59,941	—		(46,076)	(46,076)	—
Higher Education:								
University of Massachusetts	2,809,062	1,602,043	517,360	62,582		(627,077)	(627,077)	—
State Universities	994,380	583,669	105,881	104,146		(200,684)	(200,684)	—
Community Colleges	891,906	266,956	253,735	39,400		(331,815)	(331,815)	—
Total business-type activities	**6,293,432**	**3,944,735**	**936,917**	**206,128**	**—**	**(1,205,652)**	**(1,205,652)**	**—**
Total primary government	**$ 57,340,676**	**$ 13,526,781**	**$ 14,887,144**	**$ 287,603**	**(27,433,496)**	**(1,205,652)**	**(28,639,148)**	**—**
Component Units:								
Massachusetts Department of Transportation	$ 5,479,554	$ 1,419,950	$ 2,122,152	$ 3,087,312				$ 1,149,860
Commonwealth Health Insurance Connector	576,085	501,008	80,436	—				5,359
Massachusetts Clean Water Trust	148,939	154,534	30,375	76,099				112,069
Other nonmajor component units	513,557	388,965	107,169	(54,708)				(72,131)
Total component units	**$ 6,718,135**	**$ 2,464,457**	**$ 2,340,132**	**$ 3,108,703**	**—**	**—**	**—**	**1,195,157**

(continued)

UNAUDITED DRAFT

	Primary Government			
General revenues:	Governmental Activities	Business-Type Activities	Total	Component Units
Taxes:				
Income	14,326,957	—	14,326,957	—
Sales taxes	5,832,151	—	5,832,151	—
Corporate taxes	2,264,787	—	2,264,787	—
Motor and special fuel taxes	757,503	—	757,503	—
Other taxes	2,028,428	—	2,028,428	—
Miscellaneous:				
Investment earnings/(loss)	26,972	(132,408)	(105,436)	4,751
Tobacco settlement	241,025	—	241,025	—
Contribution from municipalities	61,991	—	61,991	—
Other revenue	921,205	139,774	1,060,979	234,179
Transfers	(1,429,174)	1,429,174	—	—
Total general revenues and transfers	**25,031,845**	**1,436,540**	**26,468,385**	**238,930**
Change in net position	**(2,401,651)**	**230,888**	**(2,170,763)**	**1,434,087**
Net position (deficits) - beginning, as restated	(52,451,790)	5,061,186	(47,390,604)	28,302,804
Net position (deficits) - ending	**$ (54,853,441)**	**$ 5,292,074**	**$ (49,561,367)**	**$ 29,736,891**

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UNAUDITED DRAFT

Governmental Fund Financial Statements

UNAUDITED DRAFT

Balance Sheet

Governmental Funds

June 30, 2015

(Amounts in thousands)

	General	Lotteries	Massachusetts School Building Authority	Other Governmental Funds	Total
ASSETS					
Cash, cash equivalents and short-term investments	$ 1,373,877	$ 44,992	$ 151,393	$ 1,636,371	$ 3,206,633
Cash with fiscal agent	—	—	—	197,836	197,836
Investments and restricted investments	264,426	—	1,155,201	—	1,419,627
Receivables, net of allowance for uncollectibles:					
Taxes	3,324,359	—	58,759	164,536	3,547,654
Due from federal government	1,783,883	—	—	400,132	2,184,015
Loan receivable	—	—	107,898	2,318	110,216
Other receivables	260,881	5,137	75,732	131,375	473,125
Due from cities and towns	19,722	—	—	—	19,722
Due from other funds	83,559	—	—	94,421	177,980
Due from component units	488	—	—	—	488
Total assets	**$ 7,111,195**	**$ 50,129**	**$ 1,548,983**	**$ 2,626,989**	**$ 11,337,296**
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 2,459,202	$ 42,754	—	$ 782,436	$ 3,284,392
Accrued payroll	191,194	—	—	21,502	212,696
Compensated absences	11,105	—	—	9	11,114
Tax refunds and abatements payable	1,057,772	—	294	340	1,058,406
Due to other funds	—	—	—	177,980	177,980
Due to component units	79,160	—	—	558,138	637,298
Due to federal government	24,504	—	—	—	24,504
Claims and judgments	11,819	—	—	—	11,819
School construction grants payable	—	—	27,203	—	27,203
Other accrued liabilities	—	—	—	30,525	30,525
Total liabilities	**3,834,756**	**42,754**	**27,497**	**1,570,930**	**5,475,937**
Deferred inflows of resources	532,966	5,253	—	17,921	556,140
Total liabilities and deferred inflows of resources	**4,367,722**	**48,007**	**27,497**	**1,588,851**	**6,032,077**
Fund balances:					
Nonspendable	—	—	—	2,318	2,318
Restricted	—	—	1,155,201	634,942	1,790,143
Committed	1,252,501	2,122	—	1,120,398	2,375,021
Assigned	210,347	—	366,285	—	576,632
Unassigned (deficits)	1,280,625	—	—	(719,520)	561,105
Fund balances	**2,743,473**	**2,122**	**1,521,486**	**1,038,138**	**5,305,219**
Total liabilities and fund balances	**$ 7,111,195**	**$ 50,129**	**$ 1,548,983**	**$ 2,626,989**	**$ 11,337,296**

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

UNAUDITED DRAFT

Reconciliation of Governmental Fund Balances to the Statement of Net Position

June 30, 2015

(Amounts in thousands)

Total fund balances - governmental funds		**$ 5,305,219**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Capital assets not being depreciated	1,822,239	
Capital assets being depreciated, net	2,780,083	
Capital assets, net of accumulated depreciation		4,602,322
Deferred inflows of resources are not reported in the governmental funds:		
Revenues are not available soon enough after year end to pay for the current period's expenditures and therefore are unavailable deferred inflows of resources in the governmental funds	556,140	
Gain on refunding	(62,151)	
Pension related	(2,969,528)	
Total deferred inflow of resources		(2,475,539)
Deferred outflows of resources are not reported in the governmental funds:		
Loss on refunding	142,805	
Pension related	1,827,615	
Total deferred outflow of resources		1,970,420
Massachusetts School Building Authority assets and deferred outflows		6,423
Lottery annuity contracts		1,243,000
Due from component units		9,508
Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. These liabilities include:		
Retirement systems' net pension liability	(24,531,950)	
Net post-employment benefits obligations	(5,605,000)	
Commonwealth bonded debt	(23,826,301)	
Unamortized bond premiums	(964,608)	
Accrued interest on bonds	(367,821)	
Massachusetts School Building Authority notes payable	(435,000)	
Massachusetts School Building Authority bonded debt	(6,201,394)	
Massachusetts School Building Authority grants to municipalities	(1,053,816)	
Prizes payable	(1,243,000)	
Capital leases	(42,928)	
Environmental remediation liability	(207,979)	
Employee benefits, including compensated absences, health insurance benefits and other compensation claims	(1,034,997)	
Long-term liabilities (including current portions)		(65,514,794)
Total net (deficit) - governmental activities		**$ (54,853,441)**

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

UNAUDITED DRAFT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds
Fiscal Year Ended June 30, 2015
(Amounts in thousands)

	General	Lotteries	Massachusetts School Building	Other Governmental	Total
REVENUES					
Taxes	$ 21,865,343	$ 568	$ 767,361	$ 2,624,882	$ 25,258,154
Assessments	402,465	—	—	623,337	1,025,802
Federal grants and reimbursements	9,608,825	—	—	4,436,205	14,045,030
Departmental	2,568,537	5,193,531	—	1,318,580	9,080,648
Miscellaneous	584,342	962	60,548	554,100	1,199,952
Total revenues	**35,029,512**	**5,195,061**	**827,909**	**9,557,104**	**50,609,586**
EXPENDITURES					
Current:					
Legislature	60,465	—	—	—	60,465
Judiciary	843,572	—	—	1,414	844,986
Inspector General	4,521	—	—	460	4,981
Governor and Lieutenant Governor	6,368	—	—	—	6,368
Secretary of the Commonwealth	44,891	—	—	5,428	50,319
Treasurer and Receiver-General	217,337	4,108,519	14,825	1,261,383	5,602,064
Auditor of the Commonwealth	17,769	—	—	—	17,769
Attorney General	21,750	—	—	19,677	41,427
Ethics Commission	1,914	—	—	—	1,914
District Attorney	108,677	—	—	9,853	118,530
Office of Campaign and Political Finance	1,433	—	—	1,055	2,488
Sheriff's Departments	581,390	—	—	11,778	593,168
Disabled Persons Protection Commission	2,724	—	—	—	2,724
Board of Library Commissioners	25,301	—	—	2,916	28,217
Massachusetts Gaming Commission	—	—	—	22,562	22,562
Comptroller	13,568	—	—	1,990	15,558
Administration and Finance	2,154,045	—	—	336,075	2,490,120
Energy and Environmental Affairs	210,991	—	—	206,140	417,131
Health and Human Services	5,295,310	—	—	1,915,632	7,210,942
Massachusetts Department of Transportation	—	—	—	2,610,619	2,610,619
Executive Office of Education	2,311,953	—	—	1,008,425	3,320,378
Center for Health and Information Analysis	26,541	—	—	1,837	28,378
Massachusetts School Building Assistance		—	732,159	—	732,159
Public Safety and Homeland Security	1,116,228	—	—	217,954	1,334,182
Housing and Economic Development	498,503	—	—	522,895	1,021,398
Labor and Workforce development	31,927	—	—	237,511	269,438
Medicaid	14,115,809	—	—	970,933	15,086,742
Post employment benefits	901,647	—	393	—	902,040
Direct local aid	5,469,412	—	—	—	5,469,412
Capital outlay:					
Capital acquisition and construction	—	—	—	1,205,098	1,205,098
Debt service	—	—	467,566	2,500,305	2,967,871
Principal on current refundings		—	—	202,895	202,895
Total expenditures	**34,084,046**	**4,108,519**	**1,214,943**	**13,274,835**	**52,682,343**
Excess (deficiency) of revenues over (under) expenditures	**945,466**	**1,086,542**	**(387,034)**	**(3,717,731)**	**(2,072,757)**
OTHER FINANCING SOURCES					
Bonds premium	—	—	3,713	375,027	378,740
Issuance of general and special obligation bonds	—	—	841,796	2,918,817	3,760,613
Issuance of current refunding bonds	—	—	—	202,895	202,895
Issuance of advance refunding bonds	—	—	—	429,445	429,445
Proceeds of capital leases	30,809	—	—	—	30,809
Transfers in for debt service	—	—	—	2,453,728	2,453,728
Transfers in	1,645,790	—	—	1,147,031	2,792,821
Total other financing sources	**1,676,599**	**—**	**845,509**	**7,526,943**	**10,049,051**
OTHER FINANCING USES					
Payments to refunding bond escrow agent	—	—	110,295	504,491	614,786
Transfers out	438,078	1,086,469	—	1,220,633	2,745,180
Transfers of appropriations	1,290,225	—	—	3,807	1,294,032
Transfers of bond proceeds	—	—	—	182,783	182,783
Transfers out for debt service	985,603	—	—	1,468,125	2,453,728
Total other financing uses	**2,713,906**	**1,086,469**	**110,295**	**3,379,839**	**7,290,509**
Total other financing sources and uses	**(1,037,307)**	**(1,086,469)**	**735,214**	**4,147,104**	**2,758,542**
Net change in fund balances (deficits)	**(91,841)**	**73**	**348,180**	**429,373**	**685,785**
Fund balances at beginning of year	2,835,314	2,049	1,173,306	608,765	4,619,434
Fund balances at end of year	**$ 2,743,473**	**$ 2,122**	**$ 1,521,486**	**$ 1,038,138**	**$ 5,305,219**

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

UNAUDITED DRAFT

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, 2015
(Amounts in thousands)

Net change in fund balances - total governmental funds	$ 685,785
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	296,265
Current year depreciation expense	(266,563)
Amounts presented in the statement of activities, but not in the change in fund balances due to difference in revenue and expense recognition under different bases of accounting	(126,061)
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 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	(1,735,422)
Decrease in capital leases	12,950
Massachusetts School Building Authority	(302,239)
Net pension costs	(157,299)
Net underfunding of post employment benefit obligations	(773,000)
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	(36,067)
Change in net position of governmental activities	**$ (2,401,651)**

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

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UNAUDITED DRAFT

Proprietary Fund Financial Statements

UNAUDITED DRAFT

Statement of Net Position

Proprietary Funds

June 30, 2015

(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	$ 21,539	$ 117,562	$ 431,100	$ 105,268	$ 675,469
Short-term investments	—	265,248	24,121	68,475	357,844
Receivables, net of allowance for uncollectibles:					
Federal grants and reimbursements receivable	—	92,805	1,598	6,299	100,702
Loans	—	45,066	2,472	78	47,616
Other receivables	362,148	111,646	22,639	35,807	532,240
Due from affiliates	—	17,463	—	—	17,463
Due from foundation	—	59	36	288	383
Other current assets	—	42,830	4,898	4,361	52,089
Total current assets	**383,687**	**692,679**	**486,864**	**220,576**	**1,783,806**
Noncurrent assets:					
Cash and cash equivalents - restricted	—	712,464	40,219	—	752,683
Long-term investments	—	737,788	134,649	42,020	914,457
Investments, restricted investments and annuity contracts	—	—	843	—	843
Accounts receivable, net	—	44,657	3,252	—	47,909
Loans receivable, net	—	—	8,871	421	9,292
Non-depreciable capital assets	—	535,720	225,472	117,544	878,736
Depreciable capital assets, net	—	3,798,041	1,636,483	371,461	5,805,985
Other noncurrent assets	—	6,512	15,873	16	22,401
Other noncurrent assets - restricted	1,008,476	—	—	—	1,008,476
Total noncurrent assets	**1,008,476**	**5,835,182**	**2,065,662**	**531,462**	**9,440,782**
Deferred outflows of resources:					
Deferred change in fair value of interest rate swaps	—	44,648	—	1,463	46,111
Deferred outflows related to pensions	—	47,039	15,791	11,267	74,097
Loss on debt refunding	—	86,723	27,949	—	114,672
Total deferred outflows of resources	—	178,410	43,740	12,730	234,880
Total assets and deferred outflows	**1,392,163**	**6,706,271**	**2,596,266**	**764,768**	**11,459,468**
LIABILITIES AND DEFERRED INFLOWS:					
Current liabilities:					
Accounts payable and other liabilities	$ 25,216	$ 179,917	$ 42,887	$ 32,148	$ 280,168
Accrued payroll	—	127,341	40,183	33,434	200,958
Compensated absences	—	76,634	34,970	34,667	146,271
Accrued interest payable	—	22,650	128	137	22,915
Tax refunds and abatements payable	46,600	—	—	—	46,600
Unearned revenue	—	—	19,904	2,761	22,665
Student deposits and unearned revenues	—	45,530	7,121	21,859	74,510
Due to Foundation	—	203	—	21	224
Capital leases	—	170	1,155	1,146	2,471
Environmental remediation liability	—	—	11	—	11
Bonds, notes payable and other obligations	—	204,485	42,071	3,795	250,351
Total current liabilities	**71,816**	**656,930**	**188,430**	**129,968**	**1,047,144**
Noncurrent liabilities:					
Compensated absences	—	31,813	17,844	17,072	66,729
Due to federal government - grants	—	—	10,684	8	10,692
Capital leases	—	562	5,940	922	7,424
Bonds, notes payable and other obligations	—	2,884,765	1,384,327	59,161	4,328,253
Liability for derivative instruments	—	71,054	—	1,463	72,517
Net pension liability	—	237,135	89,852	76,406	403,393
Other noncurrent liabilities	—	107,911	7,337	5,066	120,314
Total noncurrent liabilities	**—**	**3,333,240**	**1,515,984**	**160,098**	**5,009,322**
Deferred inflows of resources:					
Deferred service concession arrangements	—	—	16,187	736	16,923
Deferred inflows related to pensions	—	48,753	20,180	21,950	90,883
Gain on refunding	—	—	122	—	122
Governmental voluntary nonexchange transactions	—	—	—	3,000	3,000
Total deferred inflows of resources	—	48,753	36,489	25,686	110,928
Total liabilities and deferred inflows	**71,816**	**4,038,923**	**1,740,903**	**315,752**	**6,167,394**

UNAUDITED DRAFT

Statement of Net Position

Proprietary Funds

June 30, 2015

(Amounts in thousands)

	Unemployment Compensation Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
NET POSITION:					
Net investment in capital assets	—	1,887,941	741,316	426,016	3,055,273
Restricted for:					
Unemployment benefits	1,320,347	—	—	—	1,320,347
Higher education endowment funds	—	18,378	170	372	18,920
Higher education academic support and programs	—	—	890	2,071	2,961
Higher education scholarships and fellowships:					
Nonexpendable	—	—	3,297	256	3,553
Expendable	—	—	5,373	1,069	6,442
Other nonexpendable purposes	—	—	3,536	—	3,536
Capital projects - expendable purposes	—	—	2,206	—	2,206
Other purposes	—	169,591	10,674	1,555	181,820
Unrestricted	—	591,438	87,901	17,677	697,016
Total net position	**$ 1,320,347**	**$ 2,667,348**	**$ 855,363**	**$ 449,016**	**$ 5,292,074**

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

UNAUDITED DRAFT

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	Unemployment Compensation Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
Operating revenues:					
Unemployment compensation contribution	$ 1,459,359	$ —	$ —	$ —	$ 1,459,359
Net tuition and fees	—	765,218	360,709	205,444	1,331,371
Grants and reimbursements	—	510,741	72,866	253,735	837,342
Auxiliary enterprises	—	362,193	109,828	18,667	490,688
Sales & services	—	369,398	99,924	27,936	497,258
Miscellaneous	32,708	105,234	13,208	14,909	166,059
Total operating revenues	**1,492,067**	**2,112,784**	**656,535**	**520,691**	**4,782,077**
Operating expenses:					
Unemployment compensation	1,598,084	—	—	—	1,598,084
Instruction	—	712,430	298,186	308,910	1,319,526
Research	—	431,586	1,510	6	433,102
Academic support	—	165,533	84,149	97,772	347,454
Student services	—	127,988	97,898	121,026	346,912
Scholarships and fellowships	—	49,300	25,100	73,499	147,899
Public service	—	72,910	5,437	9,442	87,789
Operation and maintenance of plant	—	218,869	91,349	76,178	386,396
Institutional support	—	240,305	106,555	124,568	471,428
Other operating expenses	—	268,653	3,092	5	271,750
Depreciation	—	221,043	87,125	32,404	340,572
Auxiliary operations	—	273,680	135,222	18,421	427,323
Total operating expenses	**1,598,084**	**2,782,297**	**935,623**	**862,231**	**6,178,235**
Operating income/(loss)	**(106,017)**	**(669,513)**	**(279,088)**	**(341,540)**	**(1,396,158)**
Nonoperating revenues/(expenses):					
Other federal revenues	37,665	6,619	33,015	—	77,299
Other revenues	—	139,774	—	—	139,774
Other expenses	—	(26,765)	(58,757)	(29,675)	(115,197)
Investment income/(loss)	22,276	(88,662)	(43,613)	(133)	(110,132)
Total nonoperating revenues/(expenses)	**59,941**	**30,966**	**(69,355)**	**(29,808)**	**(8,256)**
Income/(loss) before capital grants and contributions and transfers	**(46,076)**	**(638,547)**	**(348,443)**	**(371,348)**	**(1,404,414)**
Capital grants and contributions	—	62,582	104,146	39,400	206,128
Transfers, net	—	663,924	400,805	364,445	1,429,174
Total capital grants and contributions and transfers	**—**	**726,506**	**504,951**	**403,845**	**1,635,302**
Change in net position	**(46,076)**	**87,959**	**156,508**	**32,497**	**230,888**
Total net position - beginning, as restated	1,366,423	2,579,389	698,855	416,519	5,061,186
Total net position - ending	**$ 1,320,347**	**$ 2,667,348**	**$ 855,363**	**$ 449,016**	**$ 5,292,074**

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

UNAUDITED DRAFT

Statement of Cash Flows

Proprietary Funds

June 30, 2015

(Amounts in thousands)

	Unemployment Compensation Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Collection of unemployment contributions	$ 1,488,168	$ —	$ —	$ —	$ 1,488,168
Tuition, residence, dining and other student fees	—	802,554	370,295	227,736	1,400,585
Research grants and contracts	—	778,001	165,894	277,860	1,221,755
Payments to suppliers	—	(1,046,986)	(253,807)	(221,080)	(1,521,873)
Payments to employees	—	(1,648,032)	(481,334)	(477,756)	(2,607,122)
Payments to students	—	(55,193)	(20,866)	(74,074)	(150,133)
Payments for unemployment benefits	(1,585,647)	—	—	—	(1,585,647)
Collection of loans to students and employees	—	8,668	1,332	63	10,063
Income from contract services	—	—	5,459	2,147	7,606
Maintenance costs	—	—	(897)	—	(897)
Auxiliary enterprise charges	—	354,192	63,514	(989)	416,717
Other receipts	32,708	394,379	11,223	28,333	466,643
Net cash used by operating activities	**(64,771)**	**(412,417)**	**(139,187)**	**(237,760)**	**(854,135)**
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES					
State appropriations	—	645,142	243,726	262,002	1,150,870
Grants and contracts	37,665	76,539	1,817	985	117,006
Student organizations agency transactions	—	(431)	—	170	(261)
Principal on notes payable	—	33,725	—	(299)	33,426
Net cash provided by non-capital financing activities	**37,665**	**754,975**	**245,543**	**262,858**	**1,301,041**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital appropriations	—	62,497	8,494	8,324	79,315
Purchases of capital assets	—	(482,699)	(170,658)	(36,573)	(689,930)
Proceeds from sales of capital assets	—	—	11,747	—	11,747
Proceeds from debt issuance	—	365,501	193,217	6,095	564,813
Other capital asset activity	—	49,410	(59,632)	1,067	(9,155)
Investments held by bond trustee, net	—	—	(2,106)	—	(2,106)
Principal paid on capital debt and leases	—	(161,296)	(39,960)	(8,693)	(209,949)
Interest paid on capital debt and leases	—	(106,625)	(67,757)	(2,644)	(177,026)
Net cash provided by (used in) capital financing activities	**—**	**(273,212)**	**(126,655)**	**(32,424)**	**(432,291)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	—	876,156	151,827	69,253	1,097,236
Purchases of investments	—	8,651	(79,670)	(76,638)	(147,657)
Investment earnings	22,276	(928,361)	8,432	593	(897,060)
Net cash provided by (used by) investing activities	**22,276**	**(43,554)**	**80,589**	**(6,792)**	**52,519**
Net increase (decrease) in cash and cash equivalents	**(4,830)**	**25,792**	**60,290**	**(14,118)**	**67,134**
Cash and cash equivalents at the beginning of the fiscal year	26,369	804,234	411,029	119,386	1,361,018
Cash and cash equivalents at the end of the fiscal year	**$ 21,539**	**$ 830,026**	**$ 471,319**	**$ 105,268**	**$ 1,428,152**
Reconciliation of net operating revenues and expenses to cash used by operating activities:					
Operating loss	$ (106,017)	$ (669,513)	$ (279,088)	$ (341,540)	$ (1,396,158)
Adjustments to reconcile operating loss to net cash used by operating activities:					
Depreciation expense	—	221,043	87,125	32,404	340,572
Fringe benefits paid by the Commonwealth	—	—	59,768	70,747	130,515
Changes in assets and liabilities:					
Accounts receivable, prepaids and other assets	52,641	398	(678)	908	53,269
Accounts payable, accrued liabilities and benefits	12,437	22,090	(5,336)	702	29,893
Student deposits and other unearned and deferred revenues	—	9,991	1,375	1,027	12,393
Other noncurrent assets - restricted and liabilities	(23,832)	3,574	(2,353)	(2,008)	(24,619)
Net cash used by operating activities	**$ (64,771)**	**$ (412,417)**	**$ (139,187)**	**$ (237,760)**	**$ (854,135)**

Non-cash investing, capital and financing activities:

The University System had approximately $41 million of non-cash activities, and the State Universities and Community Colleges had approximately $247 million and $93 million, respectively, of non-cash activities, including new capital leases.

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

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Fiduciary Fund Financial Statements

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Statement of Net Position

Fiduciary Funds

June 30, 2015

(Amounts in thousands)

	Post-Employment Benefits Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash and short-term investments	$ —	$ —	$ 666	$ 597,435
Assets held in trust for post-employment benefits:				
Cash and short-term investments	264,709	—	—	—
Net investment in PRIT at fair value	49,921,857	11,321,888	—	—
Assets held in trust for pool participants:				
Cash and short-term investments	—	2,386,707	—	—
Investments, restricted investments and annuity contracts	—	—	—	1,819,862
Receivables, net of allowance for uncollectibles:				
Taxes	—	—	—	2,012
Other receivables	100,146	—	—	127,838
Other assets	15,495	—	—	—
Total assets	**$ 50,302,207**	**$ 13,708,595**	**$ 666**	**$ 2,547,147**
LIABILITIES				
Accounts payable and other accrued liabilities	$ 55,541	$ —	$ —	$ 66,197
Due to cities and towns	—	—	—	42,183
Lottery prizes payable	—	—	—	1,243,000
Agency liabilities	—	—	—	1,195,767
Total liabilities	**55,541**	**—**	**—**	**$ 2,547,147**
NET POSITION				
Restricted for employees' post-employment benefits	50,246,666	—	—	
Restricted for external investment trust fund participants	—	13,708,595	—	
Restricted for private purposes	—	—	666	
Total net position	**$ 50,246,666**	**$ 13,708,595**	**$ 666**	

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

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Statement of Changes in Net Position

Fiduciary Funds

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	Post-Employment Benefits Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds
ADDITIONS			
Contribution:			
Employer contributions - Commonwealth	$ 1,081,247	$ —	$ —
Non-employer contributions - Commonwealth	1,044,043	—	—
Employer contributions - other employers	44,932	—	—
Employee contributions	1,219,434	—	—
Boston teachers' contribution from Commonwealth	109,485	—	—
Other additions	175,434	802,252	—
Proceeds from sale of units	—	17,882,621	—
Total contributions	**3,674,575**	**18,684,873**	**—**
Net investment gain/(loss):			
Investment gain/(loss)	1,929,815	447,230	—
Less: investment expense	(261,822)	(78,049)	—
Net investment gain/(loss)	**1,667,993**	**369,181**	**—**
Total additions	**5,342,568**	**19,054,054**	**—**
DEDUCTIONS			
Administration	39,596	—	153
Retirement benefits and refunds	4,981,877	768,507	—
Payments to State Boston Retirement System	109,485	—	—
Other deductions	39,554	—	—
Cost of units redeemed	—	18,243,698	—
Distribution to unit holders	—	4,798	—
Total deductions	**5,170,512**	**19,017,003**	**153**
Net increase/(decrease)	**172,056**	**37,051**	**(153)**
Net position - beginning	50,074,610	13,671,544	819
Net position - ending	**$ 50,246,666**	**$ 13,708,595**	**$ 666**

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

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Discretely Presented Component Unit Financial Statements

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Statement of Net Position

Component Units
June 30, 2015
(Amounts in thousands)

	Massachusetts Department of Transportation	Commonwealth Health Insurance Connector	Massachusetts Clean Water Trust	Nonmajor Component Units	Total
ASSETS AND DEFERRED OUTFLOWS					
Current assets:					
Cash and cash equivalents	$ 340,728	$ 40,085	$ 451,885	$ 166,247	$ 998,945
Short-term investments	—	—	46,526	245,256	291,782
Restricted cash and investments	1,367,931	5,612	—	178,058	1,551,601
Assets held in trust	—	—	1,690	146,376	148,066
Receivables, net of allowance for uncollectibles:					
Federal grants and reimbursement receivable	71,333	17,604	64,340	94	153,371
Loans	—	5,279	368,201	50,628	424,108
Other receivables	141,998	67,269	57,459	38,714	305,440
Due from primary government	581,499	28,586	—	79,384	689,469
Inventory	—	—	—	118	118
Other current assets	48,982	1,334	—	6,612	56,928
Total current assets	**2,552,471**	**165,769**	**990,101**	**911,487**	**4,619,828**
Noncurrent assets:					
Cash and cash equivalents - restricted	755,352	—	—	99,729	855,081
Long-term investments	—	—	1,002,359	705,968	1,708,327
Restricted investments and annuity contracts	—	—	—	165,392	165,392
Accounts receivables, net	15,285	—	—	8,632	23,917
Loans receivables, net	—	—	3,591,902	607,197	4,199,099
Non-depreciable capital assets	8,575,384	—	—	330,490	8,905,874
Depreciable capital assets, net	24,397,691	612	—	849,141	25,247,444
Other noncurrent assets	24,961	—	1,928	10,005	36,894
Total noncurrent assets	**33,768,673**	**612**	**4,596,189**	**2,776,554**	**41,142,028**
Deferred outflows of resources:					
Deferred change in fair value of interest rate swaps	235,538	—	5,642	—	241,180
Deferred loss on refunding	260,591	—	102,710	—	363,301
Deferred outflows related to pension	120,931	—	—	2,152	123,083
Total deferred outflows of resources	**617,060**	**—**	**108,352**	**2,152**	**727,564**
Total assets and deferred outflows	**36,938,204**	**166,381**	**5,694,642**	**3,690,193**	**46,489,420**
LIABILITIES AND DEFERRED INFLOWS					
Current liabilities:					
Accounts payable and other liabilities	968,568	45,841	1,939	139,935	1,156,283
Accrued payroll	—	591	—	1,355	1,946
Compensated absences	23,633	372	—	2,734	26,739
Accrued interest payable	159,007	—	61,186	1,589	221,782
Due to primary government	—	—	—	871	871
Unearned revenue	65,292	22,740	28,834	191,855	308,721
Capital leases	4,427	—	—	142	4,569
Bonds, notes payable and other obligations	435,536	60,126	226,465	17,646	739,773
Total current liabilities	**1,656,463**	**129,670**	**318,424**	**356,127**	**2,460,684**
Noncurrent liabilities:					
Compensated absences	20,017	—	—	1,581	21,598
Accrued interest payable	214,838	—	—	289	215,127
Due to primary government	—	—	—	9,508	9,508
Unearned revenue	—	—	—	38,722	38,722
Capital leases	61,246	—	—	—	61,246
Bonds, notes payable and other obligations	7,299,027	—	3,105,887	539,974	10,944,888
Net pension liability	1,323,837	—	—	24,824	1,348,661
Post-employment benefits obligations	845,127	3,705	—	7,724	856,556
Liability for derivative instruments	477,667	—	5,642	—	483,309
Other noncurrent liabilities	172,490	—	25,233	31,290	229,013
Total noncurrent liabilities	**10,414,249**	**3,705**	**3,136,762**	**653,912**	**14,208,628**
Deferred inflows of resources:					
Deferred gain on refundings	300	—	—	—	300
Deferred inflows related to pension	77,822	—	—	5,095	82,917
Total liabilities and deferred inflows	**12,148,834**	**133,375**	**3,455,186**	**1,015,134**	**16,752,529**
NET POSITION					
Net investment in capital assets	30,232,570	612	—	1,145,631	31,378,813
Restricted for:					
Clean energy trusts	—	—	—	225,677	225,677
Economic development financing	—	—	—	175,201	175,201
Other purposes	768,119	—	1,866,407	737,008	3,371,534
Unrestricted	(6,211,319)	32,394	373,049	391,542	(5,414,334)
Total net position	**$ 24,789,370**	**$ 33,006**	**$ 2,239,456**	**$ 2,675,059**	**$ 29,736,891**

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

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Statement of Revenues, Expenses and Changes in Net Position

Component Units

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	Massachusetts Department of Transportation	Commonwealth Health Insurance Connector	Massachusetts Clean Water Trust	Nonmajor Component Units	Total
Operating revenues:					
Charges for services	$ 1,419,950	$ 500,777	$ 7,465	$ 294,906	$ 2,223,098
Other	—	231	147,069	94,059	241,359
Total operating revenues	**1,419,950**	**501,008**	**154,534**	**388,965**	**2,464,457**
Operating expenses:					
Cost of services	3,542,502	489,059	143,016	332,715	4,507,292
Administration costs	889,965	86,894	5,923	120,876	1,103,658
Depreciation	1,047,087	132	—	59,966	1,107,185
Total operating expenses	**5,479,554**	**576,085**	**148,939**	**513,557**	**6,718,135**
Operating income/(loss)	**(4,059,604)**	**(75,077)**	**5,595**	**(124,592)**	**(4,253,678)**
Nonoperating revenues/(expenses):					
Operating grants	2,122,152	80,436	30,375	107,169	2,340,132
Interest income/(loss)	20,611	44	—	(15,904)	4,751
Other nonoperating revenue/(expense)	18,772	529	—	214,878	234,179
Nonoperating revenues/(expenses), net	**2,161,535**	**81,009**	**30,375**	**306,143**	**2,579,062**
Income/(loss) before contributions	**(1,898,069)**	**5,932**	**35,970**	**181,551**	**(1,674,616)**
Capital contributions	3,087,312	—	76,099	(54,708)	3,108,703
Change in net position/(deficits)	**1,189,243**	**5,932**	**112,069**	**126,843**	**1,434,087**
Net position - beginning, as restated	23,600,127	27,074	2,127,387	2,548,216	28,302,804
Net position - ending	**$ 24,789,370**	**$ 33,006**	**$ 2,239,456**	**$ 2,675,059**	**$ 29,736,891**

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION

The accompanying financial statements of the Commonwealth of Massachusetts (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.

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 (the primary government) and its component units. The Commonwealth has included 40 entities as component units in the reporting entity because of the significance of their operational and/or financial relationships with the Commonwealth. Additional information related to the 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 position and results of operations of the following legally separate entities are presented as part of the Commonwealth's operations:

The Massachusetts School Building Authority (MSBA) is charged with administering the Commonwealth's school construction and renovation program. The MSBA's sole revenues are from dedicated sales taxes from the Commonwealth, that starting in FY11, increased to 1% of applicable sales in the Commonwealth but with no annual floor or ceiling. The MSBA's bonded debt is secured by these sales tax revenues. Expenditures by the MSBA are made on behalf of the Commonwealth as a successor to a long-standing Commonwealth program of school construction. The MSBA's operations and results thereon are blended with the Commonwealth and as such are reported as a major governmental fund.

The Pension Reserves Investment Trust Fund (PRIT) is the investment portfolio for the pension assets of the Commonwealth and as such, is presented as a blended component unit. PRIT is managed by the Pension Reserves Investment Management (PRIM) Board. Certain portions of PRIT's net position totaling approximately $11.322 billion relate to holdings on behalf of cities and towns that participate in the Pool and are reported as an external investment trust within the fiduciary fund type.

The Massachusetts Municipal Depository Trust (MMDT) is an investment pool of the Commonwealth and its political subdivisions. The various local governments and other political subdivisions share of net position is approximately $2.387 billion at June 30, 2015, and is reported as an external investment trust within the fiduciary fund type.

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

The Massachusetts State Lottery Commission, a division of the Office of the State Treasurer and Receiver–General,

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operates the Commonwealth's lottery. The net position of the Commission and results thereon are presented as a major governmental fund.

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

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

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

Other Discretely Presented Component Units that are Separately Audited – Discrete component units are entities 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 former Massachusetts Turnpike Authority and has jurisdiction over the Massachusetts Bay Transportation Authority (MBTA) and the Regional Transit Authorities. MassDOT has attributes of a state department as well as an authority. It operates like a state department for purposes of state finance laws and is reported as part of the Commonwealth for compliance with federal and state tax law as well as the State Single Audit. In this unique relationship all road and bridge assets of the Commonwealth (including the former Turnpike Authority (MTA)) have been transferred to MassDOT, while the Commonwealth will continue to hold current and future debt for the construction repair, improvement and replacement of these assets.

The Massachusetts Clean Water Trust provides a combination of federal and Commonwealth funds for water and sewer projects around the Commonwealth as operator of the Commonwealth's State Revolving Fund.

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.

Related Organizations

The following are "related organizations" under GASB Statement No. 14, *The Financial Reporting Entity,* as amended by Statement No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14* and Statement No. 61*, The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*: Massachusetts Port Authority, Massachusetts Housing Finance Agency, MassVentures and Massachusetts Educational Finance Authority. The Commonwealth is responsible for appointing a voting majority of the members of each entity's board, but the Commonwealth's 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 from the various entities, or by contacting the Office of the Comptroller, Financial Reporting and Analysis, at (617) 973-2660 for component unit contact information.

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B. GOVERNMENT–WIDE AND FUND FINANCIAL STATEMENTS

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government–Wide Financial Statements

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

- **Net investment in capital assets** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

- **Restricted net position** results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation.

- **Unrestricted net position** consists of net position which does not meet the definition of the two preceding categories.

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

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

Fund Financial Statements

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

Separate financial statements are provided for governmental funds, proprietary funds 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

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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.

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

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

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.

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.

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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.

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 on pages 104 – 117.

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.

Fund Balances:

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

Nonspendable fund balances are those that cannot be spent because they are either: (a) not in spendable form; or (b) legally or contractually required to be maintained intact, such as balances in the form of inventories, permanent funds, and notes receivable. For the Commonwealth, the only nonspendable balances are notes receivable in the non-major 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 constitutional provisions or enabling legislation such that there is a legally enforceable requirement that those resources be used only for the specific purposes stipulated. Legal enforceability means that a government can be compelled by an external party—such as citizens, public interest groups, or the judiciary—to use resources created by enabling legislation only for the stipulated purposes.

Committed 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. The Massachusetts Legislature has the authority to assign or modify previously assigned fund balance. In distinction to restricted and committed balances, the authority for making an assignment is not required to be the government's highest level of decision-making authority, i.e., the Legislature and Governor, and

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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, in accordance with GASB No. 54, negative balances in other governmental funds are classified as unassigned.

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

Detail of FY15 ending fund balances is shown below.

Governmental Fund Balances at June 30, 2015

(amounts in thousands)

	Nonexpendable Purposes	Restricted Purposes	Committed Purposes	Assigned Purposes	Unassigned Purposes	Totals
General Fund						
General Government	$ —	$ —	$ —	$ —	$ 1,280,625	$ 1,280,625
Stabilization Fund	—	—	1,252,501	—	—	1,252,501
General Government	—	—	**1,252,501**	—	**1,280,625**	**2,743,473**
Lottery Funds						
Lottery Operations	—	—	2,122	—	—	2,122
Subtotals , Lottery Funds	—	—	**2,122**	—	—	**2,122**
Massachusetts School Building Authority (MSBA)						
Debt Service	—	1,143,444	—	—	—	1,143,444
Grants to Cities, Towns and Local School Districts	—	11,757	—	366,285	—	378,042
Subtotals , MSB A	—	**1,155,201**	—	**366,285**	—	**1,521,486**
Other Governmental Funds						
Restricted by Federal Grantors	—	35,228	—	—	—	35,228
Child Support -- Restricted by Federal Grantors	—	24,260	—	—	—	24,260
Environmental	—	—	20,904	—	—	20,904
Public Safety -- Enhanced 911 Services	—	—	92,180	—	—	92,180
Public Safety -- Other	—	—	3,602	—	—	3,602
Universal Health Care - Distressed Hospital Relief	—	—	101,725	—	—	101,725
Universal Health Care - Non-Institutional Long-Term Care	—	62,948	—	—	—	62,948
Universal Health Care - Other	—	—	35,594	—	—	35,594
Other Health Care	—	—	24,068	—	—	24,068
Workforce Training	—	—	38,244	—	—	38,244
General Government Capital Projects Fund	—	—	133,856	—	(402,565)	(268,709)
Highway Capital Projects Fund	—	—	—	—	(245,912)	(245,912)
General Government Debt Service	—	20,601	—	—	—	20,601
Transportation (GANS*/Commonwealth Transportation Fund)	—	100,361	54,546	—	—	154,907
Gaming	—	—	8,401	—	—	8,401
Expendable Trusts	—	391,544	193,300	—	—	584,844
Other	2,318	—	413,978	—	(71,043)	345,253
Subtotals , Other Governmental Funds	**2,318**	**634,942**	**1,120,398**	—	**(719,520)**	**1,038,138**
Totals	**$ 2,318**	**$ 1,790,143**	**$ 2,375,021**	**$ 576,632**	**$ 561,105**	**$ 5,305,219**

*Federal Grant Anticipation Notes

The Commonwealth does not have a formally adopted minimum fund balance policy. However, most governmental funds cannot end a fiscal year in deficit. Those funds that are authorized to end a fiscal year in deficit are discussed in note 8 to the basic financial statements, “Individual Fund Deficits” on page 104.

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Stabilization Fund Arrangements:

In accordance with Section 2H of Chapter 29 of the Massachusetts General Laws, the Commonwealth maintains a Stabilization ("Rainy Day") Fund. Per Chapter 29, balances in the Stabilization Fund can be expended only when non-routine budget shortfalls occur and upon appropriation by the Legislature and approval by the Governor. Chapter 29 requires that after calculating the Commonwealth's "consolidated net surplus" (the sum of the "undesignated" balances in certain specific state budgeted funds, equal to balances that are not restricted nor reappropriated for the following fiscal year) 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 (adjusted annually for economic growth) during a fiscal year to the Stabilization Fund. Starting in FY12, statute requires the Comptroller, after certification by the Commissioner of Revenue and the Attorney General, to transfer to the Stabilization Fund all revenue from individual settlements and judgments that exceed $10 million. For FY15, this statute was suspended by budgetary legislation enacted during the fiscal year and all settlements and judgments revenue was retained in the General Fund.

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

The Stabilization Fund ended FY15 with a balance of $1.252 billion. For the fiscal year ending June 30, 2015, the Stabilization Fund's balance increased by $4 million as a result of inflows, including $20 million from Gaming license fees to reimburse the Stabilization fund for start-up costs for the Massachusetts Gaming Commission, $124 million from budgeted funds as part of the FY15 close out and transfer of the consolidated net surplus and approximately $1 million in statutorily mandated deposits of withholding taxes on certain Lottery proceeds, offset by $140 million in withdrawals during the fiscal year. In accordance with GASB 54 requirements, balances in the Stabilization Fund are classified as committed.

Fiscal Year-End

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

Program Revenue

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

Operating and non-operating revenues and expenses

Revenues and expenses of 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, SHORT-TERM INVESTMENTS AND INVESTMENTS

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

The Office of the Treasurer and Receiver-General (Treasury) manages the Commonwealth's short-term external mixed investment pool, the Massachusetts Municipal Depository Trust (MMDT). MMDT is comprised of two portfolios, a Cash Portfolio and a Short Term Bond Portfolio. The Cash Portfolio is a money-market-like investment pool; its investments are carried at amortized cost, which approximates fair value. The Short Term Bond Portfolio investments are carried at fair value.

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

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', Teachers' Public Employee Retirement Systems (PERS) and the State Retiree's Benefit Trust (SRBT) are required to invest in the PRIT Fund and comprise approximately 39.2%, 41.2% and 1.1% respectively, of the net position of the PRIT Fund. For a complete copy of PRIT's separately issued financial statements, contact the PRIM Board at 84 State Street, Boston, MA 02109.

The Commonwealth's investments, including those of the PRIT Fund, are comprised of investments in domestic and international equities (marketable securities) and fixed income securities, as well as the following alternative investments: real estate, venture capital and private equity limited partnerships, hedge fund of funds and other alternative investments. Marketable securities are reported at fair value based upon quoted market prices. Investments in fixed income securities, including U.S. government agency obligations, are reported at fair value using independent pricing services. In determining the price, the services may reflect such factors as market prices, yields, maturities, and rating, supplemented by deal quotations. Alternative investments are reported at estimated fair values as determined by management with input from the PRIM Board and its investment managers. Alternative investment securities comprise approximately 34.8% of the total investments of the PRIT Fund.

The investments of the PRIT are held separately from those of other Commonwealth funds, with the exception of their investments in the MMDT. PRIT funds invested in the MMDT are accounted for separately. 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.

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 position.

"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 FY15 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 approximately $122 million, representing 50% of the amounts expected to be received during FY16 and is included as part of other non-major governmental fund activity.

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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 2.0% interest rate with principal to be paid in equal installments for varying terms. Currently, the longest repayment schedule has a final payment in FY43. This program is designed to assist school districts with unanticipated inflationary construction costs over the district's original amount budgeted for a project. The loans outstanding as of June 30, 2015 were $107.9 million, of which $6.7 million is due in FY16. During FY15, the MSBA collected $6.7 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.

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

Depreciation and useful lives

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

Type of Asset	**Estimated Useful Life (in years)**
Buildings	40
Infrastructure - roads, bridges and tunnels	40
Infrastructure - beaches, boardwalks, bikeways, etc	20
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

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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.

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 Position, except for the residual amounts due between governmental and business-type activities.

I. STATEWIDE COST ALLOCATION PLAN – FRINGE BENEFIT COST RECOVERY

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

J. SCHOOL CONSTRUCTION GRANTS, CONTRACT ASSISTANCE AND OTHER PAYABLES

Under the former school building assistance program (prior to the creation of the MSBA) the Commonwealth reimbursed 50% to 90% of approved eligible construction and borrowing costs for school construction and renovation to municipalities and regional school districts for 728 previously approved projects noted by MSBA as Prior Grant projects. The MSBA has assumed responsibility for these projects under its enabling statute. The liability for these projects, $802 million as of June 30, 2015, will be reduced over time through annual payments, savings from project audits made by the MSBA and savings from refundings of debt related to the project. In addition, the MSBA is retiring the liabilities and commitments related to 428 school projects that were maintained on a waiting list for funding under the former program (prior to the creation of the MSBA). The MSBA funds projects on the waiting list via a lump sum, annual payments, or through progress payments. Each funding method has different eligibility requirements and is determined in part by the method of finance used by the local district to fund the capital project. 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 on the waiting list that receive annual payments, because the local district had permanently financed both the local and Commonwealth share, have a liability that is recognized based on the final audit conducted by the MSBA, which liability will be reduced over time through annual payments and any savings from refundings of debt related to the project. 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. As of June 30, 2015, MSBA had an outstanding liability of $126 million, and $8.4 million of commitments outstanding, for the waiting list projects. New programs

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have been established by the MSBA under which communities submit monthly requests for reimbursement in order to receive grants. These New Program projects are funded via the progress payment method, and a liability is generally recognized once a grantee requests reimbursement from the MSBA. Outstanding grants for projects that have approved funding agreements with the MSBA, but for which eligible project costs have not been submitted, are considered commitments of the MSBA. As of June 30, 2015, MSBA had an outstanding liability of $152.7 million, and $1.0 billion of commitments outstanding, for the New Program projects. The Commonwealth dedicates a 1% statewide sales tax (drawn from the existing statewide 6.25% sales tax), excluding sales tax revenues on meals and from certain additional statutorily exempted revenues from sales, to the School Modernization and Reconstruction Trust Fund (the "SMART Fund"), in support of these grant programs and for all other operations of the MSBA, including debt service.

The Commonwealth recognizes contract assistance on an annual basis due to the Massachusetts Clean Water Trust (the Trust). This assistance is applied as a subsidy to repayments from the Trust loan borrowers. The expectation is that the assistance will be available for the life of the Trust 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 the Trust in an annuitized fashion to be used beyond year 20. If assistance is not provided by the Commonwealth, the Trust 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, the largest of which is Medicaid for $1.522 billion.

K. COMPENSATED ABSENCES

Compensated absences are recorded as a long-term liability in the statement of net position. For the governmental fund statements, accumulated vacation and sick leave are reported as expenditures and fund liabilities when incurred upon retirement, termination or death. Sick and vacation payments to terminated employees as of June 30, 2015 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, on page 94-95.

A portion of the Commonwealth's receipts from the sales tax (other than the tax on meals) is dedicated through non-budgeted special revenue funds to the Massachusetts Bay Transportation Authority (MBTA) and the Massachusetts School Building Authority (MSBA). The amount dedicated to the MBTA is the amount raised by a 1% sales tax (not including meals), subject to an inflation-adjusted floor. A comparable amount, though without the floor, is dedicated to the MSBA beginning in fiscal 2010, with lesser amounts dedicated to the MSBA from fiscal 2005 through fiscal 2009.

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Legislation approved by the Governor on October 31, 2014 increased the amount statutorily required to be credited to the MBTA by $160 million annually, starting in fiscal 2015. The $160 million increase in the dedicated sales tax revenue amount and the amount included in the inflation-adjusted floor was intended to replace the $160 million annual state appropriation the MBTA received from fiscal 2010 through fiscal 2014. In FY15, total dedicated sales tax revenue that was directed to the MBTA was approximately $971 million, $47 million more than would have been the case were the dedicated revenue equal to 1% of applicable sales. As a result, in FY15 the MBTA received from the Commonwealth sales tax revenues effectively equal to 1.05% 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 lesser of the annual increase in the Boston consumer price index or prior calendar year annual sales taxes, with a floor of 0% and a ceiling of 3.0%.

The MSBA also receives a pledge of sales tax that, starting in FY11, increased to 1.0% of applicable sales in the Commonwealth but with no annual floor or ceiling. In FY15, approximately $767 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, 2015, taxes within the Convention Center districts support approximately $619 million of outstanding principal and approximately $388 million of interest on debts related to these Convention Centers. Taxes collected in FY15 were approximately $124 million, while debt service on the bonds was approximately $56 million.

The Transportation Modernization Act of 2009, as amended, eliminated the pledges of sales tax revenue to MassDOT through the Commonwealth Transportation Fund (CTF). Under additional transportation finance reform effective July 1, 2013, motor vehicle sales tax collections were shifted from the general fund to the CTF while also eliminating the 0.385% pledge of regular and meals sales tax. During FY15, approximately $510 million in sales tax revenue was transferred to MassDOT. From the Commonwealth Transportation Fund, $123 million was dedicated to funding the operations of the MBTA while an additional $40 million was dedicated to funding the operations of the regional transit authorities. These amounts are transferred through the CTF.

M. LOTTERY REVENUE AND PRIZES

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

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

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Net position has been restricted as follows:

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

"Restricted for 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.

"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, 2015, the government-wide statement of net position reports the following as restricted net position (amounts in thousands):

	Governmental Activities	Business Type Activities	Government Wide Total
Restricted for:			
Unemployment benefits	$ —	$ 1,320,347	$ 1,320,347
Retirement of indebtedness	1,164,045	—	1,164,045
Restricted for other purposes including:			
Higher education endowment funds	—	18,920	18,920
Higher education academic support and programs	—	2,961	2,961
Higher education scholarships and fellowships:			
Nonexpendable	—	3,553	3,553
Expendable	—	6,442	6,442
Other nonexpendable purposes	—	3,536	3,536
Capital projects - expendable trusts	—	2,206	2,206
Other purposes	377,521	181,820	559,341
Total restricted net position	$ 1,541,566	$ 1,539,785	$ 3,081,351

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

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.

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.

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R. PENSIONS

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

S. SIGNIFICANT NEW ACCOUNTING PRONOUNCEMENTS

The Commonwealth has implemented the following GASB Statements during FY15:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* This statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan. GASB Statement No. 68 requires participating employers to record their proportionate share of the plan's net pension liability (or NPL) measured as the total pension liability, as of a determined measurement date, less the amount of the pension plan's fiduciary net position.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This statement requires employers in a cost-sharing plan implementing the requirements of GASB Statement No. 68 to account for its contributions to the plan after the measurement date as a deferral to the NPL. This statement is required to be implemented in conjunction with GASB Statement No. 68.

The following table details the restatements (amounts in thousands):

	Governmental Activities	Business-Type Activities	Discretely Presented Component Units
Net position/(deficit) as of June 30, 2014, as previously reported	$ (28,959,690)	$ 5,487,641	$ 29,450,395
Plus:			
Other Restatements	—	—	3,751
Less:			
Implementation of GASB Statement No. 68	(23,484,085)	(426,037)	(1,151,342)
Other Restatements	(8,015)	(418)	—
Net position/(deficit) as of July 1, 2014, as restated	$ (52,451,790)	$ 5,061,186	$ 28,302,804

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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".

	Governmental Activities	Business-Type Activities	Government Wide Total	Fiduciary Funds
Cash and cash equivalents	$ 1,717,533	$ 675,469	$ 2,393,002	$ 862,810
Short-term investments	1,489,100	357,844	1,846,944	—
Cash with fiscal agent	197,836	—	197,836	—
Total	$ 3,404,469	$ 1,033,313	$ 4,437,782	$ 862,810

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. As of June 30, 2015, the amortized cost of annuities is approximately $116 million. At June 30, 2015, the Commonwealth held these investments with a maturity value of approximately $1.017 billion and with a carrying value of approximately $1.127 billion. Approximately 89.8% of these amounts are held in United States Treasury strips at a custodial bank. No insurance company has an amount of annuities over 4.7% 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, 2015, the MSBA held the following deposits and investments which are a component of Governmental Activities above (amounts in thousands):

Cash and cash equivalents	$ 81,043
Cash and cash equivalents held in pooled cash	70,350
Restricted investments	1,155,201
Total	$ 1,306,594

Custodial Credit Risk – Pooled Cash

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

The Commonwealth requires all bank deposits in excess of insurance coverage by the Federal Deposit Insurance Corporation (FDIC) to be collateralized with a perfected pledge of eligible collateral or a letter of credit. For programs

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created by the Treasury, such as the Small Business Banking Program, eligible collateral must be pledged in an amount equal to 102% of the amount of the deposits that exceed FDIC insurance. Sufficient collateral to cover total Commonwealth deposits in excess of the FDIC insured amount must be pledged and held in safekeeping by a custodian that is approved by and under the control of the Treasurer and Receiver General.

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

Custodial Credit Risk – Higher Education

The Institutions of Higher Education have investment policies that may vary by institution for custodial credit risk. Each institution carries deposits that are fully insured by the FDIC, as well as uninsured deposits. As of June 30, 2015, the bank balances of uninsured deposits totaled approximately $519 million.

Custodial Credit Risk – MSBA

The MSBA does not have a formal investment policy for custodial credit risk. The MSBA carries deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC) insurance, as well as deposits that are fully collateralized. As of June 30, 2015, all MSBA bank balances were fully protected against loss.

Interest Rate Risk – MMDT

Interest rate risk is the extent that changes in interest rates of debt investments will adversely affect the fair value of an investment. These investments include certain short–term cash equivalents, various long-term items and restricted assets by maturity in years. The Treasury cash portfolio minimizes the risk of the 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 Treasury cash portfolio's assets are managed to maintain a dollar-weighted average life to maturity of 120 days or less.

The MMDT Cash Portfolio's dollar-weighted average maturity fluctuated from 57 days on July 1, 2014 to 50 days on June 30, 2015.

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

For the MMDT Short Term Bond Portfolio, the duration fluctuated from 2.18 to 2.40 years. At June 30, 2015, investments in the MMDT Short Term Bond Portfolio had a total net position of $599 million with investment maturities ranging from less than one year to more than ten years. At June 30, 2015, the Short Term Bond Portfolio's effective maturity schedule was as follows:

Securities with an Effective Maturity of	Percentage of Total Net Position
Less than one year.....	14.60%
One to five years	78.40%
Six to ten years.....	5.00%
Greater than ten years	0.20%
Total*	98.20%

*The remaining 1.8% consists of cash equivalents and other assets.

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Interest Rate Risk – Higher Education

As of June 30, 2015, the Institutions of Higher Education had debt investments stated at fair value of approximately $300 million and had investment maturities ranging from less than one year to more than ten years, with approximately 21.5% of the investment's fair values maturing in less than 1 year, approximately 58.9% from one to five years, approximately 9.4% from six to ten years, and approximately 10.1% 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, 2015, the MSBA had approximately $200 million invested in a collateralized guaranteed investment contract and approximately $437 million invested in U.S. Treasury Bonds and Municipal Bonds. These investments are included in restricted investments on the balance sheet. The guaranteed investment contract matures on August 15, 2030 while the U. S. Treasury Bonds and Municipal Bonds mature from 2019 to 2043. These investments represent approximately 55% of the MSBA's total investments.

Interest Rate Risk – Agency Funds

The agency funds hold certain debt investments in trust as collateral for regulatory purposes. As of June 30, 3015, these investments had a fair value of approximately $577 million with investment maturities ranging from less than one year to more than ten years. Of the total fair value, approximately 24.5% has maturities of less than one year, 40.3% from one to five years, 18.4% from six to ten years and 16.8% greater than ten years.

Credit Risk – MMDT

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

The Treasury cash portfolio is invested only in First Tier and Second Tier Securities as defined by the Securities and Exchange Commission's Rule 2A-7 of the Investment Company Act of 1940. The Treasury does not have any additional policies regarding credit ratings of investments. At June 30, 2015, the Cash Portfolio's securities were rated as follows: First tier 97.0% and Second Tier 3.0%.

At June 30, 2015, the Short Term Bond Portfolio's follows:

Portfolio Composition	Percentage of Total Net Position
AAA	67.50%
AA	4.50%
A	13.30%
BBB	12.90%
Total*	98.20%

* The remaining 1.8% consists of cash equivalents and other assets.

Credit Risk – Higher Education

For the Institutions of Higher Education presented in the Business-Type Activities, fair values of debt investments were approximately $102 million at AAA, approximately $65 million from AA+ to A- and approximately $133 million either unrated, BBB+ or less.

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Credit Risk – MSBA

The MSBA's investment policy generally limits investments in fixed income products with institutions that have an investment grade rating as determined by one of the nationally recognized rating agencies. The MSBA's policy requires issuers of investment contracts to be rated AA or above by at least two of the nationally recognized rating agencies or A with pledged collateral equal to 102% of the principal balance. As of June 30, 2015, the guaranteed investment contracts were not rated; however, the issuer was rated AA by Standard & Poor's and A2 by Moody's and the guaranteed investment contracts were collateralized.

As of June 30, 2015, the MSBA's investments in municipal bonds were rated AA+ or above.

Credit Risk – Agency Funds

The agency funds debt investments with a fair value of $577 million, of which approximately $126 million were in U.S Government securities. The remaining $451 million were unrated as of June 30, 2015.

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

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

The PRIM Board compares the effective duration of a manager's portfolio to 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 $16.123 billion at fair value with an effective weighted average duration range from 0.14 to 24.23 years at June 30, 2015.

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 A- at June 30, 2015.

Credit ratings associated with the Commonwealth's investment in the PRIT Fund ranged from AAA to A- investments with a fair value of approximately $2.890 billion, BBB+ to B- investments with a fair value of approximately $2.655 billion, $165 million rated CCC+ to D, $5.554 billion are unrated and the remaining $5.417 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

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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, 2015 were approximately $253 million in cash and investments, $12.773 billion in equities, $1.896 billion in fixed income investments, $1.298 billion in private equity investments and $172 million in timber investments. An additional $2.772 billion is invested in international investments denominated in U. S. dollars.

Concentration of Credit Risk – PRIT

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

MMDT and PRIT have no investments at fair value that exceed 5% of PRIT's net position held in trust for pool participants as of June 30, 2015.

A. DERIVATIVE INSTRUMENTS

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

Forward Currency Contracts

PRIT enters into forward currency contracts to hedge the exposure to changes in foreign currency exchange rates on foreign portfolio holdings. The 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 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, 2015, PRIT had open foreign exchange contracts with combined net unrealized losses of approximately $12 million with various delivery dates.

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

Futures Contracts

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

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

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

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

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PRIT held contracts outstanding at June 30, 2015 with various expirations from FY16 to FY17. 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, 2015 was approximately $2.814 billion with a fair value of $2.780 billion, yielding an unrealized net loss of approximately $34 million.

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

Swaps – PRIT

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

As of June 30, 2015, PRIT had contracts in effect with an aggregated notional amount of approximately $1.583 billion to various investment banks that had maturity dates from FY16 to FY46. The contracts have an aggregate fair value loss of approximately $4 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 AA- to BBB+ and various other banks with other ratings. Open swap contracts as of June 30, 2015 were as follows (amounts in thousands):

		Interest Rate Swaps		Credit Default Swaps		Inflation Swaps	
Counterparty	Credit Ratings	Gross Notional	Fair Value	Gross Notional	Fair Value	Gross Notional	Fair Value
Bank of America NA	A	$ 966	$ (2)	$ 33,385	$ (2,259)	$ —	$ —
Barclays Bank PLC	A-	47,978	160	31,513	(590)	54,860	(279)
CME Group Inc	AA-	212,920	636	—	—	—	—
Citibank NA	A	21,807	52	10,213	(339)	—	—
Deutsche Bank AG	BBB+	6,899	68	26,300	(153)	—	—
LCH. Clearnet Ltd	A+	386,810	1,541	—	—	—	—
UBS AG	BBB+	23,797	(361)	21,071	(3)	—	—
U.S. Bank National Association	AA-	500,000	303	—	—	—	—
All Others	Various	134,191	272	64,100	(2,333)	6,354	(320)
Totals		$ 1,335,368	$ 2,669	$ 186,582	$ (5,677)	$ 61,214	$ (599)

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.

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3. RECEIVABLES

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

Primary Government	Taxes Receivable	Federal Grants and Reimbursements	Loans	Other Receivables	Total
Governmental Activities:					
Gross receivables	$ 4,662,186	$ 2,313,577	$ 110,216	$ 1,705,111	$ 8,791,090
Less: allowance for uncollectibles	(1,114,532)	(129,562)	—	(1,225,564)	(2,469,658)
Receivables, net allowance for uncollectibles	3,547,654	2,184,015	110,216	479,547	6,321,432
Less: current portion	(3,084,006)	(2,135,280)	(8,998)	(435,790)	(5,664,074)
Noncurrent receivables	$ 463,648	$ 48,735	$ 101,218	$ 43,757	$ 657,358
Business-Type activities:					
Gross receivables	$ —	$ 102,887	$ 58,813	$ 949,675	$ 1,111,375
Less: allowance for uncollectibles	—	(2,185)	(1,905)	(352,063)	(356,153)
Receivables, net allowance for uncollectibles	—	100,702	56,908	597,612	755,222
Less: current portion	—	(100,702)	(47,616)	(549,703)	(698,021)
Noncurrent receivables	$ —	$ —	$ 9,292	$ 47,909	$ 57,201

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS BETWEEN FUNDS

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

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

	General	Lotteries	Other Governmental Funds	Total
Governmental funds:				
Transfers in:				
Debt service	$ —	$ —	$ 2,453,728	$ 2,453,728
Transfers in	1,645,790	—	1,147,031	2,792,821
Subtotal	1,645,790	—	3,600,759	5,246,549
Transfers out:				
Appropriations	(1,290,225)	—	(3,807)	(1,294,032)
Transfer of bond proceeds	—	—	(182,783)	(182,783)
Debt service	(985,603)	—	(1,468,125)	(2,453,728)
Transfers out	(438,078)	(1,086,469)	(1,220,633)	(2,745,180)
Subtotal	(2,713,906)	(1,086,469)	(2,875,348)	(6,675,723)
Total governmental funds	**(1,068,116)**	**(1,086,469)**	**725,411**	**(1,429,174)**

Proprietary funds:	University of Massachusetts	State Universities	Community Colleges	Total
Transfers in:				
Transfers in from the General Fund and other governmental funds	692,863	410,539	373,413	1,476,815
Transfers out:				
Transfers out to the General Fund	(28,939)	(9,734)	(8,968)	(47,641)
Total proprietary funds	**$ 663,924**	**$ 400,805**	**$ 364,445**	**1,429,174**
Net transfers in/(out) between funds				**$ —**

Due to/from component units on the Statement of Net Position reflects a timing difference for payments of approximately $52 million at year end.

Remaining receivables and payables between funds as of June 30, 2015 largely occur due to the timing of accruals and the funding of escrows. The University also reported unremitted benefits costs as of June 30, 2015. 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, 2015 (amounts in thousands):

Receivable Fund	Payable Fund	Amount
Governmental Funds:		
General	Nonmajor Governmental Funds	$ 83,559
Non-major Governmental Funds	Nonmajor Governmental Funds	94,421
Total Governmental Funds		$ 177,980

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5. CAPITAL ASSETS

Capital asset activities for the fiscal year ended June 30, 2015 were as follows (amounts in thousands):

Primary Government Governmental Activities	July 1, 2014 Beginning Balance	Increases	Decreases and Reclassifications	June 30, 2015 Ending Balance
Capital assets not being depreciated:				
Land	$ 842,713	$ 20,080	$ (1,306)	$ 861,487
Construction in process	866,236	271,755	(177,239)	960,752
Total capital assets not being depreciated	1,708,949	291,835	(178,545)	1,822,239
Capital assets being depreciated:				
Buildings	5,451,499	99,135	(126,767)	5,423,867
Machinery and equipment	1,103,393	138,023	(55,782)	1,185,634
Infrastructure non - central artery/tunnel project	365,254	40,240	—	405,494
Total capital assets being depreciated	6,920,146	277,398	(182,549)	7,014,995
Less, accumulated depreciation:				
Buildings	(2,967,882)	(147,243)	77,424	(3,037,701)
Machinery and equipment	(857,427)	(109,987)	10,701	(956,713)
Infrastructure non - central artery/tunnel project	(231,165)	(9,333)	—	(240,498)
Total accumulated depreciation	(4,056,474)	(266,563)	88,125	(4,234,912)
Total capital assets being depreciated, net	2,863,672	10,835	(94,424)	2,780,083
Governmental activity capital assets, net	4,572,621	302,670	(272,969)	4,602,322
Business - Type Activities				
Capital assets not being depreciated:				
Land	114,530	3,885	—	118,415
Construction in process	1,139,836	680,001	(1,060,712)	759,125
Historical treasures	1,162	34	—	1,196
Total capital assets not being depreciated	1,255,528	683,920	(1,060,712)	878,736
Capital assets being depreciated:				
Buildings	7,562,918	1,129,937	(18,675)	8,674,180
Machinery and equipment	1,025,440	76,414	(35,591)	1,066,263
Library collections, not including historical treasures	104,700	686	(11,305)	94,081
Total capital assets being depreciated	8,693,058	1,207,037	(65,571)	9,834,524
Less, accumulated depreciation:				
Buildings	(3,437,875)	(285,807)	30,226	(3,693,456)
Machinery and equipment	(297,205)	(54,285)	33,068	(318,422)
Library collections, not including historical treasures	(17,357)	(480)	1,176	(16,661)
Total accumulated depreciation	(3,752,437)	(340,572)	64,470	(4,028,539)
Total capital assets being depreciated, net	4,940,621	866,465	(1,101)	5,805,985
Business - type activity capital assets, net	6,196,149	1,550,385	(1,061,813)	6,684,721
Total Primary Government capital assets, net	**$ 10,768,770**	**$ 1,853,055**	**$ (1,334,782)**	**$ 11,287,043**

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

Function	Amount
General government	$ 52,500
Judiciary	33,195
Health and human services	72,384
Early elementary and secondary education	682
Public safety and homeland security	99,788
Housing and economic development	42
Labor and workforce development	7,972
Total depreciation, governmental activities	$ 266,563
University of Massachusetts	$ 221,043
State universities	87,125
Community colleges	32,404
Total depreciation, business-type activities	$ 340,572

6. SHORT-TERM FINANCING AND CREDIT AGREEMENTS

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

A. GENERAL FUND

The balance of revenue anticipation notes (RANs) and commercial paper outstanding may fluctuate during a fiscal year, but all short-term borrowing for cash flow purposes must be reduced to zero by June 30. In terms of short-term borrowing for cash flow purposes, the Commonwealth borrowed $1.2 billion by selling RANs in September, 2014. All of the $1.2 billion in RANs were retired in April, May and June 2015.

On August 1, 2014, the Commonwealth issued $200 million in tax-exempt commercial paper bond anticipation notes (BANs) in anticipation of the issuance of bonds. These notes were redeemed with a portion of the long-term tax-exempt General Obligation Bonds, Consolidated Loan of 2014, Series D-1 and D-2, dated August 5, 2014. The bonds mature annually starting in FY2039 through FY2044 and carry variable rates of interest based on the SIFMA rate.

On August 28, 2014, the Commonwealth issued $200 million in taxable commercial paper bond anticipation notes (BANs) in anticipation of the issuance of bonds. These notes were redeemed with a portion of the long-term taxable General Obligation Bonds, Consolidated Loan of 2014, Series G, dated October 29, 2014. The bonds mature annually starting in FY2016 through FY2020 and carry fixed interest rates ranging from 0.25% to 1.85%.

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

	Beginning Balance July 1, 2014	Issued/ Drawn	Redeemed/ Repaid	Ending Balance June 30, 2015
General Fund:				
Revenue anticipation notes	$ —	$ 1,200,000	$ (1,200,000)	$ —
Capital Projects Funds:				
Commercial paper - Bond anticipation notes	—	400,000	(400,000)	—
Total primary government	$ —	$ 1,600,000	$ (1,600,000)	$ —

B. CREDIT FACILITIES

During FY15, the Commonwealth maintained credit facilities to provide liquidity support for commercial paper notes totaling $200 million. The Commonwealth started FY15 with one credit facility to provide such liquidity support, in the amount of $200 million. The facilities expire in FY18. In addition, to credit facility for commercial paper, the Commonwealth maintained standby bond purchase agreements for Variable Rate (VR) Demand Bonds sold from FY97 through FY06. These VR bonds require external liquidity support because bond holders have the right to sell the bonds back to the Commonwealth at par at any time. As of June 30, 2015, these agreements totaled $703 million.

7. LONG-TERM OBLIGATIONS

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

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

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

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

Bond proceeds that are awaiting allocation are typically invested by the State Treasurer in the Commonwealth’s primary investment vehicle, the Massachusetts Municipal Depository Trust (MMDT), which is structured similarly to an SEC – registered money market fund (for more information please see the notes on the Commonwealth’s short-term

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

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

As of June 30, 2015, the Commonwealth had issued two types of long-term debt obligations: general obligation bonds and special obligation bonds. General obligation bonds, which account for the large majority of outstanding Commonwealth bonds, are backed by the full faith and credit of the Commonwealth. Special obligation bonds, however, are bonds secured by all or a portion of a specific revenue source that are pledged to bondholders and are not general obligations of the Commonwealth. For these types of securities, bondholders rely on pledged revenue only for repayment of principal and interest.

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

Type of Bond	Amount Outstanding
General obligation bonds, net proceeds	$ 21,571,968
Special obligation bonds (including GANs), net proceeds	3,218,941
Outstanding Commonwealth bonds, net proceeds	24,790,909
MSBA bonds, net proceeds	6,201,394
Total governmental activities, net proceeds	30,992,303
Less:	
Unamortized premiums on general obligation bonds	(770,012)
Unamortized premiums on special obligation bonds	(194,596)
Unamortized premiums on MSBA bonds	(486,984)
Total governmental activities, principal	$ 29,540,711

The general obligation (GO) bonds listed in the table above include outstanding tax-exempt bonds, taxable bonds including Build America Bonds, College Opportunity Bonds, and debt assumed from former counties. The special obligation (SO) bonds listed above include outstanding tax-exempt and taxable bonds (including Build America Bonds and Recovery Zone Economic Development Bonds) secured by indentures that legally define the specific revenues pledged to bondholders, as defined in the trust agreement. This includes outstanding bonds or notes secured by Federal Highway funds to be received by the Commonwealth, certain portions of the Commonwealth's motor fuel excise taxes and Registry of Motor Vehicle fees and dedicated taxes and fees levied in certain geographic areas of the state to support the Commonwealth's convention center facilities. As of June 30, 2015, there were four different special obligation bond programs with bonds outstanding. It should be noted that two of the four bond programs have closed liens, meaning that no additional new-money bonds will be issued under those specific special obligation bond indentures.

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The following is a table of GO bonds principal outstanding as of June 30, 2015, (amounts in thousands):

General Obligation Bonds	Principal Outstanding	Percent of Total GO
Fixed rate bonds	$ 17,083,376	82.1%
Variable rate bonds	3,718,580	17.9%
Total	$ 20,801,956	100.0%

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

Variable Rate GO Bonds	Principal Outstanding	Percent of Total GO
Direct purchase bonds	$ 441,115	2.1%
Variable rate demand bonds	703,495	3.4%
Auction rate securities	401,500	1.9%
CPI-index bonds	100,000	0.5%
LIBOR index bonds	845,795	4.1%
SIFMA index bonds	826,675	4.0%
Multi-Modal	400,000	1.9%
Total	$ 3,718,580	17.9%

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

	Principal Outstanding	Percent of Total GO
Hedged variable rate GO bonds	$ 2,699,320	72.6%
Unhedged variable rate GO bonds	1,019,260	27.4%
Total variable rate GO bonds	$ 3,718,580	100.0%

The following is a table of SO bond principal, by rate structure, outstanding as of June 30, 2015, (amounts in thousands):

Special Obligation Bonds	Principal Outstanding	Percent of Total SO
Fixed rate bonds	$ 2,841,265	93.9%
Variable rate bonds	183,080	6.1%
Total	$ 3,024,345	100.0%

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

Special Obligation Bonds	Amount Outstanding
Special obligation dedicated tax revenue bonds, net proceeds:	
Fixed rate convention center bonds	$ 535,714
CPI variable rate convention center bonds	86,590
Total convention center bonds, net proceeds	622,304
Special obligation revenue bonds, net proceeds:	
Fixed rate gas tax bonds	114,828
CPI variable rate gas tax bonds	96,490
Total gas tax bonds, net proceeds	211,318
Special obligation revenue bonds, net proceeds:	
Accelerated bridge program	1,573,152
Special obligation federal highway grant anticipation notes and accelerated bridge program	812,167
Total special obligation bonds, net proceeds	3,218,941
Less: unamortized premiums	(194,596)
Outstanding special obligation principal	$ 3,024,345

A. GENERAL OBLIGATION BONDS

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

In addition to GO bonds issued to fund the state's capital needs, certain bonds are approved by the Legislature to be issued for specific programs. These bonds, known as College Opportunity Bonds, are issued pursuant to statute directly to the Massachusetts Educational Financing Authority for its pre-paid tuition program called the "U.Plan". As of June 30, 2015, the Commonwealth had approximately $142 million in "U. Plan" bonds (at accreted value) outstanding. Pursuant to statute, all of the outstanding bonds are variable rate bonds. Interest on the bonds is based on the percentage change in the consumer price index plus 2.0% together with current interest at the rate of 0.5%.

In terms of bond structure, the large majority of GO bonds have been sold as fixed rate obligations. As of June 30, 2015, approximately 82.1% of the Commonwealth's outstanding GO debt is in the form of fixed-rate bonds. The remaining 17.9% of outstanding GO debt is in the form of variable rate bonds – bonds whose rate of interest fluctuate based on market or market index changes. The outstanding GO variable rate debt consists of several different variable rate structures. For example, most of the Commonwealth's outstanding variable rate debt is in the form of variable rate demand bonds or "VRDBs", which are long-term bonds whose interest rates re-set daily or weekly through an active remarketing process. Because these bonds provide bondholders with a "put" or tender feature enabling the bonds to be sold back to the Commonwealth at par at any time, they are supported by standby liquidity facilities provided by third-party commercial banks which require the applicable bank to purchase any bonds that are tendered by investors and not successfully remarketed. As of June 30, 2015, the Commonwealth had approximately $703 million in outstanding VRDBs. This accounts for approximately 3.4% of total GO debt and approximately 18.9% of total GO variable-rate debt. All of these bonds are uninsured. As of June 30, 2015, none of the Commonwealth's outstanding

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VRDBs have been subject to failed remarketing and "put" back to the Commonwealth; consequently, there have not been any draws on any of the outstanding bank liquidity facilities.

The Commonwealth has also issued GO 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 from a commercial bank. The Commonwealth's outstanding 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, however, and continuing through FY15, all of the Commonwealth's outstanding auction rate securities experienced auction failure on the days interest rates were to re-set, meaning there were insufficient bids from new investors to purchase the securities being offered for sale by existing bondholders. Upon auction failure, the interest rate paid to existing bondholders is the failure rate as specified in the bond documents. For the series of Commonwealth bonds whose auctions have experienced failed auctions (approximately $401.5 million in total outstanding debt obligations, including Commonwealth of Massachusetts GO Bonds, Series 2000D, 2000E, 2000F, and 2000G), the failure rate is based on a multiple of the 7-day non-financial commercial paper rate as published by the Federal Reserve, with a maximum failure rate of 12%. The failed auctions have resulted in actual interest costs to the Commonwealth that were consistently below budgeted debt service levels of 5%.

A portion of the Commonwealth's outstanding bonds have been directly purchased by banks (or "direct purchase bonds"). These variable rate, direct purchase bonds bear interest at an index rate and are payable on the first business day of each month until maturity. As of June 30, 2015, the Commonwealth had $441 million direct purchase bonds outstanding. This includes $200 million of the Commonwealth's Consolidated Loan of 2006 (Variable Rate Demand Bonds), Series B. Those bonds were tendered by the Commonwealth in FY2013, converted to direct purchase bonds from variable rate demand bonds, and purchased by JP Morgan Chase Bank and TD Bank, NA. The final portion of outstanding direct purchase bonds were purchased from the Commonwealth by Royal Bank of Canada in FY12 and were replaced by Bank of America in FY15. All of the bonds are subject to bondholder agreements.

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

Series	Par Outstanding	Final Maturity	Reset Mode/ Payment Frequency	Direct Purchase Bank	Direct Purchase Agreement Date	Direct Purchase Expiration Date
2001 Series B Refunding Bonds	$ 241,115	1/1/2021	1 Month LIBOR/ Monthly Pay	Bank of America Merrill	8/1/2014	8/1/2017
2006 Series B, Subseries B-1	100,000	3/1/2026	1 Month LIBOR/ Monthly Pay	JP Morgan Chase Bank	5/17/2013	5/31/2016
2006 Series B, Subseries B-2	100,000	3/1/2026	1 Month LIBOR/ Monthly Pay	TD Bank	5/17/2013	5/31/2016
Total	$ 441,115					

The remaining outstanding GO variable-rate debt pays interest to bondholders based on certain indices. For example, as of June 30, 2015, the Commonwealth had approximately $100 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 $827 million of bonds that pay interest based on the Securities Industry and Financial Markets Association (SIFMA) Index. These bonds make up approximately 0.5%, 4.1% and 4.0% of total outstanding general obligation indebtedness, respectively.

To fund the FY15 capital budget and prior capital spending, the Commonwealth borrowed by issuing $2.919 billion in long-term bonds, $2.472 billion of which was general obligation debt, and $447 million of which was special obligation debt secured by federal highway reimbursements and/or motor fuels taxes and motor vehicle license and registration fees. In addition, $632 million in refunding bonds were issued in two separate transactions; one current refunding transaction executed for programmatic reasons and one advanced refunding transactions executed for savings.

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The present value savings of these refunding transactions are immaterial to these financial statements.

MSBA Debt

As of June 30, 2015, the MSBA had outstanding approximately $5.714 billion of Dedicated Sales Tax bonds, including approximately $487 million of unamortized premiums for the purpose of funding school construction and renovation projects. Coupons on the bonds range from approximately 3.0% to 5.715% and each series is payable semiannually with the latest maturity occurring in FY45. A portion of the interest on the Dedicated Sales Tax Bonds is reimbursed by the federal government. Of the $5.714 billion of debt outstanding as of June 30, 2015, $450 million is taxable Build America Bonds for which the MSBA is eligible to receive a 35% interest subsidy directly from the United States Treasury. In addition, $293 million of the Subordinated Dedicated Sales Tax Bonds was issued as "Qualified School Construction Bonds" for which the MSBA is eligible to receive a 100% interest subsidy payment directly from the United States Treasury. During FY15, the federal government continued automatic budget cuts imposed through sequestration required pursuant to the Budget Control Act of 2011. On September 30, 2013, the IRS published a notice indicating that subsidy payments processed on or after October 1, 2013 and on or before September 30, 2014 will be reduced by the FY14 sequestration rate of 7.2%. The notice was updated in September 2014 to announce that subsidy payments processed on or after October 1, 2014 and on or before September 20, 2015 will be reduced by the FY15 sequestration rate of 7.3%. The notice states that the sequestration reduction rate will be applied unless and until a law is enacted that cancels or otherwise modifies the sequester. The reductions were approximately $1.7 million on the 2009 Series B Bonds, 2010 Series A Bonds and 2011 Series A Bonds in FY15. On August 5, 2015, the IRS announced that the sequestration rate for the federal fiscal year ending September, 2016 would be 6.8%.

B. SPECIAL OBLIGATION BONDS

Commonwealth Transportation Fund (CTF)

The largest amount of special obligation bonds outstanding (by par) are bonds secured by certain revenues of the Commonwealth Transportation Fund. In FY15, the Commonwealth issued approximately $100 million in special obligation bonds under the Accelerated Bridge Program (ABP). These bonds mature from FY16 to FY44 and are secured by a senior lien on 17 cents of the total 24 cents per gallon gasoline tax, the full 24 cents per gallon of special fuels taxes (comprised primarily of taxes on diesel fuel), the full 19.1% of the average price per gallon tax on liquefied natural gas and all Registry of Motor Vehicle fees deposited into the CTF. These bonds also have a subordinate lien on 6.86 cents of the 24 cent per gallon gasoline tax not included in the senior lien. As of June 30, 2015, approximately $1.495 billion in principal was outstanding on the ABP bonds and approximately $1.212 billion of interest (net of the federal subsidy) was expected to be paid through maturity.

Motor Fuels Tax Bonds

Other special obligation bonds for highway construction purposes are secured by a pledge of 6.86 cents of the 24 cent per gallon gasoline tax. As of June 30, 2015 bonds secured by these pledged funds totaled approximately $211 million of principal and approximately $41 million in interest. These bonds mature from FY16 to FY22 and were issued in various series. Principal and interest paid during FY15 amounted to approximately $39 million and $13 million, respectively.

Convention Center Fund

Chapter 152 of the Acts of 1997, as amended, authorized $694 million of special obligation bonds to be issued for the purpose of building a new convention center in Boston ($609 million), the Springfield Civic Center ($66 million) and the Worcester Convention Center ($19 million). The bonds are payable from monies credited to the Convention Center Fund created by that legislation, which include certain hotel tax receipts from hotels in Boston, Cambridge, Springfield and Worcester, a surcharge on car rentals in Boston, a parking surcharge at all three facilities, a surcharge on sightseeing tours and cruises in Boston and sales tax receipts from certain hotels and other retail establishments in Boston, Cambridge and Springfield. The 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

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June 30, 2015, taxes within the Convention Center districts support approximately $619 million of outstanding principal and approximately $388 million of interest on debts related to these Convention Centers. Taxes collected in FY15 were approximately $124 million, while debt service on the bonds was approximately $56 million.

C. FEDERAL GRANT ANTICIPATION NOTES

All federal highway reimbursements are dedicated to funding the principal portion only of federal grant anticipation notes (GANs) issued in fiscal 1998, 1999, 2001, 2011, 2014, and 2015 and refunding notes in fiscal 2003 and fiscal 2011. During FY15, the Commonwealth issued approximately $347 million in GANs for new-money needs under the Commonwealth's Accelerated Bridge Program. As of June 30, 2015, total principal remaining to be paid is approximately $700 million. Maturities are from FY16 through FY27. Debt service paid during FY15 was approximately $207 million.

The legislation authorizing such notes contains a statutory covenant that as long as any such GANs remain outstanding, the Commonwealth will deposit all federal highway reimbursements into the Grant Anticipation Note Trust Fund, to be released to the Commonwealth once all the debt service and reserve funding obligations of the trust agreement securing the GANs have been met. 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 that an additional 10 cents 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 2027. Under the trust agreement securing the notes, aggregate annual debt service on GANs 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. THE BUILD AMERICA BOND PROGRAM

As part of the federal America Recovery and Reinvestment Act (ARRA) in 2009, municipal issuers were authorized to issue taxable bonds to fund new capital expenditures and receive an interest rate subsidy from the U.S. Treasury. As part of the temporary Build America Bond (BABs) program issuers, including the Commonwealth, issued taxable bonds in calendar years 2009 and 2010 in return for a subsidy from the federal government equal to 35% to 45% of the interest costs on the bonds, depending on whether the proceeds are used for projects in economically distressed areas. Between the GO bond program and the special obligation bond programs, the Commonwealth issued a total of $2.791 billion in Build America Bonds and Recovery Zone Economic Development Bonds in six separate financings over the two year period of the temporary program. All of the bonds were issued as "direct pay to issuer", meaning that the interest rate subsidies would be paid to the Commonwealth from the U.S. Treasury and not pledged to bondholders. As of June 30, 2015, the expected interest rate subsidy to be received through final maturity of all of the bonds issued as part of this program totaled $811 million. The Commonwealth's repayment obligation to bondholders is based on the gross interest rate. From a budgetary perspective, the bonds' debt service is budgeted at the net-of-interest-rate subsidy rate. Given the interest rate subsidy from the U.S. Treasury and given market conditions at the time of the Commonwealth's BABs sales, this program resulted in borrowings whose net interest costs will be significantly lower than the interest on traditional tax-exempt bonds. The BABs program expired on December 31, 2010.

E. INTEREST RATE SWAP AGREEMENTS – OBJECTIVES AND RISKS

Over the last twenty years, the Commonwealth has periodically 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 $3.719 billion, approximately $2.699 billion were hedged via floating-to-fixed interest rate swap agreements. Of this amount, $2.534 billion are for G.O. bonds and the remainder on outstanding special obligation bonds.

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

Objective of the Interest Rate Swap Agreements

In connection with the issuance of variable rate GO refunding bonds in 1997, 1998, 2001, 2003, 2005, 2006, and 2007, the Commonwealth entered into interest rate swap hedge agreements with certain counterparties to hedge against the volatility of the interest rates on certain bonds whose interest costs were floating and not fixed. Additional swap agreements were entered into to hedge this same volatility on certain special obligation bonds, including the Commonwealth's Series 2005 Special Obligation Tax Revenue (Gas Tax) Bonds and the Series 2004 Special Obligation Dedicated Tax Revenue (Convention Center) Bonds. In addition, a floating-to-fixed rate swap agreement was novated or transferred to the Commonwealth from the Route 3 North Transportation Improvements Association (secured by Commonwealth Contract Assistance) in November 2008 after the lease revenue bonds associated with that swap experienced remarketing failure. The swap was assigned to a portion of the Commonwealth's previously unhedged variable rate bonds that were outstanding.

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 hedges, are less costly than fixed-rate bonds while hedging the risk of rising interest rates on those bonds to provide long-term budgetary and cash flow certainty. As of June 30, 2015, all of the Commonwealth's interest rate swaps were floating-to-fixed rate agreements and were deemed effective hedges pursuant to GASB Statement No. 53.

Terms of the Interest Rate Swap Agreements

The variable rate bonds and their related swap agreements have final maturities ranging from 2016 to 2037. The swaps' total notional value of approximately $2.697 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 3.616% to 5.250% 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. In some of the outstanding swap agreements, the Commonwealth receives an interest rate based on changes to Libor, the SIFMA index, or the CPI index. In other agreements, the floating payment received by the Commonwealth is precisely equal to the variable rate payment paid to bondholders based on an active remarketing of those bonds.

Credit Risk of the Interest Rate Swap Agreements

As of June 30, 2015, 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, including credit rating downgrades. The Commonwealth is not required to post collateral in any of its existing swap agreements.

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

				Terms		Fair value at June 30					
Associated Bond Issue	Notional Amounts Outstanding	Effective Date	Replacement Agreement Effective Date	Fixed Rate Paid (Range)	Variable Rate Received	2015	2014	Change in Fair Value	Final Terminiation Date	Counterparty	Counterparty Credit Rating Moody's/S&P/Fitch
General Obligation Bonds:											
Series 1997B (refunding)	$ 22,074	8/12/1997	8/12/1997	4.659%	Cost of Funds	$ (176)	$ (1,427)	$ 1,251	8/1/2015	Goldman Sachs Matsui Marine Derivative Products Co., LP	Aa2 /AAA/NA
Series 1997B (refunding)	14,716	8/12/1997	9/1/2010	4.659%	SIFMA	(116)	(938)	822	8/1/2015	Sumitomo Mitsui Banking Corp	Aa3/A+/A-
Series 1998A (refund) Consolidated Loan of 2006, Series A Central Artery Loan of 2000, Series A Central Artery Loan of 2000, Series B	80,700	9/17/1998	11/17/2008	4.174%	60% 1-Month LIBOR + 25 basis points	(1,637)	(2,155)	518	9/1/2016	Deutsche Bank AG	Aa3/AA-/AA-
Series 1998A	34,098	9/17/1998	9/3/2013	4.174%	Cost of Funds	(751)	(5,208)	4,457	9/1/2016	Wells Fargo Bank	A2/A/A+
Series 2000A	100,658	8/16/2007	8/16/2007	3.942%	SIFMA - 3 basis points	(5,430)	(8,713)	3,283	8/1/2018	Merrill Lynch Cap Svcs	Baa2/A-/A
Series 2000A	50,892	8/16/2007	8/16/2007	3.942%	SIFMA - 3 basis points	(2,735)	(4,224)	1,489	8/1/2018	JP Morgan formerly Bear Stearns	Aa3/A+/A+
Series 2001B & C	482,230	2/20/2001	2/20/2001	4.15%	Cost of Funds	(51,165)	(61,534)	10,369	1/1/2021	Morgan Stanley Capital Services	Baa2/A-/A
Series 2006B, Series 2000D	294,000	11/25/2008	4/2/2009	4.515%	67% 3-Month LIBOR	(81,690)	(80,716)	(974)	6/15/2033	Barclays Bank PLC	A2/A/A
Series 2006C (refunding)	100,000	1/1/2007	9/1/2013	3.73%-3.85%	CPI-based formula	(5,795)	(2,762)	(3,033)	11/1/2020	Wells Fargo Bank	Aa3/AA-/AA-
Series 2007A	400,000	5/30/2007	10/8/2008	4.42%	67% 3-Month LIBOR + 0.57%	(25,376)	(35,836)	10,460	5/1/2037	Barclays Bank PLC	A2/A/A
Series 2007A (refunding)	31,665	5/30/2007	10/8/2008	3.936%	67% 3-Month LIBOR + 0.46%	(3,786)	(64,950)	61,164	11/1/2020	Deutsche Bank AG	A2/A/A+
Series 2007A (refunding)	414,130	5/30/2007	10/8/2008	4.083%	67% 3-Month LIBOR + 0.55%	(62,871)	(4,212)	(58,659)	11/1/2025	Bank of NY Mellon	Aa2/AA-/AA-
Series 2012A, 2013A, 2014B, 2014D & 2014E (refunding)	508,915	3/15/2005	9/1/2013	3.616% - 4.004%	SIFMA	(79,637)	(73,991)	(5,646)	2/1/2028	Wells Fargo Bank	Aa3/AA-/AA-
Subtotal	2,534,078					(321,165)	(346,666)	25,501			
Special Obligation Dedicated Tax Revenue Bonds:											
Series 2004 (Convention Ctr)	22,198	6/29/2004	6/29/2004	4.45% - 5.25%	CPI-based formula	(1,145)	(932)	(213)	1/1/2018	Goldman Sachs Cap Markets	A2/A-/A
Series 2004 (Convention Ctr)	22,199	6/29/2004	6/29/2004	4.45% - 5.25%	CPI-based formula	(1,145)	(942)	(203)	1/1/2018	JP Morgan formerly Bear Stearns	A3/A/A+
Series 2004 (Convention Ctr)	22,198	6/29/2004	6/29/2004	4.45% - 5.25%	CPI-based formula	(1,147)	(940)	(207)	1/1/2018	JPMorgan Chase Bank	Aa3/A+/A+
Series 2005A (Gas Tax)	96,490	1/12/2005	1/12/2005	4.771% - 5.059%	CPI-based formula	(5,231)	(4,157)	(1,074)	6/1/2022	Merrill Lynch Cap Serv	Baa2/A-/A
Subtotal	163,085					(8,668)	(6,971)	(1,697)			
Total	$ 2,697,163					$(329,833)	$(353,637)	$ 23,804			

Fair value of the Interest Rate Swap Agreements

The aggregate fair value balance of interest rate swaps at June 30, 2015 is negative $330 million and is reflected on the statement of net position as a liability for derivative instruments which is offset by deferred outflows from derivative instruments. The fair values of the interest rate swaps are estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on

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the swaps. Because all of the interest rate swaps were deemed effective hedges, changes in fair value of the interest rate swaps during the fiscal year ended June 30, 2015 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 FY15, the Commonwealth would have been required to make a payment of this magnitude. Although the Commonwealth has the option of terminating its swap agreements at any time (and either make or receive any termination payment due), the Commonwealth's counterparties do not have such an option. Therefore, the Commonwealth would only have to make a payment of the amount estimated above if certain termination events occurred, as described herein. Based on the terms and provisions of the swap agreements and the Commonwealth's current bond ratings, an involuntary termination of the swap agreements due to an event of the Commonwealth is remote. In the case of a voluntary termination due to an event of a counterparty, the Commonwealth would likely seek to maintain the existing hedge by replacing that counterparty with another.

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

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

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 bonds being hedged by the $294 million notional hedge agreement with Barclays and the 2011A bonds being hedged by the $509 million notional swap with Wells Fargo Bank. 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 agreements are based on the International Swap Dealers Association (ISDA) Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The swap agreements include termination events additional to those in the standard ISDA master agreement based on credit ratings. The swap agreements are not otherwise subject to termination except at the Commonwealth's option. The swap agreements require that the Commonwealth's counterparties maintain certain ratings levels. If they fail to maintain such ratings, the Commonwealth would have the option to terminate the related swap agreement and receive or pay a termination payment depending on the interest rates at the time. Similarly, the Commonwealth is required to maintain certain credit ratings under the agreements, generally 'BBB-' or above, well above the current credit rating of 'AA+' (based on long-term ratings assigned by Standard & Poor's). If the Commonwealth's rating fell below the defined threshold levels, the Commonwealth's counterparties would have the option to terminate the related swap agreements or for certain agreements choose to make variable rate payments based on a market index (instead of the actual bond rate) which would subject the Commonwealth to basis risk, as previously described. If one or more of the swap agreements were terminated, then the related variable rate bonds would no longer be hedged and the Commonwealth would no longer be paying a synthetic fixed rate with respect to the bonds. In addition, if at the time of termination, the swap had a negative fair value, the Commonwealth would incur a loss and would be required to settle with the related counterparty or counterparties at the swaps' fair market values. However, to avoid a termination payment and to maintain the interest

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rate hedge, when the terminating event is an event of the counterparty, the Commonwealth would likely seek to replace counterparties to the swap agreement. Based on the terms and provisions of the swap agreements and the Commonwealth's current bond ratings, an involuntary termination of the swaps due to an event of the Commonwealth is remote.

F. OUTSTANDING SWAPPED DEBT

Security for Interest Rate Swap Agreements

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

Future bond interest payments are calculated using rates applicable to the scheduled payment nearest to June 30, 2015 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, 2015. The actual amount of variable rate interest paid to bondholders and net swap payments made to counterparties are affected by changes in variable interest rates, changes in inflation (CPI), as well as changes in the London Interbank Offered Rate (LIBOR) and the Securities Industry and Financial Markets Association (SIFMA) floating rate indices. Changes in the amounts paid to bondholders versus amounts paid to counterparties are largely offsetting.

Debt service requirements to maturity for variable-rate bonds hedged by interest rate swap agreements and projected future net settlement payments on interest rate swap agreements at June 30, 2015 are provided below (amounts in thousands):

Fiscal Year Ending June 30	Variable-Rate Bonds Principal	Variable-Rate Bonds Interest	Interest Rate Swaps, Net	Total
2016	$ 238,668	$ 8,461	$ 98,748	$ 345,877
2017	343,700	7,996	89,120	440,816
2018	114,840	7,748	78,789	201,377
2019	205,290	7,356	73,102	285,748
2020	262,505	6,724	64,867	334,096
2021-2025	947,005	23,983	203,762	1,174,750
2026-2030	332,545	9,876	76,616	419,037
2031-2035	195,640	4,654	27,001	227,295
2036-2040	56,970	426	2,119	59,515
Total	$ 2,697,163	$ 77,224	$ 714,124	$ 3,488,511

Business - Type Activities – Swapped Debt

The University System has various swaps. At June 30, 2015, the fair value liability of the universities' outstanding interest rate swaps was $71 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, 2015, the majority of interest rate swaps outstanding are held by MassDOT, which in aggregate have a negative fair value of approximately $478 million. For complete details, see separate MassDOT financial statements.

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

The amount of long-term debt authorized but unissued is measured in accordance with the statutory basis of accounting. Long-term debt principal outstanding and debt authorized and unissued at June 30, 2015 is as follows (amounts in thousands):

Purpose	Principal Outstanding	Fiscal Year Maturities	Authorized and Unissued
GANs	$ 699,855	2016-2027	$ —
Capital projects:			
General	10,362,550	2016-2045	13,487,768
Highway	11,012,197	2016-2045	15,567,735
Local aid	1,132,994	2016-2038	15,836
Other	618,705	2016-2034	—
Subtotal	23,126,446		29,071,339
Subtotal - governmental activities debt (exclusive of MSBA)	23,826,301		$ 29,071,339
MSBA debt	5,714,410		
Governmental activities debt	$ 29,540,711		

Interest rates on the Commonwealth's outstanding debt at the end of FY15 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, 2015 are as follows (amounts in thousands):

	Governmental Funds Debt - Primary Government	MSBA	Governmental Funds Bonded Debt	Authorized and Unissued
Balance July 1, 2014	$ 22,419,852	$ 5,632,470	28,052,322	$ 26,255,768
Plus: Increases in bonds authorized	—	—	—	5,912,469
General and special obligation bonds:				
Proceeds, as defined as principal, premium less discount	3,926,184	401,575	4,327,759	(3,096,898)
Less: Net premium	(375,027)	(25,070)	(400,097)	—
Less: Principal on refunded bonds	(658,465)	(178,010)	(836,475)	—
Less: Bonds retired	(1,486,243)	(116,555)	(1,602,798)	—
Outstanding principal June 30, 2015	$ 23,826,301	$ 5,714,410	$ 29,540,711	$ 29,071,339

Business - Type Activities – Colleges and University Debt

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

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At June 30, 2015, 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	Interest subsidies (1)	Principal	Interest
2016	$ 1,694,516	$ 1,017,391	$ 131,580	$ 277,626	$ (22,602)	$ 250,351	$ 197,067
2017	1,553,981	953,804	64,725	275,795	(22,567)	138,950	190,801
2018	1,328,729	893,101	137,530	270,849	(24,213)	145,053	183,272
2019	1,202,467	838,758	160,300	264,326	(24,213)	147,868	182,051
2020	1,251,389	784,254	152,030	256,113	(24,213)	153,667	176,029
2021 - 2025	5,757,278	3,081,872	830,355	1,161,055	(121,065)	751,014	728,415
2026- 2030	4,486,220	1,905,829	1,149,775	922,429	(85,862)	795,173	605,069
2031 - 2035	2,779,876	1,091,980	1,313,080	597,138	(37,910)	709,402	419,086
2036 - 2040	2,082,930	610,154	1,246,425	274,463	(13,822)	817,550	222,341
2041 - 2045	1,688,915	175,745	528,610	51,579	—	491,493	62,058
2046 - 2050	—	—	—	—	—	178,083	67,961
Total long - term debt	23,826,301	11,352,888	5,714,410	4,351,373	(376,467)	4,578,604	3,034,150
Less: current portion	(1,694,516)	(1,017,391)	(131,580)	(277,626)	22,602	(250,351)	(197,067)
Long - term debt	$ 22,131,785	$ 10,335,497	$ 5,582,830	$ 4,073,747	$ (353,865)	$ 4,328,253	$ 2,837,083

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

(1) FY16 and FY17 interest subsidies reflect announced sequestration reductions. There may be sequestration reductions in future years as well.

H. PRIOR DEFEASANCE

The Commonwealth defeased certain general and special obligation bonds by purchasing securities from the proceeds of advance refunding bonds or from surplus operating funds and placing them in irrevocable trusts to provide for all future debt service payments on the defeased bonds. The trust account assets and the liabilities for the defeased bonds are not included in the financial statements. As of June 30, 2015, approximately $2.313 billion of bonds outstanding from advance refunding activities is considered defeased.

Business - Type Activities

The University of Massachusetts (UMass) and the Massachusetts State College Building Authority (MSCBA) defeased various bonds by issuing refunding bonds and placing the proceeds in irrevocable trusts to provide for all future debt service payments on the defeased bonds. The trust assets and the liabilities of the defeased bonds are not included in the business type activity financial statements. As of June 30, 2015, approximately $11 million and $120 million of bonds outstanding from advanced refunding transactions are considered defeased for UMass and MSCBA, respectively.

I. STATUTORY DEBT LIMIT

The Massachusetts General Laws, as recently amended, establishes limits on the amount of direct debt outstanding. By statutorily limiting the Commonwealth's ability to issue direct debt, this limit provides a control on annual capital spending. The direct debt limit for FY15 was approximately $19.761 billion. Outstanding debt subject to the limit at June 30, 2015 was approximately $18.915 billion.

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For purposes of determining compliance with the limit, outstanding direct debt is defined by statute, as amended on June 10, 2013 (effective January 1, 2013), as principal outstanding. It excludes BANs and discount, 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):

	Principal Outstanding
Statutory debt June 30, 2015	$ 23,826,301
Less amounts excluded:	
Central artery project bonds	(1,197,127)
Accelerated bridge program	(2,195,004)
MBTA forward funding	(207)
SMART bonds	(689,446)
Convention center bonds	(618,705)
Special obligation gas bonds	(210,635)
Outstanding direct debt	$ 18,915,177

J. ADMINISTRATION DEBT LIMIT

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

In addition to keeping debt service at a maximum of 8% of budgeted revenues, the debt management policy limits future annual growth in the bond cap to not more than $125 million through fiscal 2015. This additional constraint is designed to ensure that projected growth in the bond cap will be held to stable and sustainable levels.

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

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

	Fiscal 2015
Bond cap as approved by the Governor	$ 2,125,000
Total annual debt service obligations	2,488,422
Budgeted fund revenues	38,971,862
Debt service as % of budgeted revenues	6.4%

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K. CHANGES IN LONG-TERM LIABILITIES

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

Changes in Long Term Liabilities - Governmental Activities:

Description	Beginning Balance*	Additions	Deletions	Ending Balance	Due Within One Year
Other long-term obligations:					
Compensated absences	$ 527,200	$ 577,316	$ (527,200)	$ 577,316	$ 371,870
Claims and judgments	35,703	—	(23,884)	11,819	11,819
Prizes payable	1,370,277	180,657	(307,934)	1,243,000	—
School construction grants payable	1,324,558	613,609	(857,148)	1,081,019	357,100
Post employment benefit obligations	4,832,000	1,410,000	(637,000)	5,605,000	—
Environmental remediation liability	217,346	—	(9,367)	207,979	10,932
Lottery instant grand prizes	30,574	918	—	31,492	—
Workers' compensation	273,432	57,954	(56,957)	274,429	39,243
Arbitrage rebate - MSBA	11,064	3,765	(1,226)	13,603	—
Group insurance claims	97,021	1,657,017	(1,646,089)	107,949	105,935
Cost of living adjustment	200,800	8,914	(23,214)	186,500	—
Net pension liability	25,502,264	1,999,214	(2,969,528)	24,531,950	—
Total other long-term obligations	34,422,239	6,509,364	(7,059,547)	33,872,056	896,899
Liability for derivative instruments	353,639	329,833	(353,639)	329,833	—
Bonded Debt:					
Bonds and notes payable - non MSBA	22,419,852	3,551,157	(2,144,708)	23,826,301	1,694,516
Unamortized bond and note premiums - non MSBA	678,597	375,027	(89,016)	964,608	48,822
MSBA Bonds and notes payable excluding premium	5,632,470	376,505	(294,565)	5,714,410	131,580
Unamortized bond and note premiums - MSBA	510,776	3,713	(27,505)	486,984	41,949
MSBA other liabilities	—	435,000	—	435,000	435,000
Other financing arrangements:					
Capital leases	55,878	30,809	(43,759)	42,928	7,876
Total bonded debt and other financing arrangements	29,297,573	4,772,211	(2,599,553)	31,470,231	2,359,743
Long-term liabilities, governmental activities	**$ 64,073,451**	**$ 11,611,408**	**$ (10,012,739)**	**$ 65,672,120**	**$ 3,256,642**

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	$ 205,361	$ 106,830	$ (99,191)	$ 213,000	$ 146,271
Environmental remediation liability	1,447	—	(1,436)	11	11
Net pension liability	426,037	69,291	(91,935)	403,393	—
Total other long-term obligations	206,808	176,121	(192,562)	616,404	146,282
Liability for derivative instruments	70,145	2,372	—	72,517	—
Bonded Debt:					
Bonds and notes payable, including MSCBA	4,243,731	865,327	(530,454)	4,578,604	250,351
Other financing arrangements:					
Capital leases	14,529	1,036	(5,670)	9,895	2,471
Total bonded debt and other financing arrangements	4,258,260	866,363	(536,124)	4,588,499	252,822
Long-term liabilities, business - type activities	**$ 4,535,213**	**$ 1,044,856**	**$ (728,686)**	**$ 5,277,420**	**$ 399,104**

*as restated and more fully described in footnote 1

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Governmental long-term liabilities, other than debt, are typically liquidated by using General Fund resources.

Discretely Presented Component Units – The change in bonds and notes outstanding at June 30, 2015, net of unamortized discounts and premiums, compensated absences and net pension liability are as follows (amounts in thousands):

Discretely Presented Component Units	Interest Rates	Maturities	July 1, 2014 Beginning Balance*	Increases	Decreases	June 30, 2015 Ending Balance	Due Within One Year	Long Term
Major component units:								
MassDOT	0.00 - 7.00%	2016 - 2041	$ 8,052,548	$ 60,000	$ (377,985)	$ 7,734,563	$ 435,536	$ 7,299,027
MCWT	1.00 - 6.375%	2016 - 2043	3,389,010	268,686	(325,344)	3,332,352	226,465	3,105,887
Nonmajor component units	1.00 - 6.50%	2016 - 2038	692,990	88,850	(224,220)	557,620	17,646	539,974
Total bonds and notes payable			12,134,548	417,536	(927,549)	11,624,535	679,647	10,944,888
Compensated absences, net			52,490	6,616	(10,769)	48,337	26,739	21,598
Net pension liability			1,331,560	291,155	(274,054)	1,348,661	—	1,348,661
Total long term liabilities			$ 13,518,598	$ 715,307	$ (1,212,372)	$ 13,021,533	$ 706,386	$ 12,315,147

*As restated and more fully described in footnote 1

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, 2015. 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
Other Special Revenue Funds:	
Government land bank fund	$ (35,033)
Community preservation trust fund	(3,815)
General capital projects fund	(402,565)
Highway capital projects fund	(245,912)
Other capital project funds:	
Federal highway construction program capital projects fund	(31,698)

9. RETIREMENT AND OTHER POST EMPLOYMENT BENEFITS

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

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A. PLAN DESCRIPTIONS

Plan administration

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

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

Benefits are recorded when due and payable.

The Massachusetts *Teachers' Retirement System* (MTRS) is a PERS that administers a cost-sharing multi-employer defined benefit plan 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 (except Boston), towns, regional school districts and Quincy College. The MTRS is administered by the Commonwealth and is part of the reporting entity and does not issue a stand-alone audited financial report.

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

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

Chapter 112 of the Acts of 2010, signed on May 22, 2010, changed the methodology for the Commonwealth funding of Boston teachers in the SBRS and created a special funding situation for the Commonwealth. 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. The net pension liability related to the SBRS-Teachers is included in the Commonwealth's net pension liability in this report.

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

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Plan membership. As of January 1, 2015, the date of the most recent valuation, plan membership consisted of the following:

	SERS	MTRS	SBRS-Teachers
Retirees and beneficiaries currently receiving benefits	57,774	62,312	4,488
Terminated employees entitled to benefits but not yet receiving them	4,340	—	—
Subtotal	62,114	62,312	4,488
Current members	88,508	90,070	6,145
Total	150,622	152,382	10,633

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

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

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

Member contributions for SERS, MTRS and SBRS-Teachers 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

B. INVESTMENTS

Investment Policy. Investment of assets in the SERS and MTRS are with the Pension Reserves Investment Trust (PRIT) Fund, which is managed by the Pension Reserves Investment Management (PRIM) Board. The Massachusetts legislature enacted Section 17 of Chapter 112 of the Acts of 2010 which requires the SBRS to invest all assets, current and future, related to SBRS-Teachers in the PRIT pooled fund. The PRIM Board seeks to maximize the total return on investments within acceptable levels of risk for a public pension fund. The PRIM Board recognizes that over the long term, asset allocation is the single greatest contributor of return and risk to the PRIT Fund. The investment policy

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statement adopted by the PRIM Board requires a comprehensive review of the PRIM Board's asset allocation plan and its underlying assumptions at reasonable intervals of not more than three to five years. In addition, the investment policy statement requires that the PRIM Board conduct an annual evaluation of the PRIT Fund's asset allocation. The PRIM Board's last comprehensive review of the PRIT Fund asset allocation was conducted during fiscal 2014. See note 1 (D) for a description of the fair value policies of PRIT's investments.

The following was the PRIT Fund asset allocation as of June 30, 2015 (SERS and MTRS) and December 31, 2014 (SBRS-Teachers):

	Target Allocation		
Asset Class	SERS	MTRS	SBRS-Teachers
Global Equity	40.0%	40.0%	40.0%
Core Fixed Income	13.0%	13.0%	13.0%
Private Equity	10.0%	10.0%	10.0%
Real Estate	10.0%	10.0%	10.0%
Value Added Fixed Income	10.0%	10.0%	10.0%
Hedge Funds	9.0%	9.0%	9.0%
Portfolio Completion Strategies	4.0%	4.0%	4.0%
Timber/Natural Resources	4.0%	4.0%	4.0%
Total	100.0%	100.0%	100.0%

The annual money-weighted return on pension plan investments calculated as the internal rate of return on pension plan investments net of pension plan expenses for fiscal 2015 was 3.4% for SERS, 3.4% for MTRS and for the year ended December 31, 2014, 5.7% for SBRS-Teachers. A money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

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

The components of the net pension liability for SERS and MTRS at June 30, 2015 are as follows (amounts in thousands):

	SERS	MTRS
Total pension liability	$ 34,492,414	$ 44,728,711
Plan fiduciary net position	(24,042,585)	(25,429,068)
Net pension liability	$ 10,449,829	$ 19,299,643
Fiduciary net position as a percentage of the total pension liability	69.7%	56.9%

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

Actuarial assumptions. The total pension liability, for both SERS and MTRS, was determined by an actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015, using the following actuarial assumptions:

1. The actuarial assumptions included (a) 7.75% investment rate of return, a decrease of 0.25% from the rate used in the January 1, 2014 actuarial valuation, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.

2. Salary increases are based on analyses of past experience but range from 3.5% to 9.0% depending on group

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and length of service.

3. Change in benefit terms:

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

4. Experience studies were performed as follows:

   a. SERS:
      - Dated February 27, 2014 and encompasses the period January 2006 to January 2012.

   b. MTRS:
      - Dated July 21, 2014 and encompasses the period January 2006 to January 2012.

5. Mortality rates were as follows:

   a. SERS:
      - Pre-retirement mortality reflects RP-2000 Employees table projected generationally with Scale BB and a base year 2009 (gender distinct).

      - Post-retirement mortality reflects RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year 2009 (gender distinct).

      - For disabled members, the mortality rate is assumed to be in accordance with the RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2015(gender distinct).

   b. MTRS:
      - Pre-retirement mortality reflects RP-2014 Employees table projected generationally wtih Scale BB and a base year of 2014 (gender distinct).

      - Post-retirement mortality reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year 2009 (gender distinct).

      - For disabled members, the mortality rate is assumed to be in accordance with RP-2014 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2014 set forward 4 years.

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

	Long-term Expected Real Rate of Return	
Asset Class	SERS	MTRS
Private Equity	8.5%	8.5%
Global Equity	6.9%	6.9%
Timberland/Natural Resources	6.6%	6.6%
Real Estate	6.5%	6.5%
Value Added Fixed Income	5.8%	5.8%
Hedge Funds	5.8%	5.8%
Portfolio Completion Strategies	5.5%	5.5%
Core Fixed Income	2.4%	2.4%

Discount rate. The discount rate used to measure the pension liability for SERS and MTRS was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the SERS and MTRS net positions were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for SERS and MTRS.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of SERS and MTRS, calculated using the discount rate of 7.75%, as well as what the SERS and MTRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate (amounts in thousands):

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
SERS net pension liability	$ 14,205,331	$ 10,449,829	$ 7,211,692
MTRS net pension liability	23,959,568	19,299,643	15,271,501

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

During fiscal 2015, the Commonwealth implemented GASB Statement No. 68, *Accounting and Reporting for Pensions*, which determines how employers and nonemployer contributing entities report their pension liabilities on their financial statements.

Contributions

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.

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Under the current schedule adopted in January 2014, the amortization payments are designed to eliminate the unfunded liability by FY36 according to the following schedule: annual appropriation increases of 10% per year until FY17 decreasing to 7% thereafter until FY36 (four years before the statutory deadline of FY40). The funding schedule as published follows an acceptable actuarial funding methodology to compute normal cost and the unfunded accrued actuarial liability.

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 is subject to legislative approval.

Contributions by the Commonwealth of $1.476 billion were made during to SERS and MTRS as of the measurement date. In addition, approximately $109 million representing the nonemployer contributions to SBRS-Teachers was made as of the measurement date.

Proportionate Share of Net Pension Liability

As of the respective measurement dates below, the total pension liability for SERS, MTRS and SBRS were $31.355 billion, $41.435 billion and $3.848 billion, respectively. The net pension liabilities for SERS and MTRS were determined by an actuarial valuation as of January 1, 2014 and rolled forward to June 30, 2014. The SBRS net pension liability was determined by an actuarial valuation as of January 1, 2014 and rolled forward to December 31, 2014. The SERS, MTRS and SBRS actuarial valuations were rolled forward to their respective measurement dates using generally accepted actuarial procedures.

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

System	Measurement Date	Proportionate Share	Net Pension Liability
State Employees' Retirement System	June 30, 2014	93.9%	$ 6,972,443
Massachusetts Teachers' Retirement System.....	June 30, 2014	100.0%	15,896,354
State Boston Retirement System - Teachers.....	December 31, 2014	53.7%	2,066,546
Total net pension liability.....			$ 24,935,343

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

System	Measurement Date	Proportionate Share	Net Pension Liability
State Employees' Retirement System	June 30, 2014	5.3%	$ 394,619

Deferred Outflows and Inflows of Resources

As of the measurement dates, the Commonwealth (primary government) recognized pension expense of approximately $1.793 billion and the discretely presented component units recognized approximately $30 million of pension expense. The following details the components of deferred outflows of resources and deferred inflows of resources related to pension expense (amounts in thousands):

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	Primary Government		Discretely Presented Component Units	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	$ 239,333	$ —	$ 4,436	$ —
Changes in proportion	—	—	5,238	—
Net difference between projected and actual earnings on pension investments	—	3,019,744	44,183	82,866
Differences between expected and actual experience	—	—	2,227	51
Changes in proportion	—	4,655	—	—
Payments made after the measurement date	1,626,367	—	66,999	—
Totals	$ 1,865,700	$ 3,024,399	$ 123,083	$ 82,917

The statements reflect changes in proportion due to internal allocations between the governmental and business type activities which are eliminated for footnote presentation.

The $1.626 billion and $67 million reported as deferred outflows of resources in the primary government and the discretely presented component units, respectively, are the contributions made subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the next fiscal year. Other amounts reported above as deferred outflows of resources and deferred inflows of resource related to pension will be recognized in pension expense as follows (amounts in thousands):

Fiscal Year Ending June 30	Primary Government	Discretely Presented Component Units
2016	$ (638,140)	$ (6,544)
2017	(638,141)	(7,115)
2018	(638,140)	(7,114)
2019	(638,141)	(7,115)
2020	(240,976)	1,064
Thereafter	8,472	(9)
Totals	$ (2,785,066)	$ (26,833)

The *SERS* and *MTRS* total pension liabilities were based on an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014, using the following actuarial assumptions:

1. The actuarial assumptions included (a) 8.0% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.

2. Salary increases are based on analyses of past experience but range from 3.5% to 9.0% depending on group and length of service.

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3. Mortality rates were as follows:

   SERS:
   - Pre-retirement - reflects RP-2000 Employees Table projected 20 years with Scale AA (gender distinct).
   - Post-retirement - reflects Healthy Annuitant table projected 15 years with Scale AA (gender distinct).
   - Disability - the morality rate is assumed to be in accordance with the RP-2000 Table projected 5 years with Scale AA (gender distinct) set forward 3 years for males.

   MTRS:
   - Pre-retirement - reflects RP-2000 Employees table adjusted for "white-collar" employment projected 20 years with Scale AA (gender distinct).
   - Post-retirement - reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 15 years with Scale AA (gender distinct).
   - Disability - reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 15 years with Scale AA (gender distinct).

The *SBRS-Teachers* total pension liability was based on an actuarial valuation as of January 1, 2014 rolled forward to December 31, 2014, using the following actuarial assumptions:

1. The actuarial assumptions included (a) 8.0% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
2. Salary increases range from 4.0% to 7.5% depending on length of service.
3. Mortality rates were as follows:
   - Healthy - reflects RP-2014 Employee and Healthy Annuitant Mortality Tables projected generationally using Scale BB2D from 2014.
   - Disabled - reflects RP-2014 Healthy Annuitant Mortality Table set forward four years projected generationally using Scale BB2D from 2014.

Investment Policy

Investment of assets in the SERS, MTRS and SBRS-Teachers are with the Pension Reserves Investment Trust (PRIT) Fund, which is managed by the Pension Reserves Investment Management (PRIM) Board. The PRIM Board seeks to maximize the total return on investments within acceptable levels of risk for a public pension fund. The PRIM Board recognizes that over the long term, asset allocation is the single greatest contributor of return and risk to the PRIT Fund. The investment policy statement adopted by the PRIM Board requires a comprehensive review of the PRIM Board's asset allocation plan and its underlying assumptions at reasonable intervals of not more than three to five years. In addition, the investment policy statement requires that the PRIM Board conduct an annual evaluation of the PRIT Fund's asset allocation. The PRIM Board's last comprehensive review of the PRIT Fund asset allocation was conducted during fiscal 2014. See note 1 (D) for a description of the fair value policies of PRIT's investments.

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The following was the PRIT Fund asset allocation as of the measurement date:

Asset Class	Target Allocation		
	SERS	MTRS	SBRS-Teachers
Global Equity	43.0%	43.0%	43.0%
Core Fixed Income	13.0%	13.0%	13.0%
Private Equity	10.0%	10.0%	10.0%
Real Estate	10.0%	10.0%	10.0%
Hedge Funds	10.0%	10.0%	10.0%
Value Added Fixed Income	10.0%	10.0%	10.0%
Timber/Natural Resources	4.0%	4.0%	4.0%
Total	100.0%	100.0%	100.0%

The annual money-weighted return on pension plan investments calculated as the internal rate of return on pension plan investments net of pension plan expenses as of the measurement date was 17.13% for SERS, 17.12% for MTRS and 5.72% for SBRS-Teachers. A money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate. The following presents the net pension liability of SERS, MTRS and SBRS-Teachers calculated using the discount rate of 8.0%, as well as what the SERS and MTRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate (amounts in thousands):

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
SERS net pension liability	$ 10,092,372	$ 6,972,443	$ 4,292,169
MTRS net pension liability	20,247,000	15,896,354	12,200,000
SBRS-Teachers net pension liability	2,463,868	2,066,546	1,734,198

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E. STATEMENTS OF NET POSITION AND CHANGES IN NET POSITION

The following table displays the Statement of Net Position and the Statement of Changes in Net Position for the SERS, the MTRS and the SRBT as of June 30, 2015, (amounts in thousands):

	Pension Trust Funds		OPEB Trust Fund	
	State Employees' PERS	Teachers' PERS	State Retiree Benefits	Total
ASSETS				
Cash and short-term investments	$ 55,281	$ 92,839	$ 116,589	$ 264,709
Net investment in PRIT at fair value	23,980,187	25,241,023	700,647	49,921,857
Other receivables	10,480	89,666	—	100,146
Other assets	20	15,475	—	15,495
Total assets	24,045,968	25,439,003	817,236	50,302,207
LIABILITIES				
Accounts payable	3,383	9,935	42,223	55,541
Net position available for post-employment benefits	**$ 24,042,585**	**$ 25,429,068**	**$ 775,013**	**$ 50,246,666**

	State Employees' PERS	Teachers' PERS	State Retiree Benefits	Total
ADDITIONS				
Contributions:				
Employer contributions - Commonwealth	$ 587,134	$ —	$ 494,113	$ 1,081,247
Non-employer contributions - Commonwealth	14,513	1,029,530	—	1,044,043
Employer and non-employer contributions - other	44,932	—	—	44,932
Employee contributions	549,493	669,941	—	1,219,434
Boston teachers' contributions from Commonwealth	—	109,485	—	109,485
Other additions	46,703	52,941	75,790	175,434
Total contributions	**1,242,775**	**1,861,897**	**569,903**	**3,674,575**
Net investment gain/(loss):				
Investment gain/(loss)	926,560	978,081	25,174	1,929,815
Less: investment expense	(125,674)	(132,578)	(3,570)	(261,822)
Net investment gain/(loss)	**800,886**	**845,503**	**21,604**	**1,667,993**
Total additions	**2,043,661**	**2,707,400**	**591,507**	**5,342,568**
DEDUCTIONS				
Administration	15,966	23,444	186	39,596
Retirement benefits and refunds	1,876,451	2,684,049	421,377	4,981,877
Payments to State Boston Retirement System	—	109,485	—	109,485
Other deductions	39,554	—	—	39,554
Total deductions	**1,931,971**	**2,816,978**	**421,563**	**5,170,512**
Net increase/(decrease)	**111,690**	**(109,578)**	**169,944**	**172,056**
Net position available for post-employment benefits at beginning of year	23,930,895	25,538,646	605,069	50,074,610
Net position available for post-employment benefits at end of year	**$ 24,042,585**	**$ 25,429,068**	**$ 775,013**	**$ 50,246,666**

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F. RESERVES

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

The balances of legally required reserves at June 30, 2015 were as follows (amounts in thousands):

	SERS	MTRS	Purpose
Annuity Savings Fund	$ 5,853,641	$ 6,431,101	Active members' contribution balance
Annuity Reserve Fund	1,597,583	2,497,337	Retired members' contribution account
Special Military Service Fund	43	221	Members' contribution account while on military leave
Pension Reserve Fund	16,591,318	16,500,409	Amounts appropriated to fund future retirement benefits
Total	$ 24,042,585	$ 25,429,068	

G. COMMONWEALTH POST EMPLOYMENT OBLIGATIONS OTHER THAN PENSIONS

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 (SRBT).

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 MassDOT (including former MTA employees) is included in the Commonwealth's liability. The former MTA had established an irrevocable trust to fund OPEB liabilities. On December 17, 2014, the Trustees voted to transfer the assets of the trust, approximately $75 million, to the State Retiree Benefits Trust Fund (SRBTF) for the exclusive benefit and use of the members of the MTA Retirement System and their beneficiaries pending acceptance by the SRBT Board. Since the final acceptance and transfer of the MTA assets occurred after January 1, 2015, no adjustment was made in the Commonwealth OPEB valuation for these assets.

The SRBT is set up solely to pay for OPEB benefits and the cost to administer those benefits. It can only be revoked when all such health care and other non-pension benefits, current and future, have been paid or defeased. GIC administers benefit payments, while the Trustees are responsible for investment decisions. The FY15 General Appropriation Act transferred approximately $420 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, 2015 and as of the valuation date (January 1, 2015), Commonwealth participants contributed 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 FY15 General Appropriation Act, all active employees pay an additional 5% of premium costs. Normal costs paid for OPEB to retirees during FY15 totaled approximately $637 million. There

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are approximately 152,187 participants eligible to receive benefits at June 30, 2015.

Effective beginning FY13, the Commonwealth by statute is required to allocate, to the SRBTF, a portion of revenue received under the Master Settlement Agreement with tobacco companies, increasing from 10% in FY13 to 100% by FY23. In FY15, 30% of tobacco settlement proceeds or approximately $74 million was allocated to the SRBTF.

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

The Commonwealth is not required to contribute the actuarially determined annual required contribution (ARC) under the provisions of GASB 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 FY15, the Commonwealth's annual OPEB contribution of approximately $637 million for retiree benefits was less than the ARC. The Commonwealth's annual OPEB cost, the percentage of annual OPEB cost contributed to the SRBT and the net OPEB obligation for the Commonwealth for FY15 are as follows from the valuation calculated as of January 1, 2015 (amounts in millions except percentages):

2015		SRBT
Annual required contribution (ARC)	$	1,361
Interest on net OPEB obligation		217
Adjustment to annual required contribution		(168)
Annual OPEB cost (AOC)		1,410
Less: Contributions made*		(637)
Increase in net OPEB obligation		773
Net OPEB obligation as reported at beginning of year		4,832
Net OPEB obligation - end of year	$	5,605
Percentage of annual OPEB cost contribution		45.2%
2014		
Annual OPEB cost	$	1,293
Percentage of annual OPEB cost contributed		47.0%
Net OPEB obligation - end of year	$	4,832
2013		
Annual OPEB cost	$	1,286
Percentage of annual OPEB cost contributed		45.5%
Net OPEB obligation - end of year	$	4,147

*Includes approximately $34 in Medicare Part D Retiree Drug Subsidy Payments and approximately $74 million in tobacco settlement revenues.

	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll *	UAAL as a % of Covered Payroll *
Actuarial Valuation as of January 1, 2015	$ 610,000	$ 16,502,800	$ 15,892,800	3.7%	$ 5,591,911	284.2%

* The covered payroll amount approximates the employer payroll

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,

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mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the SRBT 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 the GIC) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs on a premium basis between the Commonwealth and those non-Commonwealth governments that participate in the GIC to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5%, decreasing by 0.5% each year to an ultimate rate of 5.0% in 2018.

Administrative expenses are expected to rise 5.0% 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 Supplementary 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.

MSBA

The MSBA has a separate OPEB trust fund. The amount of assets and actuarial accrued liabilities related to MSBA's OPEB plan are not material to the Commonwealth (approximately $2.5 million) and are therefore, not included in these financial statements.

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 FY15, these additions are approximately $31 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.

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The Institutions of Higher Education lease real property and equipment under numerous operating lease agreements for varying terms. The following schedule summarizes future minimum payments under non-cancelable leases for governmental activities and for the Institutions of Higher Education – reported as a business-type activity, for the fiscal year ended June 30, 2015 (amounts in thousands):

	Governmental Activities					Business - Type Activities			
	Capital Leases					Capital Leases			
Fiscal Year Ended June 30	Principal	Interest	Operating Leases	MSBA Operating Leases	Governmental Activities Total	Principal	Interest	Operating Leases	Business - Type Activities Total
2016	$ 7,876	$ 3,296	$ 191,352	$ 895	$ 203,419	$ 2,471	$ 402	$ 238,905	$ 241,778
2017	7,591	3,178	132,907	1,043	144,719	2,066	320	80,697	83,083
2018	7,130	2,986	113,859	1,068	125,043	860	283	27,000	28,143
2019	3,525	1,476	95,225	1,092	101,318	608	232	25,564	26,404
2020	2,706	1,134	64,182	1,117	69,139	424	205	23,695	24,324
2021 - 2025	12,487	5,229	104,603	5,953	128,272	2,515	635	163,354	166,504
2026 - 2030	1,613	676	19,709	—	21,998	951	46	1,178	2,175
2031 - 2035	—	—	9,623	—	9,623	—	—	—	—
2035 - 2039	—	—	6,334	—	6,334	—	—	—	—
2040 - 2045	—	—	4,846	—	4,846	—	—	—	—
Total lease obligations	42,928	17,975	742,640	11,168	814,711	9,895	2,123	560,393	572,411
Less: current portion	(7,876)	(3,296)	(191,352)	(895)	(203,419)	(2,471)	(402)	(238,905)	(241,778)
Long - term lease obligations	$ 35,052	$ 14,679	$ 551,288	$ 10,273	$ 611,292	$ 7,424	$ 1,721	$ 321,488	$ 330,633

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

	Primary Government	
Asset type:	Governmental Activities	Business - Type Activities
Buildings	$ —	$ 12,297
Machinery and equipment	59,129	12,153
Total assets	59,129	24,450
Less: accumulated depreciation	(16,063)	(13,438)
Total	$ 43,066	$ 11,012

11. OTHER LONG-TERM LIABILITIES

A. WORKERS' COMPENSATION AND GROUP INSURANCE LIABILITIES

Workers' Compensation is managed as part of the course of the Commonwealth's general operations. No separate fund for workers' compensation is provided for in Massachusetts General Laws. 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.

Workers' compensation costs are recognized when claims are presented and paid. The Commonwealth's outstanding liability for such claims at June 30, 2015 is estimated to be $274 million of which approximately $39 million is expected to be paid during FY16.

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Changes in the Commonwealth's liability relating to workers' compensation claims in FY15 and FY14 were (amounts in thousands):

	FY15	FY14
Claim liability, beginnng of year	$ 273,432	$ 282,694
Increase in liability estimate	57,954	43,035
Payments and decreases in liability estimate	(56,957)	(52,297)
Claims liability, end of year	$ 274,429	$ 273,432

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 $154 million, net of the employees' reserve of $83 million. Changes in the Commonwealth's liability relating to Group Insurance claims in FY15 and FY14 were (amounts in thousands):

	FY15	FY14
Claim liability, beginnng of year	$ 97,021	$ 96,356
Increase in liability estimate	1,657,017	1,403,590
Payments and decreases in liability estimate	(1,646,089)	(1,402,925)
Claims liability, end of year	$ 107,949	$ 97,021

B. OTHER CLAIMS & JUDGMENTS

A number of lawsuits are pending or threatened against the Commonwealth, which arise from the ordinary course of operations. These include claims for property damage and personal injury, breaches of contract, condemnation proceedings and other alleged violations of law. The Commonwealth records a liability for those cases in which it is probable that a loss will be incurred and the amount of the potential judgment can be reasonably estimated or a settlement or judgment has been reached but not paid. A short term liability of approximately $12 million is recorded based on; 1) historical payments made and 2) actual claims settled and to be paid prior to June 30, 2016.

The following amounts were recognized for claims and judgments in FY15 and FY14 (amounts in thousands):

	FY15	FY14
Unpaid claims, beginning of year	$ 35,703	$ 12,831
Incurred claims	—	36,137
Claim payments and reductions	(23,884)	(13,265)
Unpaid claims end of year	$ 11,819	$ 35,703

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C. 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 continual monitoring of polluted sites. Since the monitoring for such sites is perpetual, undiscounted multi-year costs for such sites have not been estimated. Because of a lack of information about the type and extent of the remediation effort that could be required, no range of outlays for the overall remediation effort for such sites could be developed at this time.

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

During the fiscal year, the Commonwealth had the following activity related to GASB 49 (amounts in thousands):

	Governmental Activities	Business-Type Activities	Government-Wide Total
Environmental remediation liability, beginning of year	$ 217,346	$ 1,447	$ 218,793
Expected additional future outlays, changes in liability estimates	(140)	—	(140)
FY15 outlays for environmental remediation	(9,227)	(1,436)	(10,663)
Environmental remediation liability, end of year	$ 207,979	$ 11	$ 207,990

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

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damages and response actions may cost at least tens of millions of dollars. In 2013, the state and federal trustees reopened preliminary discussions per a Trustee Council resolution on a potential settlement framework.

Closed State Facilities. The Commonwealth has 17 facilities 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 all cleanup activity. Cost estimates are only performed during the sale process. At this time, the Commonwealth has no estimate of any potential asset that would be developed from these activities that would ready these sites for sale.

D. COST OF LIVING ADJUSTMENTS

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

Payments of approximately $23 million for COLAs granted to participants in retirement systems of cities, towns and counties were made during fiscal year 2015.

As of June 30, 2015, the Commonwealth's liability for COLA was approximately $187 million.

12. CONTINGENCIES/COMMITMENTS

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

Chapter 200A of the Massachusetts General Laws, the Commonwealth's Abandoned Property Law, requires deposit of certain unclaimed assets into a managed Fiduciary Fund. These unclaimed assets are to be remitted to the General Fund each June 30, where it is included as miscellaneous revenue. Amounts remitted during FY15 totaled approximately $81 million. A portion of accumulated claims since the law's enactment represent a contingency, because claims for refunds can be made by the owners of the property.

Drug Testing Laboratory disputes. On August 28, 2012, a chemist formerly employed at the Department of Public Health's drug testing laboratory in Boston admitted to several types of misconduct involving her handling of laboratory samples, which were used in criminal cases. The Governor was informed and ordered the immediate closure of the laboratory. The Governor established a central office to identify individuals who may have been affected by the chemist's alleged malfeasance, which the office has estimated as possibly tens of thousands of criminal drug cases. The Governor also announced that Inspector General Glenn Cunha is conducting an independent assessment of the laboratory's operations. In addition, the Attorney General's Office is conducting a criminal investigation. On December 17, 2012, the former chemist was indicted by a Statewide Grand Jury on 27 charges in connection with altering drug evidence during the testing process and obstructing justice. She was arraigned on December 20, 2012 in Suffolk Superior Court and plead guilty in 2013. There likely will be significant, but as yet undetermined, state costs required to investigate and respond to the chemist's alleged malfeasance. Supplemental appropriations totaling $30 million were approved during fiscal 2013 to create a fund to reimburse agencies and cities for costs associated with investigating and responding to misconduct at the state drug testing laboratory. In addition, there may be substantial costs to defend civil complaints alleging state liability in both state and federal court and for potential judgments. As the statute of limitations arguably does not expire until October 2015, and the number of specific cases affected by the chemist's misconduct has not been definitively determined, there is not sufficient information to fully estimate these additional state costs.

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A. PRIMARY GOVERNMENT

The Commonwealth continues to guarantee certain Massachusetts Bay Transportation Authority (MBTA) debt outstanding at June 30, 2015, totaling approximately $230 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, 2015, the University of Massachusetts Building Authority has approximately $2.924 billion, of outstanding debt, of which approximately $122 million is guaranteed by the Commonwealth. The Massachusetts State College Building Authority has approximately $1.370 billion of outstanding debt, of which approximately $11 million is guaranteed by the Commonwealth.

B. TOBACCO SETTLEMENT

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

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

In FY15, the Commonwealth received approximately $246 million or 66.4% of the estimated amounts shown in the MSA. During FY15, 30.0% of tobacco settlement payments, or approximately $74 million, was deposited in the State Retiree Benefits Trust (SRBT) to fund the Commonwealth's liability for retiree health care, with the remainder deposited in the General Fund. The portion of the annual tobacco settlement payments dedicated to the SRBT will increase by 10.0% per year until it reaches 100% in FY23. While the fiscal 2012 legislation required that 30% of fiscal 2015 tobacco settlement proceeds be transferred to SRBT, the fiscal 2015 budget, as approved by the Governor on July 15, 2014, included provisions that temporarily changed the funding source for this transfer for fiscal 2015. Those provisions direct that all tobacco settlement proceeds be deposited in the General Fund, but that unspent debt service appropriations be transferred to the SRBT, up to 30% of the value of fiscal 2015 tobacco settlement proceeds. In the event that unspent debt service appropriations are less than 30% of tobacco settlement proceeds, the provisions require that the difference between unspent debt service appropriations and 30% of tobacco settlement proceeds be transferred from tobacco settlement proceeds to the SRBT. Amounts received in FY15 continued to be less than had previously been projected as payments under the MSA, primarily because the payment amounts are related to national tobacco sales volumes, which have continued to decline since the settlement. The Commonwealth's allocable share of the base amounts payable under the MSA is approximately 4.04%. The Commonwealth's allocable share of the base amounts under the agreement through 2025 is $8.96 billion, which is subject to adjustments, reductions and offsets. However, in pending litigation, tobacco manufacturers are claiming that because of certain developments, they are entitled to reduce future payments under the MSA and, from FY06 to the present, certain manufacturers have withheld portions of the payments due to the states. The Commonwealth continues to pursue legal action to compel the payment of these additional funds and to obtain a legal determination that the Commonwealth is immune from any downward adjustment to its settlement payments.

In FY04, a Suffolk Superior Court jury rejected the claims of the Commonwealth's private tobacco attorneys that they should be paid a fee amounting to 25% of the Commonwealth's tobacco settlement money. The jury awarded the plaintiffs 10.5% of the amount the Commonwealth receives under the MSA through 2025, minus an offset for amounts received by the attorneys from the tobacco companies pursuant to an arbitration award. To date, however, the attorneys have received more than 10.5% of what the Commonwealth has received under the MSA. As of June 30, 2015, the Commonwealth owes nothing under the jury award. Whether the Commonwealth will in the future be required to pay any sum on private counsel's claim will depend on the actual payments received by the Commonwealth under the MSA through 2025, as well as on the amounts the attorneys receive through the arbitration payments.

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C. 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. MDFA, through its subsidiary MassDevelopment/Saltonstall Building Redevelopment Corporation (M/SBRC), issued debt to finance renovation of the Building and its surrounding area, a portion of which was leased back to the Commonwealth for office space and related parking and the remainder of which was developed as private office space, housing and retail use. The Commonwealth's lease obligation with respect to the Building was not a general obligation or a pledge of credit of the Commonwealth and its lease payments were subject to annual appropriation.

The ground lease on the Building was sold by M/SBRC on March 17, 2015 and the debt associated with the Building was retired. The Commonwealth lease payments with respect to that agreement were terminated at the time of the sale. In connection with the sale, MDFA transferred a portion of the sale proceeds to the Commonwealth in the amount of approximately $89 million. The proceeds of the sale are reflected in the audited financial statements of the MDFA.

D. OTHER CONSTRUCTION COMMITMENTS

At June 30, 2015, the Commonwealth had commitments of approximately $630 million related to ongoing construction projects.

E. CONTRACTUAL ASSISTANCE TO AUTHORITIES

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

General obligation contract assistance 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 MassDOT) in connection with the issuance of certain refunding bonds, subject to annual appropriation and without a pledge of the Commonwealth's credit. In addition, the Commonwealth has certain statutorily contemplated payment obligations with respect to which the Commonwealth's credit has not been pledged, as in the case of the Commonwealth's obligation to replenish the capital reserve funds securing certain debt obligations of the Massachusetts Housing Finance Agency and the Commonwealth's obligation to fund debt service, solely from monies otherwise appropriated for the affected institution, owed by certain community colleges and state universities on bonds issued by the Massachusetts Health and Educational Facilities Authority and the Massachusetts State College Building Authority.

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F. MSBA

The MSBA has estimated the amount of outstanding Waiting commitments and New Program commitments at June 30, 2015 to be $8.4 million and $1.0 billion, respectively.

G. SOCIAL IMPACT BONDS

In January 2014, the Commonwealth entered into a "pay for success contract" (Social Impact Bonds) with a nonprofit intermediary organization and a nonprofit social service agency to reduce the re recidivism rate of young men in the juvenile justice system or on probation. The Commonwealth is obligated to make success payments totaling $27 million through calendar year 2019 and the Commonwealth's obligation to make such payments is a general obligation for which the Commonwealth's full faith and credit are pledged. Payments are only made based upon successful achievement of specified outcomes based on defined performance targets contained in the contract. The Commonwealth entered into a second such contract in December 2014 to address chronic individual homelessness. The contract obligates the Commonwealth to make up to $6 million in success payments, in the aggregate, through fiscal 2021. The total amount of payments backed by the full faith and credit of the Commonwealth under such contracts may not exceed, in the aggregate, $50 million. As the amount required to be paid as of June 30, 2015 cannot be determined until performance targets have been achieved as determined by independent evaluators, no liability has been accrued in these financial statements for these contracts.

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

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

The following entities are presented in the basic financial statements (all having a June 30, 2015 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 Massachusetts Department of Transportation (MassDOT)
The Massachusetts Clean Water Trust
Commonwealth Health Insurance Connector Authority
*§The Massachusetts Municipal Depository Trust (MMDT)

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

Entities Audited by Other Auditors:

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*The University of Massachusetts System
*Community Colleges (in addition to the three Community Colleges audited by KPMG LLP, above):
Berkshire Community College
Bristol Community College
Bunker Hill 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

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

Massachusetts Convention Center Authority (MCCA)

Massachusetts Development Finance Agency (MassDevelopment)

§Massachusetts Technology Park Corporation (MTPC)

Massachusetts Clean Energy Center (CEC)

Massachusetts Housing Partnership (MHP)

Economic Development Entities (5 separate entities) including:
Massachusetts Growth Capital Corporation (MGCC)
Commonwealth Corporation
Community Economic Development Assistance Corporation (CEDAC)
§Massachusetts Life Sciences Center
Commonwealth Zoological Corporation (Zoo)

Higher Education Foundations (25 separate entities) including:
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

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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

Bridgewater State University Foundation:
The Bridgewater State University Foundation
The Bridgewater Alumni Association of Bridgewater State University

Fitchburg State University Foundation, Inc.
Framingham State University Foundation, Inc.
Massachusetts College of Art Foundation, Inc.
Massachusetts College of Liberal Arts Foundation, Inc.
The Massachusetts Maritime Academy Foundation, Inc.
Salem State University Foundation:
The Salem State University Foundation, Inc.
Salem State University Assistance Corporation

Westfield State University Foundation, Inc.
Worcester State Foundation

The University of Massachusetts System Foundation

14. SUBSEQUENT EVENTS

SUBSEQUENT BOND ISSUANCES

On July 1, 2015, the MSBA issued $315 million of additional Commercial Paper for school construction and renovation projects. The Commercial Paper matures at various dates ranging from 33 to 97 days and interest is payable at maturity. The interest rate on this issuance of commercial paper ranges from 0.06% to 0.12%.

On July 16, 2015, the Commonwealth issued approximately $702 million in General Obligation Refunding Bonds 2015 Series A. These bonds were issued to advance refund approximately $711 million of various General Obligation Bonds and to refund on a current basis approximately $9 million of General Obligation Consolidated Loan 2005, Series C bonds. The refunding bonds carry interest rates from 2.00% to 5.00% with final maturity on July 1, 2037. The refundings resulted in reduced debt service principal of approximately $73 million and a present value savings of approximately $55 million over the life of the bonds.

On July 16, 2015, the Commonwealth issued $250 million in General Obligation Bonds 2015 Series C. These bonds carry interest rates from 4.00% to 5.00% with the first payment due on July 1, 2018 and final maturity on July 1, 2045.

On August 1, 2015, the Commonwealth issued approximately $9 million in General Obligation Bonds, Consolidated Loan of 2015 (College Opportunity Bonds). These bonds carry an interest rate of 0.50% with the first principal payment due on August 1, 2020 and final maturity on August 1, 2035.

On July 16, 2015, the MSBA retired $300 million of Subordinated Dedicated Sales Tax Bond Anticipation Notes (2014 Series A BANS).

On September 29, 2015, the Commonwealth issued $1.2 billion in General Obligation Revenue Anticipation Notes (RANs) in three $400 million notes, 2015 Series A, 2015 Series B and 2015 Series C. The RANs carry interest rates of 2.00% and mature on April 27, 2016, May 25, 2015 and June 22,106, respectively.

On November 18, 2015, the Commonwealth issued $500 million in Commonwealth Transportation Fund Revenue Bonds (Rail Enhancement Program) 2015 Series A. These bonds carry interest rates from 3.00% to 5.00%. The Commonwealth will pay interest only starting on June 1, 2016 with the first principal payment on June 1, 2017, with

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final maturity on June 1, 2045.

On December 7, 2015, the Commonwealth issued $150 million in General Obligation Bonds, Consolidated Loan of 2015 Series D. These bonds carry interest rates from 3.00% to 5.00%. The Commonwealth will pay interest only starting on September 1, 2016 with the first principal payment on September 1, 2026, with final maturity on September 1, 2035.

On December 7, 2015, the Commonwealth issued $400 million in General Obligation Bonds, Consolidated Loan of 2015 Series E. These bonds carry interest rates from 3.25% to 4.00%. The Commonwealth will pay interest only starting on September 1, 2016 with the first principal payment on September 1, 2036, with final maturity on September 1, 2045.

On December 23, 2015, the Commonwealth issued $125 million in General Obligation SIFMA Series B refunding bonds through a direct purchase agreement with J.P. Morgan Chase to refund specific maturities of various General Obligation Refunding (SIFMA Index Bonds). These bonds carry interest rates of the SIFMA interest rate plus 48 basis points. The Commonwealth will pay interest only starting on January 4, 2016 with principal maturity on February 1, 2018.

On December 23, 2015, the Commonwealth issued $125 million in General Obligation SIFMA Series C refunding bonds through a direct purchase agreement with J.P. Morgan Chase to refund specific maturities of various General Obligation Refunding (SIFMA Index Bonds). These bonds carry interest rates of the SIFMA interest rate plus 55 basis points. The Commonwealth will pay interest only starting on January 4, 2016 with principal maturity on February 1, 2019.

All debt issues were sold as tax exempt.

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Required Supplementary Information Other Than Management Discussion and Analysis

(Unaudited)

Schedule of Revenue, Expenditures And Changes In Fund Balances – Statutory Basis – Budget and Actual – General Fund
Explanation of Differences Between Revenues, Expenditures and Other Financing Sources for the General Fund on a Budgetary Basis and GAAP Basis
Notes to Required Supplementary Information – Budgetary Reporting
Required Pension Schedules

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

General Fund

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	$ 21,717,500	$ 21,717,500	$ 21,854,902	$ 137,402
Assessments	414,208	414,208	403,138	(11,070)
Federal grants and reimbursements	9,551,184	9,551,184	9,388,840	(162,344)
Tobacco settlement revenue	253,628	253,628	245,839	(7,789)
Departmental	2,421,790	2,421,790	2,624,850	203,060
Miscellaneous	241,136	241,136	262,623	21,487
Total revenues	34,599,446	34,599,446	34,780,192	180,746
Other financing sources:				
Fringe benefit cost recovery	347,023	347,023	329,606	(17,417)
Lottery reimbursements	91,375	91,375	104,238	12,863
Lottery distributions	955,865	955,865	947,250	(8,615)
Operating transfers in	343,257	343,257	405,730	62,473
Stabilization transfer	150,650	150,650	144,806	(5,844)
Total other financing sources	1,888,170	1,888,170	1,931,630	43,460
Total revenues and other financing sources	36,487,616	36,487,616	36,711,822	224,206
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Legislature	83,258	83,287	60,465	22,822
Judiciary	845,235	849,435	839,454	9,981
Inspector General	4,608	4,608	4,521	87
Governor and Lieutenant Governor	10,380	10,380	6,368	4,012
Secretary of the Commonwealth	45,390	45,582	44,891	691
Treasurer and Receiver-General	1,293,288	230,190	203,312	26,878
Auditor of the Commonwealth	17,778	17,778	17,768	10
Attorney General	44,199	44,209	43,134	1,075
Ethics Commission	1,925	1,925	1,914	11
District Attorney	108,921	108,975	108,677	298
Office of Campaign & Political Finance	1,460	1,460	1,433	27
Sheriff's Departments	575,213	596,962	581,157	15,805
Disabled Persons Protection Commission	2,725	2,725	2,724	1
Board of Library Commissioners	25,323	25,323	25,301	22
Comptroller	8,837	14,109	13,568	541
Administration and finance	8,029,764	2,402,765	2,303,838	98,927
Energy and environmental affairs	215,109	216,978	209,625	7,353
Health and human services	18,959,393	5,526,321	5,398,933	127,388
Executive office of education	2,218,364	2,250,302	2,214,194	36,108
Center for Health Information and Analysis	34,524	34,524	26,405	8,119
Public safety and homeland security	1,059,928	1,132,130	1,091,441	40,689
Housing and economic development	496,400	525,840	497,516	28,324
Labor and workforce development	51,915	72,965	43,198	29,767
Direct local aid	—	5,421,728	5,420,412	1,316
Medicaid	—	13,709,008	13,655,213	53,795
Post employment benefits	—	2,213,361	2,213,361	—
Debt service:				
Principal retirement	555,927	566,467	555,122	11,345
Interest and fiscal charges	446,465	446,465	438,987	7,478
Total expenditures	35,136,329	36,555,802	36,022,932	532,870
Other financing uses:				
Operating transfers out	9,653	209,976	162,669	47,307
State Retiree Benefits transfer	—	—	42,584	(42,584)
Medical assistance transfer	639,500	639,500	70,975	568,525
Stabilization transfer	—	284,850	193,612	91,238
Delivery system transformation initiatives trust transfer	218,962	218,962	116,171	102,791
Other fund deficit support	—	—	42,896	(42,896)
Total other financing uses	868,115	1,353,288	628,907	724,381
Total expenditures and other financing uses	36,004,444	37,909,090	36,651,839	1,257,251
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	483,172	(1,421,474)	59,983	1,481,457
Fund balances (deficit) at beginning of year	1,402,793	1,402,793	1,402,793	—
Fund balances (deficits) at end of year	$ 1,885,965	$ (18,681)	$ 1,462,776	$ 1,481,457

See Independent Auditor's Report and notes to required supplementary information.

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

	General
REVENUES	
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	$ 34,780,192
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:	
Tax revenue	10,442
Federal reimbursements and other receivables	204,606
Reclassifications:	
Higher education revenue is reclassified for GAAP reporting	(49,427)
Inflows from component units and other miscellaneous financing sources	83,699
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	**$ 35,029,512**
OTHER FINANCING SOURCES	
Actual amounts (budgetary basis) "other financing sources" from the budgetary comparison schedule	$ 1,931,630
Adjustments:	
Consolidation of transfers between funds	(195,182)
Inflows from component units and other miscellaneous financing sources	(59,849)
Total other financing sources as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	**$ 1,676,599**
EXPENDITURES	
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedule	$ 36,022,932
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:	
Medicaid payments	373,300
Compensated absences and other accrued liabilities	18,925
Reclassifications:	
Capital lease additions are additions to expenditures for GAAP purposes on a fund perspective	30,809
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	(994,109)
Expenditures are reported in the Community First Trust Fund on a GAAP basis	(25,087)
Higher education expenditures are reclassified for GAAP reporting	(1,342,724)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	**$ 34,084,046**
OTHER FINANCING USES	
Actual amounts (budgetary basis) "other financing uses" from the budgetary comparison schedule	$ 628,907
Adjustments and Reclassifications:	
Consolidation of transfers between funds	(195,182)
Budgetary higher education amounts are reclassified to transfers under the modified accrual basis	1,286,072
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	994,109
Total other financing uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	**$ 2,713,906**

See Independent Auditor's Report and notes to required supplementary information.

UNAUDITED DRAFT

Note to Required Supplementary Information – Budgetary Reporting

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

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

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

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

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

The table below summarizes budgetary activity for FY15 (amounts in thousands):

UNAUDITED DRAFT

	Revenues	Expenditures
General Appropriation Act, Chapter 165 of the Acts of 2014:		
Direct appropriations	$ 36,493,300	$ 35,752,750
Estimated revenues, transfers, retained revenue appropriations, and appropriations carried forward from FY2014	—	1,243,492
Total original budget	36,493,300	36,996,242
Supplemental Acts of 2014:		
Chapter 188	—	15,710
Chapter 259	—	4,500
Chapter 287	—	79,360
Chapter 359	—	257,218
Supplemental Acts of 2015:		
Chapter 2	—	2,500
Chapter 10	—	404,447
Chapter 119	—	440,259
Total budgeted revenues and expenditures per Legislative action	—	1,203,994
Chapter 2 section 9C	—	(411,144)
Plus: Pension contributions and revenue authorized outside of General Appropriation Act, and other transfers of revenue and spending	2,155,122	2,201,106
Budgeted revenues and expenditures as reported	$ 38,648,422	$ 39,990,198

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.

UNAUDITED DRAFT

Schedule of Funding Progress and Contributions - Other Post Employment Benefits

(Amounts in thousands except for percentages)

State Retiree Benefits Trust 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
Actuarial Valuation as of January 1, 2015.....	$ 610,000	$ 16,502,800	$ 15,892,800	3.7%	$ 5,591,911	284.2%
Actuarial Valuation as of January 1, 2014.....	511,200	15,670,200	15,159,000	3.3%	5,344,510	283.6%
Actuarial Valuation as of January 1, 2013.....	406,700	15,784,100	15,377,400	2.6%	5,183,195	296.7%
Actuarial Valuation as of January 1, 2012.....	360,500	16,659,400	16,298,900	2.2%	4,922,388	331.1%
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%

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

Fiscal Year	Annual Required Contribution	Percentage Contributed
2015.....	$ 1,361,000	46.8%
2014.....	1,251,000	48.6%
2013.....	1,251,000	46.8%
2012.....	1,286,000	43.4%
2011.....	1,276,000	43.7%
2010.....	1,163,000	32.0%

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.

See Independent Auditor's Report

UNAUDITED DRAFT

Schedule of Changes in the State Employees' Retirement System (SERS) Net Pension Liability and Related Ratios

(Amounts in thousands, except for percentages)

	2015	2014
Total pension liability, July 1	$ 31,355,000	$ 29,988,000
Service cost	700,012	631,634
Interest	2,411,551	2,405,204
Change in benefit terms	230,302	—
Differences between expected and actual experience	275,000	—
Changes of assumptions	1,397,000	102,000
Benefit payments, including refunds of member contributions	(1,876,451)	(1,771,838)
Net change in total pension liability	3,137,414	1,367,000
Total pension liability, June 30 (a)	$ 34,492,414	$ 31,355,000
Plan fiduciary net position, July 1	$ 23,930,895	$ 21,084,958
Contributions:		
Employers - Commonwealth	587,134	538,911
Non-employer contributions - Commonwealth	14,513	22,165
Employer and non-employer contributions - other	44,932	27,148
Plan members	549,493	501,106
Other additions	46,703	38,637
Total contributions	1,242,775	1,127,967
Net investment income	800,886	3,562,856
Benefit payments, including refunds of plan member contributions	(1,876,451)	(1,771,838)
Administrative expense	(15,966)	(24,549)
Other changes	(39,554)	(48,499)
Net change in plan fiduciary net position	111,690	2,845,937
Plan fiduciary net position, June 30 (b)	$ 24,042,585	$ 23,930,895
Plan net pension liability/(asset) - June 30 (a) - (b)	$ 10,449,829	$ 7,424,105
Plan fiduciary net position as a percentage of the total pension liability	69.7%	76.3%
Covered employee payroll	$ 5,591,911	$ 5,344,510
Net pension liability/(asset) as a percentage of covered employee payroll	186.9%	138.9%

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available. Certain amounts for FY14 were reclassified to conform to current year presentation.

See Independent Auditor's Report

UNAUDITED DRAFT

NOTES TO THE SERS SCHEDULE

Changes in Benefit Terms:

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

Changes of assumptions:

Change in the investment rate of return

The State Employees' Retirement System (SERS) investment rate of return contained in the January 1, 2015 Actuarial Valuation reflected a rate 7.75%, a decrease of 0.25% from the prior valuation. This decrease was based on the most recent Pension Reserve Investment Management (PRIM) study available which was released in early 2014 and the general trend of this assumption both in Massachusetts and nationally.

Change in mortality

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

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

See Independent Auditor's Report

UNAUDITED DRAFT

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

(Amounts in thousands, except for percentages)

	2015	2014
Total pension liability, July 1	$ 41,435,000	$ 39,931,000
Service cost	768,032	720,712
Interest	3,166,728	3,227,025
Differences between expected and actual experience	153,000	—
Changes of assumptions	1,890,000	108,000
Benefit payments, including refunds of member contributions	(2,684,049)	(2,551,737)
Net change in total pension liability	3,293,711	1,504,000
Total pension liability, June 30 (a)	$ 44,728,711	$ 41,435,000
Plan fiduciary net position, July 1	$ 25,538,646	$ 22,697,302
Contributions:		
Non-employer	1,029,530	937,379
Plan members	669,941	653,328
Other additions	162,426	150,522
Total contributions	1,861,897	1,741,229
Net investment income	845,503	3,771,883
Benefit payments, including refunds of plan member contributions	(2,684,049)	(2,551,737)
Administrative expense	(23,444)	(20,499)
Other changes	(109,485)	(99,532)
Net change in plan fiduciary net position	(109,578)	2,841,344
Plan fiduciary net position, June 30 (b)	$ 25,429,068	$ 25,538,646
Plan net pension liability/(asset) - June 30 (a) - (b)	$ 19,299,643	$ 15,896,354
Plan fiduciary net position as a percentage of the total pension liability	56.9%	61.6%
Covered employee payroll	$ 6,204,274	$ 5,962,650
Net pension liability/(asset) as a percentage of covered employee payroll	311.1%	266.6%

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available. Certain amounts for FY14 were reclassified to conform to current year presentation.

See Independent Auditor's Report

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NOTES TO THE MTRS SCHEDULE

Changes of assumptions:

Change in the investment rate of return

The Massachusetts Teachers' Retirement System (MTRS) investment rate of return contained in the January 1, 2015 Actuarial Valuation reflected a rate 7.75%, a decrease of 0.25% from the prior valuation. This decrease was based on the most recent Pension Reserve Investment Management (PRIM) study available which was released in early 2014 and the general trend of this assumption both in Massachusetts and nationally.

Change in mortality

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

- Pre-retirement - was changed to RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct) from RP-2000 Employees table adjusted for "white-collar" employment projected 22 years with Scale AA.

- Post-retirement - was changed to RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct) from RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA.

- Disabled members - was changed to be assumed to be in accordance with RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 set forward 4 years from RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 7 years with Scale AA set forward 3 years for males .

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Schedule of Investment Returns

	2015	2014
Annual money-weighted rate of return, net of investment expense - SERS	3.40%	17.13%
Annual money-weighted rate of return, net of investment expense - MTRS.....	3.40%	17.12%

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditor's Report

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Schedule of Proportionate Share of the Net Pension Liability and Contributions

State Employees' Retirement System

Last 10 Years
(amounts in thousands)

Proportionate Share of the Net Pension Liability	2015 (measurement date June 30, 2014)
Proportion of the net pension liability	93.9%
Proportionate share of the net pension liability	$ 6,972,443
Plan net position as a percentage of the total pension liability	76.3%
Covered payroll	$ 4,975,346
Net pension liability as a percentage of covered payroll	140.1%

	Fiscal Year Ending June 30	
Contributions	2015	2014
Statutorily required contribution	$ 601,647	$ 561,075
Contributions in relation to the statutorily required contribution	601,647	561,075
Annual contribution deficiency/(excess)	$ —	$ —
Covered payroll	$ 5,133,767	$ 4,975,346
Contributions as a percentage of covered payroll	11.7%	11.3%

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

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditors' Report

UNAUDITED DRAFT

Schedule of Proportionate Share of the Net Pension Liability and Contributions

Massachusetts Teachers' Retirement System

Last 10 Years
(amounts in thousands)

Proportionate Share of the Net Pension Liability	2015 (measurement date June 30, 2014)
Proportion of the net pension liability	100.0%
Proportionate share of the net pension liability	$ 15,896,354
Plan net position as a percentage of the total pension liability	61.6%

	Fiscal Year Ending June 30	
Contributions	2015	2014
Statutorily required contribution	$ 1,029,530	$ 937,379
Contributions in relation to the statutorily required contribution	1,029,530	937,379
Annual contribution deficiency/(excess)	$ —	$ —

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

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditors' Report

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Schedule of Proportionate Share of the Net Pension Liability and Contributions

State Boston Retirement System - Teachers

Last 10 Years
(amounts in thousands)

Proportionate Share of the Net Pension Liability	2015 (measurement date December 31, 2014)
Proportion of the net pension liability	53.7%
Proportionate share of the net pension liability	$ 2,066,546
Plan net position as a percentage of the total pension liability	59.6%

	Fiscal Year Ending December 31	
Contributions	2014	2013
Statutorily required contribution	$ 109,485	$ 99,532
Contributions in relation to the statutorily required contribution	109,485	99,532
Annual contribution deficiency/(excess)	$ —	$ —

* - The State-Boston Retirement System (SBRS) is included in the City of Boston's CAFR. The Boston Teachers' portion of the SBRS total pension liability is reported in the Commonwealth's CAFR as a part of the total net pension liability.

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditors' Report

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SERS and MTRS:

In accordance with Chapter 32 of the Massachusetts General Laws (MGL), the Commonwealth's statutorily determined contributions to SERS and MTRS are based on a three-year funding schedule adopted by the legislature based upon the previous year's actuarial valuation. The most recent funding schedule was adopted in January 2014 (for fiscal years 2015 through 2017) based upon the January 1, 2013 actuarial valuation as prepared by the Public Employee Retirement Administration Commission (PERAC) using the following assumptions:

1. The annual required contribution for FY2015 was determined as part of the January 1, 2013 actuarial valuation using the entry age normal cost method.

2. The actuarial assumptions included (a) 8.00% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase per year.

3. Salary increases are based on analyses of past experience but range from 3.5% to 9.0% depending on group and length of service.

4. The assumptions do not include post-retirement benefit increases, which are taken into account when granted under amendments to General Laws.

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

6. Normal costs are amortized using level percentage of payroll, closed.

7. The remaining amortization period for the unfunded pension liability at January 1, 2013 was 28 years to FY40.

SBRS-Teachers:

The actuarially determined contributions were calculated as of December 31, 2013. The funding requirements are established for the employers' fiscal year ended June 30, 2015 and later years and are analyzed based on the preceding two years' experience. The following actuarial methods and assumptions were used to determine the required contribution rates:

Actuarial cost method.....	Entry age normal cost method
Amortization method.....	Prior year's contribution increased by 10% for fiscal 2015, 2016 and 2017, and 7% per year thereafter for Boston Teachers
Remaining amortization period ...	22 years remaining as of January 1, 2014 for Boston Teachers
Asset valuation method	Sum of actuarial value at beginning of year, contributions and investment earnings based on the actuarial interest assumption less benefit payments and operating expenses plus 20% of market value at end of year in excess of that sum, plus additional adjustment toward market value as necessary so that final actuarial value is within 20% of market value.
Inflation	4.5%
Salary increases	Varies by length of service with ultimate rate of 4.00% for Boston Teachers
Investment rate of return	8.00% for Boston Teachers

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Other Supplementary Information

Combining Balance Sheet – Other Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Other Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budgetary Basis – Budget and Actual – Other Budgeted Nonmajor Governmental Funds
Combining Budget to GAAP Reconciliation – Other Budgeted Nonmajor Governmental Funds
Combining Statement of Net Position Available for Pension Benefits
Combining Statement of Changes in Net Position Available for Pension Benefits
Combining Statement of Net Position Held in Trust for Pool Participants
Combining Statement of Changes in Net Position Held in Trust for Pool Participants
Combining Statement of Changes in Assets and Liabilities – Agency Funds
Combining Statement of Net Position – Nonmajor Component Units
Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Component Units

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Combining Balance Sheet

Other Governmental Funds

June 30, 2015

(Amounts in thousands)

	Special Revenue						
	Commonwealth Transportation	Federal Grants	Universal Health Care	Environmental	Community First Trust	Massachusetts Tourism	Gaming Control
ASSETS							
Cash and short-term investments	$ 428	$ —	$ 239,365	$ 20,947	$ 63,291	$ 4,724	$ 9,623
Cash with fiscal agent	13,903	—	—	—	—	—	—
Receivables, net of allowance for uncollectibles:							
Taxes	65,506	—	13,616	85	—	5,862	—
Due from federal government	—	291,033	—	2,009	—	—	—
Loans receivable	—	—	—	—	—	—	—
Other receivables	355	—	90,724	211	—	—	1,800
Due from other funds	—	—	—	—	—	—	—
Total assets	**$ 80,192**	**$ 291,033**	**$ 343,705**	**$ 23,252**	**$ 63,291**	**$ 10,586**	**$ 11,423**
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 428	$ 207,359	$ 12,280	$ 1,910	$ 333	$ 2,974	$ 2,754
Accrued payroll	—	12,195	388	438	10	69	268
Compensated absences	—	—	—	—	—	9	—
Tax refunds and abatements payable	—	—	—	—	—	—	—
Due to other funds	—	36,251	—	—	—	—	—
Due to component units	11,315	—	28,586	—	—	—	—
Other accrued liabilities	—	—	30,525	—	—	—	—
Total liabilities	**11,743**	**255,805**	**71,779**	**2,348**	**343**	**3,052**	**3,022**
Deferred inflows of resources	—	—	17,921	—	—	—	—
Total liabilities and deferred inflows of resources	**11,743**	**255,805**	**89,700**	**2,348**	**343**	**3,052**	**3,022**
Fund balances:							
Nonspendable	—	—	—	—	—	—	—
Restricted	13,903	35,228	—	—	62,948	—	—
Committed	54,546	—	254,005	20,904	—	7,534	8,401
Unassigned (deficits)	—	—	—	—	—	—	—
Fund balances (deficits)	**68,449**	**35,228**	**254,005**	**20,904**	**62,948**	**7,534**	**8,401**
Total liabilities and fund balances	**$ 80,192**	**$ 291,033**	**$ 343,705**	**$ 23,252**	**$ 63,291**	**$ 10,586**	**$ 11,423**

See Independent Auditor's Report

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Special Revenue							
Gaming Revenue	Gaming Licensing	MBTA State & Local Contribution	Community Preservation Trust	Health Insurance Portability and Accountability Act	Division of Professional Licensure	Enhanced 911	Health Information Technology Trust
$ —	$ —	$ 84,579	$ 22,554	$ 7,068	$ 2,792	$ 103,142	$ 5,984
—	—	—	—	—	—	—	—
—	—	58,759	—	—	—	—	—
—	—	—	—	1,198	—	—	4,524
—	—	—	—	—	—	—	—
—	—	—	10,000	—	—	—	—
—	—	—	—	—	—	—	—
$ —	**$ —**	**$ 143,338**	**$ 32,554**	**$ 8,266**	**$ 2,792**	**$ 103,142**	**$ 10,508**
$ —	$ —	$ 58,652	$ 36,346	$ 4,704	$ 65	$ 10,778	$ 4,092
—	—	—	23	11	312	184	218
—	—	—	—	—	—	—	—
—	—	294	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	84,392	—	—	—	—	—
—	—	—	—	—	—	—	—
—	**—**	**143,338**	**36,369**	**4,715**	**377**	**10,962**	**4,310**
—	—	—	—	—	—	—	—
—	**—**	**143,338**	**36,369**	**4,715**	**377**	**10,962**	**4,310**
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	3,551	2,415	92,180	6,198
—	—	—	(3,815)	—	—	—	—
—	**—**	**—**	**(3,815)**	**3,551**	**2,415**	**92,180**	**6,198**
$ —	**$ —**	**$ 143,338**	**$ 32,554**	**$ 8,266**	**$ 2,792**	**$ 103,142**	**$ 10,508**

continued

UNAUDITED DRAFT

Combining Balance Sheet

Other Governmental Funds

June 30, 2015

(Amounts in thousands)

	Special Revenue						
	Regional Greenhouse Gas Initiative (RGGI) Auction Trust	Workforce Training Trust	Child Support Enforcement	Department of Industrial Accidents	Convention and Exhibition Center	Grant Anticipation Note Trust	Debt Defeasance Trust
ASSETS							
Cash and short-term investments	$ 36,080	$ 32,929	$ 22,848	$ 5,039	$ 51,774	$ 2,965	$ 113,200
Cash with fiscal agent	—	—	—	—	88,256	83,493	—
Receivables, net of allowance for uncollectibles:							
Taxes	—	5,408	—	—	15,300	—	—
Due from federal government	—	—	3,054	—	—	94,421	—
Loans receivable	—	—	—	—	—	—	—
Other receivables	—	—	3,553	7,420	—	—	—
Due from other funds	—	—	—	—	—	—	—
Total assets	**$ 36,080**	**$ 38,337**	**$ 29,455**	**$ 12,459**	**$ 155,330**	**$ 180,879**	**$ 113,200**
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 2,277	$ 36	$ 4,491	$ 59	$ 21,474	$ —	$ —
Accrued payroll	67	11	704	—	—	—	—
Compensated absences	—	—	—	—	—	—	—
Tax refunds and abatements payable	—	46	—	—	—	—	—
Due to other funds	—	—	—	—	—	94,421	—
Due to component units	—	—	—	—	—	—	—
Other accrued liabilities	—	—	—	—	—	—	—
Total liabilities	**2,344**	**93**	**5,195**	**59**	**21,474**	**94,421**	**—**
Deferred inflows of resources	—	—	—	—	—	—	—
Total liabilities and deferred inflows of resources	**2,344**	**93**	**5,195**	**59**	**21,474**	**94,421**	**—**
Fund balances:							
Nonspendable	—	—	—	—	—	—	—
Restricted	—	—	24,260	—	—	86,458	—
Committed	33,736	38,244	—	12,400	133,856	—	113,200
Unassigned (deficits)	—	—	—	—	—	—	—
Fund balances (deficits)	**33,736**	**38,244**	**24,260**	**12,400**	**133,856**	**86,458**	**113,200**
Total liabilities and fund balances	**$ 36,080**	**$ 38,337**	**$ 29,455**	**$ 12,459**	**$ 155,330**	**$ 180,879**	**$ 113,200**

See Independent Auditor's Report

UNAUDITED DRAFT

Special Revenue			Capital Projects					
Expendable Trust	Other	Debt Service	General Capital Projects	Convention and Exhibition Center	Highway Capital Projects	Federal Highway Construction Program	Other	Total
$ 614,401	$ 126,362	$ 8,417	$ —	$ 8,393	49,456	$ —	$ 10	$ 1,636,371
—	—	12,184	—	—	—	—	—	197,836
—	—	—	—	—	—	—	—	164,536
386	—	—	3,507	—	—	—	—	400,132
914	1,404	—	—	—	—	—	—	2,318
17,207	85	—	—	—	—	20	—	131,375
—	—	—	—	—	—	94,421	—	94,421
$ 632,908	**$ 127,851**	**$ 20,601**	**$ 3,507**	**$ 8,393**	**49,456**	**$ 94,441**	**$ 10**	**$ 2,626,989**
$ 44,502	$ 22,047	$ —	$ 344,368	$ —	$ —	$ —	$ 507	$ 782,436
2,648	1,898	—	2,058	—	—	—	—	21,502
—	—	—	—	—	—	—	—	9
—	—	—	—	—	—	—	—	340
—	—	—	40,885	—	—	6,423	—	177,980
—	—	—	18,761	—	295,368	119,716	—	558,138
—	—	—	—	—	—	—	—	30,525
47,150	**23,945**	**—**	**406,072**	**—**	**295,368**	**126,139**	**507**	**1,570,930**
—	—	—	—	—	—	—	—	17,921
47,150	**23,945**	**—**	**406,072**	**—**	**295,368**	**126,139**	**507**	**1,588,851**
914	1,404	—	—	—	—	—	—	2,318
391,544	—	20,601	—	—	—	—	—	634,942
193,300	137,535	—	—	8,393	—	—	—	1,120,398
—	(35,033)	—	(402,565)	—	(245,912)	(31,698)	(497)	(719,520)
585,758	**103,906**	**20,601**	**(402,565)**	**8,393**	**(245,912)**	**(31,698)**	**(497)**	**1,038,138**
$ 632,908	**$ 127,851**	**$ 20,601**	**$ 3,507**	**$ 8,393**	**$ 49,456**	**$ 94,441**	**$ 10**	**$ 2,626,989**

UNAUDITED DRAFT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Other Governmental Funds

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	Special Revenue						
	Commonwealth Transportation	Federal Grants	Universal Health Care	Environmental	Community First Trust	Massachusetts Tourism	Gaming Control
REVENUES							
Taxes	$ 1,266,547	$ —	$ 155,842	$ 987	$ —	$ 53,365	$ —
Assessments	21,052	—	399,832	—	—	—	—
Federal grants and reimbursements	—	3,582,892	—	9,369	99,470	—	—
Departmental	645,144	—	197,270	8,734	—	—	7,150
Miscellaneous	—	—	38,257	45	—	—	—
Total revenues	**1,932,743**	**3,582,892**	**791,201**	**19,135**	**99,470**	**53,365**	**7,150**
OTHER FINANCING SOURCES							
Bonds premium	—	—	—	—	—	—	—
Issuance of general and special obligation	—	—	—	—	—	—	—
Issuance of current refunding bonds	—	—	—	—	—	—	—
Issuance of advance refunding bonds	—	—	—	—	—	—	—
Transfers in for debt service	—	—	—	—	—	—	—
Transfers in	71,484	751	233,161	187	—	2,513	—
Total other financing sources	**71,484**	**751**	**233,161**	**187**	**—**	**2,513**	**—**
Total revenues and other financing sources	**2,004,227**	**3,583,643**	**1,024,362**	**19,322**	**99,470**	**55,878**	**7,150**
EXPENDITURES							
Current:							
Judiciary	—	965	—	—	—	—	—
Inspector General	—	—	460	—	—	—	—
Secretary of the Commonwealth	—	749	—	—	—	—	—
Treasurer and Receiver-General	—	1,111	—	—	—	—	—
Attorney General	—	11,368	—	—	—	—	399
District Attorney	—	1,497	—	—	—	—	—
Office campaign and political finance	—	—	—	—	—	—	—
Sheriff's Departments	—	4,040	—	—	—	—	—
Board of Library Commissioners	—	2,916	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—	17,167
Comptroller	—	—	—	—	—	—	—
Administration and Finance	125,000	5,590	12,307	94	—	—	—
Energy and Environmental Affairs	—	48,968	—	16,805	—	—	—
Health and Human Services	—	1,721,841	29,142	—	25,087	—	127
Massachusetts Department of Transportation	623,415	150	—	—	—	—	—
Executive Office of Education	—	991,992	—	—	—	—	—
Center for Health and Information Analysis	—	789	355	—	—	—	—
Public Safety and Homeland Security	—	122,703	—	—	—	—	—
Housing and Economic Development	—	463,054	—	—	—	21,713	—
Labor and Workforce development	—	150,453	1,455	—	—	—	—
Medicaid	—	—	923,189	—	391	—	—
Capital outlay:							
Capital acquisition and construction	—	—	—	—	—	—	—
Debt service	—	—	—	—	—	—	—
Principal on current refundings	—	—	—	—	—	—	—
Total expenditures	**748,415**	**3,528,186**	**966,908**	**16,899**	**25,478**	**21,713**	**17,693**
OTHER FINANCING USES							
Payments to refunding bond escrow agent	—	—	—	—	—	—	—
Transfers out	66,346	99,081	56,245	2,369	11,044	31,893	2,844
Transfers of appropriations	—	—	—	—	—	—	—
Transfers of bond proceeds	—	—	—	—	—	—	—
Transfers out for debt service	1,196,296	—	—	—	—	—	—
Total other financing uses	**1,262,642**	**99,081**	**56,245**	**2,369**	**11,044**	**31,893**	**2,844**
Total expenditures and other financing uses	**2,011,057**	**3,627,267**	**1,023,153**	**19,268**	**36,522**	**53,606**	**20,537**
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	**(6,830)**	**(43,624)**	**1,209**	**54**	**62,948**	**2,272**	**(13,387)**
Fund balances (deficits) at beginning of year	75,279	78,852	252,796	20,850	—	5,262	21,788
Fund balances (deficits) at end of year	**$ 68,449**	**$ 35,228**	**$ 254,005**	**$ 20,904**	**$ 62,948**	**$ 7,534**	**$ 8,401**

See Independent Auditor's Report

UNAUDITED DRAFT

Special Revenue							
Gaming Revenue	Gaming Licensing	MBTA State & Local Contribution	Community Preservation Trust	Health Insurance Portability and Accountability Act	Division of Professional Licensure	Enhanced 911	Health Information Technology Trust
$ 1,961	$ —	$ 974,208	$ 23,608	$ —	$ —	$ —	$ —
—	—	160,136	—	—	—	—	—
—	—	—	—	9,692	—	—	39,812
—	170,000	—	—	—	9,976	75,701	—
—	—	—	—	—	—	95	—
1,961	**170,000**	**1,134,344**	**23,608**	**9,692**	**9,976**	**75,796**	**39,812**
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	11,390	—	—	—	8,153
—	—	—	**11,390**	—	—	—	**8,153**
1,961	**170,000**	**1,134,344**	**34,998**	**9,692**	**9,976**	**75,796**	**47,965**
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	1,134,344	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	3,833	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	37,919	—	—	886	—
—	—	—	—	—	—	—	—
—	—	—	—	14,134	—	59	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	80,084	—
—	—	—	—	—	8,194	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	47,353
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	**1,134,344**	**37,919**	**14,134**	**8,194**	**84,862**	**47,353**
—	—	—	—	—	—	—	—
1,961	171,838	—	50	545	1,897	3,923	416
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
1,961	**171,838**	—	**50**	**545**	**1,897**	**3,923**	**416**
1,961	**171,838**	**1,134,344**	**37,969**	**14,679**	**10,091**	**88,785**	**47,769**
—	**(1,838)**	—	**(2,971)**	**(4,987)**	**(115)**	**(12,989)**	**196**
—	1,838	—	(844)	8,538	2,530	105,169	6,002
$ —	**$ —**	**$ —**	**$ (3,815)**	**$ 3,551**	**$ 2,415**	**$ 92,180**	**$ 6,198**

continued

UNAUDITED DRAFT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Other Governmental Funds

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	Special Revenue						
	Regional Greenhouse Gas Initiative (RGGI) Auction	Workforce Training Trust	Child Support Enforcement	Department of Industrial Accidents	Convention and Exhibition Center	Grant Anticipation Note Trust	Debt Defeasance Trust
REVENUES							
Taxes	$ —	$ 22,929	$ —	$ —	$ 124,052	$ —	$ —
Assessments	—	—	—	2,706	—	—	—
Federal grants and reimbursements	—	—	33,170	—	—	510,855	—
Departmental	60,703	—	5,168	6,543	—	—	—
Miscellaneous	—	—	62	5	1,677	806	—
Total revenues	**60,703**	**22,929**	**38,400**	**9,254**	**125,729**	**511,661**	**—**
OTHER FINANCING SOURCES							
Bonds premium	—	—	—	—	—	—	—
Issuance of general and special obligation bonds	—	—	—	—	—	—	—
Issuance of current refunding bonds	—	—	—	—	—	—	—
Issuance of advance refunding bonds	—	—	—	—	—	—	—
Transfers in for debt service	—	—	—	—	—	—	—
Transfers in	—	—	—	—	—	32,087	113,200
Total other financing sources	**—**	**—**	**—**	**—**	**—**	**32,087**	**113,200**
Total revenues and other financing sources	**60,703**	**22,929**	**38,400**	**9,254**	**125,729**	**543,748**	**113,200**
EXPENDITURES							
Current:							
Judiciary	—	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	285	—	—	675	—
Attorney General	—	—	—	—	—	—	—
District Attorney	—	—	215	—	—	—	—
Office campaign and political finance	—	—	—	—	—	—	—
Sheriff's Departments	—	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—	—
Administration and Finance	—	—	51,647	—	53,474	—	—
Energy and Environmental Affairs	67,629	—	—	—	—	—	—
Health and Human Services	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—	—
Center for Health and Information Analysis	—	—	—	—	—	—	—
Public Safety and Homeland Security	—	—	—	—	—	—	—
Housing and Economic Development	—	—	—	—	—	—	—
Labor and Workforce development	—	15,151	—	245	—	—	—
Medicaid	—	—	—	—	—	—	—
Capital outlay:							
Capital acquisition and construction	—	—	—	—	—	—	—
Debt service	—	—	—	—	—	—	—
Principal on current refundings	—	—	—	—	—	—	—
Total expenditures	**67,629**	**15,151**	**52,147**	**245**	**53,474**	**675**	**—**
OTHER FINANCING USES							
Payments to refunding bond escrow agent	—	—	—	—	—	—	—
Transfers out	—	104	3,126	22,381	—	468,040	—
Transfers of appropriations	—	—	—	—	—	—	—
Transfers of bond proceeds	—	—	—	—	—	—	—
Transfers out for debt service	—	—	—	—	56,110	207,458	—
Total other financing uses	**—**	**104**	**3,126**	**22,381**	**56,110**	**675,498**	**—**
Total expenditures and other financing uses	**67,629**	**15,255**	**55,273**	**22,626**	**109,584**	**676,173**	**—**
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	**(6,926)**	**7,674**	**(16,873)**	**(13,372)**	**16,145**	**(132,425)**	**113,200**
Fund balances (deficits) at beginning of year	40,662	30,570	41,133	25,772	117,711	218,883	—
Fund balances (deficits) at end of year	**$ 33,736**	**$ 38,244**	**$ 24,260**	**$ 12,400**	**$ 133,856**	**$ 86,458**	**$ 113,200**

See Independent Auditor's Report

UNAUDITED DRAFT

Special Revenue			Capital Projects					
Expendable Trust	Other	Debt Service	General Capital Projects	Convention and Exhibition Center	Highway Capital Projects	Federal Highway Construction Program	Other	Total
$ —	$ 1,383	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,624,882
19,885	19,726	—	—	—	—	—	—	623,337
21,792	1,053	46,625	80,237	—	—	1,238	—	4,436,205
69,440	61,998	—	—	—	—	753	—	1,318,580
508,571	4,004	233	—	—	345	—	—	554,100
619,688	**88,164**	**46,858**	**80,237**	**—**	**345**	**1,991**	**—**	**9,557,104**
—	—	75,046	156,244	—	143,734	—	3	375,027
—	—	—	1,430,559	—	1,486,850	—	1,408	2,918,817
—	—	202,895	—	—	—	—	—	202,895
—	—	429,445	—	—	—	—	—	429,445
—	—	2,453,728	—	—	—	—	—	2,453,728
17,289	133,367	—	—	—	—	523,449	—	1,147,031
17,289	**133,367**	**3,161,114**	**1,586,803**	**—**	**1,630,584**	**523,449**	**1,411**	**7,526,943**
636,977	**221,531**	**3,207,972**	**1,667,040**	**—**	**1,630,929**	**525,440**	**1,411**	**17,084,047**
447	2	—	—	—	—	—	—	1,414
—	—	—	—	—	—	—	—	460
1	4,678	—	—	—	—	—	—	5,428
110,346	—	—	8,229	—	6,393	—	—	1,261,383
7,374	536	—	—	—	—	—	—	19,677
8,023	118	—	—	—	—	—	—	9,853
—	1,055	—	—	—	—	—	—	1,055
3,327	578	—	—	—	—	—	—	11,778
—	—	—	—	—	—	—	—	2,916
1,490	3,905	—	—	—	—	—	—	22,562
416	1,574	—	—	—	—	—	—	1,990
24,254	24,904	—	—	—	—	—	—	336,075
48,059	24,679	—	—	—	—	—	—	206,140
104,976	20,266	—	—	—	—	—	—	1,915,632
—	—	—	126,343	—	1,310,993	549,718	—	2,610,619
13,458	2,975	—	—	—	—	—	—	1,008,425
693	—	—	—	—	—	—	—	1,837
7,571	7,596	—	—	—	—	—	—	217,954
18,806	11,128	—	—	—	—	—	—	522,895
66,531	3,676	—	—	—	—	—	—	237,511
—	—	—	—	—	—	—	—	970,933
—	—	—	1,182,872	—	19,895	588	1,743	1,205,098
—	—	2,500,305	—	—	—	—	—	2,500,305
—	—	202,895	—	—	—	—	—	202,895
415,772	**107,670**	**2,703,200**	**1,317,444**	**—**	**1,337,281**	**550,306**	**1,743**	**13,274,835**
—	—	504,491	—	—	—	—	—	504,491
108,275	100,134	—	12,609	—	55,494	18	—	1,220,633
3,807	—	—	—	—	—	—	—	3,807
—	—	—	182,783	—	—	—	—	182,783
—	8,261	—	—	—	—	—	—	1,468,125
112,082	**108,395**	**504,491**	**195,392**	**—**	**55,494**	**18**	**—**	**3,379,839**
527,854	**216,065**	**3,207,691**	**1,512,836**	**—**	**1,392,775**	**550,324**	**1,743**	**16,654,674**
109,123	**5,466**	**281**	**154,204**	**—**	**238,154**	**(24,884)**	**(332)**	**429,373**
476,635	98,440	20,320	(556,769)	8,393	(484,066)	(6,814)	(165)	608,765
$ 585,758	**$ 103,906**	**$ 20,601**	**$ (402,565)**	**$ 8,393**	**$ (245,912)**	**$ (31,698)**	**$ (497)**	**$ 1,038,138**

UNAUDITED DRAFT

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

Other Budgeted Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	Commonwealth Transportation Fund				Environmental Funds			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES								
Revenues:								
Taxes	$ 1,296,700	$ 1,296,700	$1,265,166	$ (31,534)	$ 1,000	$ 1,000	$ 986	$ (14)
Assessments	23,578	23,578	22,178	(1,400)	—	—	—	—
Federal grants and reimbursements	—	—	—	—	5,600	5,600	8,095	2,495
Departmental	652,570	652,570	645,810	(6,760)	8,746	8,746	8,723	(23)
Miscellaneous	—	—	225	225	32	32	45	13
Total revenues	1,972,848	1,972,848	1,933,379	(39,469)	15,378	15,378	17,849	2,471
Other financing sources:								
Operating transfers in	75,000	75,000	—	(75,000)	130	130	187	57
Other fund deficit support	—	—	71,485	71,485	—	—	—	—
Total other financing sources	75,000	75,000	71,485	(3,515)	130	130	187	57
Total revenues and other financing sources	2,047,848	2,047,848	2,004,864	(42,984)	15,508	15,508	18,036	2,528
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Treasurer and Receiver-General	200,495	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	126	125	94	32
Energy and Environmental Affairs	—	—	—	—	17,520	17,520	16,805	715
Massachusetts Department of Transportation	122,553	122,553	122,553	—	—	—	—	—
Housing and Economic Development	—	—	—	—	—	—	—	—
Debt service:							—	
Principal retirement	—	748,804	735,408	13,396	—	—	—	—
Interest and fiscal charges	—	486,315	460,888	25,427	—	—	—	—
Total expenditures	323,048	1,357,672	1,318,849	38,823	17,646	17,645	16,899	747
Other financing uses:								
Fringe benefit cost assessment	—	—	—	—	1,939	1,939	2,369	(430)
Operating transfers out	463,631	660,155	655,328	4,827	—	—	—	—
Stabilization transfer	—	—	—	—	—	—	—	—
State Retiree Benefits transfer	—	—	31,168	(31,168)	—	—	—	—
Other fund deficit support		—	—	—	—	—	—	—
Total other financing uses	463,631	660,155	686,496	(26,341)	1,939	1,939	2,369	(430)
Total expenditures and other financing uses	786,679	2,017,827	2,005,345	12,482	19,585	19,584	19,268	317
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	1,261,169	30,021	(481)	(30,502)	(4,077)	(4,076)	(1,232)	2,211
Fund balances/(deficit) at beginning of year	14,384	14,384	14,384	—	19,832	19,832	19,832	—
Fund balances/(deficit) at end of year	$ 1,275,553	$ 44,405	$ 13,903	$ (30,502)	$ 15,755	$ 15,756	$ 18,600	$ 2,211

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UNAUDITED DRAFT

Community First Trust Fund				Massachusetts Tourism Fund				Totals			
Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
$ —	$ —	$ —	$ —	$ 49,600	$ 49,600	$ 52,745	$ 3,145	$ 1,347,300	$ 1,347,300	$ 1,318,897	$ (28,403)
—	—	—	—	—	—	—	—	23,578	23,578	22,178	(1,400)
—	—	83,470	83,470	—	—	—	—	5,600	5,600	91,565	85,965
—	—	—	—	—	—	—	—	661,316	661,316	654,533	(6,783)
—	—	—	—	—	—	—	—	32	32	270	238
—	—	83,470	83,470	49,600	49,600	52,745	3,145	2,037,826	2,037,826	2,087,443	49,617
—	—	—	—	1,690	1,690	2,513	823	76,820	76,820	2,700	(74,120)
—	—	—	—	—	—	—	—	—	—	71,485	71,485
—	—	—	—	1,690	1,690	2,513	823	76,820	76,820	74,185	(2,635)
—	—	83,470	83,470	51,290	51,290	55,258	3,968	2,114,646	2,114,646	2,161,628	46,982
—	—	—	—	—	—	—	—	200,495	—	—	—
—	—	—	—	—	—	—	—	126	125	94	32
—	—	—	—	—	—	—	—	17,520	17,520	16,805	715
—	—	—	—	—	—	—	—	122,553	122,553	122,553	—
—	—	—	—	22,885	23,385	21,704	1,681	22,885	23,385	21,704	1,681
—	—	—	—	—	—	—	—	—	748,804	735,408	13,396
—	—	—	—	—	—	—	—	—	486,315	460,888	25,427
—	—	—	—	22,885	23,385	21,704	1,681	363,579	1,398,702	1,357,452	41,251
—	—	—	—	—	356	494	(138)	1,939	2,295	2,863	(568)
—	—	11,037	(11,037)	—	—	—	—	463,631	660,155	666,365	(6,210)
—	—	—	—	—	—	19,337	(19,337)	—	—	19,337	(19,337)
—	—	—	—	—	—	—	—	—	—	31,168	(31,168)
—	—	—	—		—	12,062	(12,062)	—	—	12,062	(12,062)
—	—	11,037	(11,037)	—	356	31,893	(31,537)	465,570	662,450	731,795	(69,345)
—	—	11,037	(11,037)	22,885	23,741	53,597	(29,856)	829,149	2,061,152	2,089,247	(28,094)
—	—	72,433	94,507	28,405	27,549	1,661	(25,888)	1,285,497	53,494	72,381	40,328
—	—	—	—	20	20	20	—	34,236	34,236	34,236	—
$ —	$ —	$ 72,433	$ 94,507	$ 28,425	$ 27,569	$ 1,681	$ (25,888)	$ 1,319,733	$ 87,730	$ 106,617	$ 40,328

UNAUDITED DRAFT

Combining Budget to GAAP Reconciliation

Other Budgeted Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	Commonwealth Transportation Fund	Environmental Funds	Massachusetts Tourism Fund
Total actual revenues - budgetary basis (pages 154-155)	$ 1,933,379	$ 17,849	$ 52,745
Adjustments:			
Taxes receivable, net	1,381	1	620
Tax refunds and abatements payable, net	(1,126)	—	—
Federal grants and other receivables, net	(891)	1,285	—
Nonbudgeted fund included on a GAAP basis	—	—	—
Total actual revenues - GAAP basis (pages 150-153)	$ 1,932,743	$ 19,135	$ 53,365
Total actual other financing sources - budgetary basis (pages 154-155)	$ 71,485	$ 187	$ 2,513
Adjustments:			
Miscellaneous adjustments	(1)	—	—
Total actual other financing sources - GAAP basis (pages 150-153)	$ 71,484	$ 187	$ 2,513
Total actual expenditures- budgetary basis (pages 154-155)	$ 1,318,849	$ 16,899	$ 21,704
Adjustment:			
Due to component units accrual, net	5,712	—	—
Reclassification:			
Compensated absences	—	—	9
MassDOT transfers out is reclassified to expenditures	620,150	—	—
Debt service principal and interest payments are reclassified to transfers out to the debt service fund	(1,196,296)	—	—
Nonbudgeted fund included on a GAAP basis	—	—	—
Expenditures reported in the Community First Trust Fund on a GAAP basis	—	—	—
Total actual expenditures - GAAP basis (pages 150-153)	$ 748,415	$ 16,899	$ 21,713
Total actual other financing uses - budgetary basis (pages 154-155)	$ 686,496	$ 2,369	$ 31,893
Reclassification:			
MassDOT transfers out is reclassified to expenditures	(620,150)	—	—
Debt service principal and interest payments are reclassified to transfers out to the debt service fund	1,196,296	—	—
Nonbudgeted fund included on a GAAP basis	—	—	—
Total actual other financing uses - GAAP basis (pages 150-153)	$ 1,262,642	$ 2,369	$ 31,893

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Community First Trust Fund	Totals
$ 83,470	$ 2,087,443
—	2,002
—	(1,126)
—	394
16,000	16,000
$ 99,470	$ 2,104,713
$ —	$ 74,185
—	(1)
$ —	$ 74,184
$ —	$ 1,357,452
—	5,712
—	9
—	620,150
—	(1,196,296)
391	391
25,087	25,087
$ 25,478	$ 812,505
$ 11,037	$ 731,795
—	(620,150)
—	1,196,296
7	7
$ 11,044	$ 1,307,948

UNAUDITED DRAFT

Combining Statement of Net Position Available for Post-Employment Benefits

Pension Trust Funds

June 30, 2015

(Amounts in thousands)

	Pension Trust Funds		OPEB Trust Fund	
	State Employees' PERS	Teacher's PERS	State Retiree Benefits	Total
ASSETS				
Cash and short-term investments	$ 55,281	$ 92,839	$ 116,589	$ 264,709
Net investment in PRIT at fair value	23,980,187	25,241,023	700,647	49,921,857
Other receivables	10,480	89,666	—	100,146
Other assets	20	15,475	—	15,495
Total assets	**24,045,968**	**25,439,003**	**817,236**	**50,302,207**
LIABILITIES				
Accounts payable	3,383	9,935	42,223	55,541
Net position available for post-employment benefits	**$ 24,042,585**	**$ 25,429,068**	**$ 775,013**	**$ 50,246,666**

See Independent Auditor's Report

UNAUDITED DRAFT

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

Pension Trust Funds

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	Pension Trust Funds		OPEB Trust Fund	
	State Employees' PERS	Teacher's PERS	State Retiree Benefits	Total
ADDITIONS				
Contributions:				
Employer contributions - Commonwealth	$ 587,134	$ —	$ 494,113	$ 1,081,247
Non-employer contributions - Commonwealth	14,513	1,029,530	—	1,044,043
Employer and non-employer contributions - other	44,932	—	—	44,932
Employee contributions	549,493	669,941	—	1,219,434
Boston teachers' contribution from Commonwealth	—	109,485	—	109,485
Other additions	46,703	52,941	75,790	175,434
Total contributions	**1,242,775**	**1,861,897**	**569,903**	**3,674,575**
Net investment gain/(loss):				
Investment gain/(loss)	926,560	978,081	25,174	1,929,815
Less: investment expense	(125,674)	(132,578)	(3,570)	(261,822)
Net Investment gain/(loss)	**800,886**	**845,503**	**21,604**	**1,667,993**
Total additions	**2,043,661**	**2,707,400**	**591,507**	**5,342,568**
DEDUCTIONS				
Administration	15,966	23,444	186	39,596
Retirement benefits and refunds	1,876,451	2,684,049	421,377	4,981,877
Payments to State Boston Retirement System	—	109,485	—	109,485
Other deductions	39,554	—	—	39,554
Total deductions	**1,931,971**	**2,816,978**	**421,563**	**5,170,512**
Net increase/(decrease)	**111,690**	**(109,578)**	**169,944**	**172,056**
Net position available for post-employment benefits at beginning of year	23,930,895	25,538,646	605,069	50,074,610
Net position available for post-employment benefits at end of year	**$ 24,042,585**	**$ 25,429,068**	**$ 775,013**	**$ 50,246,666**

See Independent Auditor's Report

UNAUDITED DRAFT

Combining Statement of Net Position Held in Trust for Pool Participants

External Investment Trust Funds

June 30, 2015

(Amounts in thousands)

	Massachusetts Municipal Depository Trust	Pension Reserves Investment Trust	Total
ASSETS			
Assets held in trust for pension benefits:			
Net investment in PRIT at fair value	$ —	$ 11,321,888	$ 11,321,888
Assets held in trust for pool participants:			
Cash and short-term investments	2,386,707	—	2,386,707
Total assets	**2,386,707**	**11,321,888**	**13,708,595**
LIABILITIES			
Accounts payable	—	—	—
Net position held in trust for pool/pension participants	**$ 2,386,707**	**$ 11,321,888**	**$ 13,708,595**

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UNAUDITED DRAFT

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

External Investment Trust Funds

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	Massachusetts Municipal Depository Trust	Pension Reserves Investment Trust	Total
ADDITIONS			
Contributions:			
Other participant contributions	$ —	$ 802,252	$ 802,252
Proceeds from sale of units	17,882,621	—	17,882,621
Total contributions	**17,882,621**	**802,252**	**18,684,873**
Net investment gain/(loss):			
Investment gain/(loss)	5,828	441,402	447,230
Less: investment expense	(1,194)	(76,855)	(78,049)
Net Investment gain/(loss)	**4,634**	**364,547**	**369,181**
Total additions	**17,887,255**	**1,166,799**	**19,054,054**
DEDUCTIONS			
Cost of units redeemed	18,243,698	—	18,243,698
Distributions to unit holders from net interest income	4,798	—	4,798
Retirement benefits and refunds	—	768,507	768,507
Total deductions	**18,248,496**	**768,507**	**19,017,003**
Net increase/(decrease)	**(361,241)**	**398,292**	**37,051**
Net position held in trust for pool/participants at beginning of year	2,747,948	10,923,596	13,671,544
Net position held in trust for pool/participants at end of year	**$ 2,386,707**	**$ 11,321,888**	**13,708,595**

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UNAUDITED DRAFT

Combining Statement of Changes in Assets and Liabilities

Agency Funds

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Central Agency Funds				
ASSETS				
Cash and short-term investments	$ 406,996	$ 10,158,944	$ (10,241,804)	$ 324,136
Investments, restricted investments and annuity contracts	1,370,277	180,657	(307,934)	1,243,000
Taxes receivable	2,183	2,012	(2,183)	2,012
Other receivables	12,927	6,559	(12,927)	6,559
Total assets	**$ 1,792,383**	**$ 10,348,172**	**$ (10,564,848)**	**$ 1,575,707**
LIABILITES				
Accounts payable	$ 130,657	$ 4,033,003	$ (4,097,616)	$ 66,044
Due to cities and towns	33,065	555,922	(546,804)	42,183
Due to federal government	—	61	(61)	—
Lottery prizes payable	1,370,277	180,657	(307,934)	1,243,000
Agency liabilities	252,027	4,251,628	(4,279,175)	224,480
Other liabilities	6,357	—	(6,357)	—
Total liabilities	**$ 1,792,383**	**$ 9,021,271**	**$ (9,237,947)**	**$ 1,575,707**
Court Escrow and Client Accounts				
ASSETS				
Cash and short-term investments	$ 158,926	$ 1,495,203	$ (1,481,682)	$ 172,447
Other receivables	121,565	121,279	(121,565)	121,279
Total assets	**$ 280,491**	**$ 1,616,482**	**$ (1,603,247)**	**$ 293,726**
LIABILITES				
Accounts payable	$ 242	$ 1,909,687	$ (1,909,776)	$ 153
Agency liabilities	280,249	932,358	(919,034)	293,573
Total liabilities	**$ 280,491**	**$ 2,842,045**	**$ (2,828,810)**	**$ 293,726**
Statutory Bonds and Deposits				
ASSETS				
Cash and short-term investments	$ 113,677	$ 632,891	$ (645,716)	$ 100,852
Investments, restricted investments and annuity contracts	590,354	5,451	(18,943)	576,862
Total assets	**$ 704,031**	**$ 638,342**	**$ (664,659)**	**$ 677,714**
LIABILITES				
Agency liabilities	**$ 704,031**	**$ 592,976**	**$ (619,293)**	**$ 677,714**

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UNAUDITED DRAFT

Combining Statement Changes in Assets and Liabilities

Agency Funds

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Central Agency Funds				
ASSETS				
Cash and short-term investments	$ 679,599	$ 12,287,038	$ (12,369,202)	$ 597,435
Investments, restricted investments and annuity contracts	1,960,631	186,108	(326,877)	1,819,862
Taxes receivable	2,183	2,012	(2,183)	2,012
Other receivables	134,492	127,838	(134,492)	127,838
Total assets	**$ 2,776,905**	**$ 12,602,996**	**$ (12,832,754)**	**$ 2,547,147**
LIABILITES				
Accounts payable	$ 130,899	$ 5,942,690	$ (6,007,392)	$ 66,197
Due to cities and towns	33,065	555,922	(546,804)	42,183
Due to federal government	—	61	(61)	—
Lottery prizes payable	1,370,277	180,657	(307,934)	1,243,000
Agency liabilities	1,236,307	5,776,962	(5,817,502)	1,195,767
Other liabilities	6,357	—	(6,357)	—
Total liabilities	**$ 2,776,905**	**$ 12,456,292**	**$ (12,686,050)**	**$ 2,547,147**

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UNAUDITED DRAFT

Combining Statement of Net Position

Nonmajor Component Units

June 30, 2015

(Amounts in thousands)

	Massachusetts Convention Center Authority	Massachusetts Development Finance Agency	Massachusetts Clean Energy Center	Massachusetts Technology Park Corporation	Massachusetts Housing Partnership	Economic Development Entities	Higher Education Foundations	Total
ASSETS AND DEFERRED OUTFLOWS								
Current assets:								
Cash and cash equivalents	$ 24,477	$ 17,958	$ 18,177	$ 220	$ 16,161	$ 67,220	$ 22,034	$ 166,247
Short-term investments	—	125,125	—	44,953	—	3,252	71,926	245,256
Restricted cash and investment	619	28,675	—	—	58,353	88,437	1,974	178,058
Assets held in trust	—	—	146,376	—	—	—	—	146,376
Receivables, net of allowance for uncollectibles:								
Federal grants and reimbursement receivable	—	—	—	—	—	94	—	94
Loans	332	20,899	2,196	—	16,845	10,356	—	50,628
Other receivables	4,623	14,346	2,955	588	2,157	6,479	7,566	38,714
Due from primary government	21,715	659	—	3,131	—	53,655	224	79,384
Inventory	—	59	—	—	—	59	—	118
Other current assets	1,654	1,229	546	455	—	1,553	1,175	6,612
Total current assets	**53,420**	**208,950**	**170,250**	**49,347**	**93,516**	**231,105**	**104,899**	**911,487**
Noncurrent assets:								
Cash and cash equivalents - restricted	—	13,534	79,707	4,470	—	—	2,018	99,729
Long - term investments	—	103,503	10,587	—	—	1,728	590,150	705,968
Restricted investment	—	—	122,885	—	—	—	42,507	165,392
Accounts receivables, net	—	—	—	—	—	702	7,930	8,632
Loans receivables, net	16,763	75,147	—	—	475,600	39,687	—	607,197
Non-depreciable capital assets	207,521	14,999	92,545	342	—	—	15,083	330,490
Depreciable capital assets, net	602,187	92,074	29,581	84,733	—	12,033	28,533	849,141
Other noncurrent assets	—	7,603	—	—	1,076	746	580	10,005
Total noncurrent assets	**826,471**	**306,860**	**335,305**	**89,545**	**476,676**	**54,896**	**686,801**	**2,776,554**
Deferred outflows of resources:								
Deferred outflows related to pension	2,152	—	—	—	—	—	—	2,152
Total assets and deferred outflows	**882,043**	**515,810**	**505,555**	**138,892**	**570,192**	**286,001**	**791,700**	**3,690,193**
LIABILITES AND DEFERRED INFLOWS								
Current liabilities:								
Accounts payable and other liabilities	18,501	7,396	7,694	11,109	877	61,465	32,893	139,935
Accrued payroll	—	—	—	—	875	480	—	1,355
Compensated absences	1,184	947	—	—	—	603	—	2,734
Accrued interest payable	—	—	—	—	1,571	—	18	1,589
Due to primary government	—	488	—	—	—	—	383	871
Unearned revenue	11,207	—	150,058	—	—	28,832	1,758	191,855
Capital lease	—	—	—	—	—	—	142	142
Bonds, notes payable and other obligations	—	355	—	—	12,367	3,863	1,061	17,646
Total current liabilities	**30,892**	**9,186**	**157,752**	**11,109**	**15,690**	**95,243**	**36,255**	**356,127**
Noncurrent liabilities:								
Compensated absences	1,470	—	—	—	—	111	—	1,581
Accrued interest payable	—	289	—	—	—	—	—	289
Due to primary government	—	9,508	—	—	—	—	—	9,508
Unearned revenue	—	6,641	—	—	31,843	238	—	38,722
Bonds, notes payable and other obligations	—	6,753	—	—	459,887	59,626	13,708	539,974
Net pension liability	24,824	—	—	—	—	—	—	24,824
Net OPEB liability	7,724	—	—	—	—	—	—	7,724
Other noncurrent liabilities	6,179	6,207	—	—	14,355	872	3,677	31,290
Total noncurrent liabilities	**40,197**	**29,398**	**—**	**—**	**506,085**	**60,847**	**17,385**	**653,912**
Deferred inflows of resources:								
Deferred inflows related to pension	5,095	—	—	—	—	—	—	5,095
Total liabilities and deferred inflows	**76,184**	**38,584**	**157,752**	**11,109**	**521,775**	**156,090**	**53,640**	**1,015,134**
NET POSITION								
Net investment in capital asset	809,708	89,731	122,126	85,075	922	12,762	25,307	1,145,631
Restricted for:								
Clean energy trusts	—	—	225,677	—	—	—	—	225,677
Economic development financing	—	161,319	—	—	—	13,882	—	175,201
Other purposes	619	—	—	30,092	19,025	46,602	640,670	737,008
Unrestricted	(4,468)	226,176	—	12,616	28,470	56,665	72,083	391,542
Total net position	**$ 805,859**	**$ 477,226**	**$ 347,803**	**$ 127,783**	**$ 48,417**	**$ 129,911**	**$ 738,060**	**$ 2,675,059**

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UNAUDITED DRAFT

Combining Statement of Revenues, Expenses and Changes in Net Position

Nonmajor Component Units

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	Massachusetts Convention Center Authority	Massachusetts Development Finance Agency	Massachusetts Clean Energy Center	Massachusetts Technology Park Corporation	Massachusetts Housing Partnership	Economic Development Entities	Higher Education Foundations	Total
Operating revenues:								
Charges for services	$ 64,942	$ 50,645	$ 2,994	$ 2,340	$ 8,135	$ 148,490	$ 17,360	$ 294,906
Other	765	23,530	23,372	21,462	8,464	1,172	15,294	94,059
Total operating revenues	**65,707**	**74,175**	**26,366**	**23,802**	**16,599**	**149,662**	**32,654**	**388,965**
Operating expenses:								
Cost of services	57,226	53,432	31,303	29,924	7,554	153,276	—	332,715
Administration costs	32,691	10,421	10,260	47	5,547	14,715	47,195	120,876
Depreciation	47,493	8,052	1,719	549	150	912	1,091	59,966
Total operating expenses	**137,410**	**71,905**	**43,282**	**30,520**	**13,251**	**168,903**	**48,286**	**513,557**
Operating income/(loss)	**(71,703)**	**2,270**	**(16,916)**	**(6,718)**	**3,348**	**(19,241)**	**(15,632)**	**(124,592)**
Nonoperating revenues/(expenses):								
Operating grants	53,142	430	34,669	—	—	18,928	—	107,169
Interest income/(loss)	777	5,518	4,109	97	—	145	(26,550)	(15,904)
Other nonoperating revenue/(expense)	1,044	148,675	—	—	—	4,824	60,335	214,878
Nonoperating revenues/(expenses), net	**54,963**	**154,623**	**38,778**	**97**	**—**	**23,897**	**33,785**	**306,143**
Income/(loss) before contributions	**(16,740)**	**156,893**	**21,862**	**(6,621)**	**3,348**	**4,656**	**18,153**	**181,551**
Capital contributions	—	(85,979)	28,800	—	—	2,471	—	(54,708)
Change in net position/(deficits)	**(16,740)**	**70,914**	**50,662**	**(6,621)**	**3,348**	**7,127**	**18,153**	**126,843**
Net position - beginning, as restated	822,599	406,312	297,141	134,404	45,069	122,784	719,907	2,548,216
Net position - ending	**$ 805,859**	**$ 477,226**	**$ 347,803**	**$ 127,783**	**$ 48,417**	**$ 129,911**	**$ 738,060**	**$ 2,675,059**

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Statistical Section

(Unaudited)

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

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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Schedule of Net Position by Component

Last Ten Fiscal Years

(Amounts in thousands)

	2015	2014*	2013	2012	2011
Governmental activities					
Net investment in capital asset	$ (553,272)	$ (502,370)	$ (592,483)	$ (849,338)	$ (722,469)
Restricted	1,541,566	1,455,704	1,386,416	1,456,715	1,520,702
Unrestricted	(55,841,735)	(53,381,910)	(26,733,809)	(24,905,165)	(23,631,098)
Total governmental activities net position	**$ (54,853,441)**	**$ (52,428,576)**	**$ (25,939,876)**	**$ (24,297,788)**	**$ (22,832,865)**
Business-type activities					
Net investment in capital assets	$ 3,055,273	$ 2,794,845	$ 2,605,263	$ 2,366,038	$ 2,026,223
Restricted	1,539,785	1,590,545	1,209,630	1,576,865	1,364,646
Unrestricted	697,016	675,796	1,026,230	969,309	978,043
Total business-type activities net position	**$ 5,292,074**	**$ 5,061,186**	**$ 4,841,123**	**$ 4,912,212**	**$ 4,368,912**
Commonwealth net position					
Net investment in capital assets	$ 2,502,001	$ 2,292,475	$ 2,012,780	$ 1,516,700	$ 1,303,754
Restricted	3,081,351	3,046,249	2,596,046	3,033,580	2,885,348
Unrestricted	(55,144,719)	(52,706,114)	(25,707,579)	(23,935,856)	(22,653,055)
Total Commonwealth net position	**$ (49,561,367)**	**$ (47,367,390)**	**$ (21,098,753)**	**$ (19,385,576)**	**$ (18,463,953)**

*Restated

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2010*	2009*	2008*	2007*	2006*
$ (885,593)	$ 189,913	$ 446,666	$ 489,432	$ 101,510
1,403,877	1,377,951	1,413,968	1,271,051	2,010,373
(22,891,629)	(13,721,519)	(11,022,084)	(11,357,260)	(12,409,269)
$ (22,373,345)	**$ (12,153,655)**	**$ (9,161,450)**	**$ (9,596,777)**	**$ (10,297,385)**
$ 1,767,434	$ 1,698,825	$ 1,562,002	$ 1,392,363	$ 1,283,570
1,148,751	1,609,145	2,390,206	2,295,507	1,816,066
857,263	621,952	644,363	645,211	548,774
$ 3,773,448	**$ 3,929,922**	**$ 4,596,571**	**$ 4,333,081**	**$ 3,648,410**
$ 881,841	$ 1,888,738	$ 2,008,668	$ 1,881,795	$ 1,385,080
2,552,628	2,987,096	3,804,174	3,566,558	3,826,439
(22,034,366)	(13,099,567)	(10,377,721)	(10,712,049)	(11,860,495)
$ (18,599,896)	**$ (8,223,733)**	**$ (4,564,879)**	**$ (5,263,696)**	**$ (6,648,975)**

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

	2015	2014	2013	2012	2011
EXPENSES					
Governmental Activities:					
General government	$ 2,703,519	$ 2,521,394	$ 2,571,685	$ 2,384,142	$ 23,064,090
Judiciary	1,026,429	1,007,234	983,314	936,113	1,000,902
Direct local aid	5,469,412	5,353,521	5,179,104	4,991,532	4,845,738
Medicaid	15,086,742	14,034,862	12,286,342	11,708,397	12,124,261
Group health insurance	1,657,018	1,403,590	1,282,661	1,218,079	1,113,544
Energy and environmental	671,801	615,854	524,632	568,898	689,258
Housing and economic development*	1,314,980	1,289,156	1,250,008	1,246,213	1,365,368
Health and human services*	7,605,180	7,308,295	7,737,736	7,619,987	7,139,948
Transportation and public works	2,689,975	2,379,178	1,868,020	1,759,589	2,270,136
Early elementary and secondary education*	4,654,161	4,714,555	4,493,537	4,336,326	3,585,958
Public safety and homeland security	2,486,107	2,451,881	2,391,982	2,323,452	2,295,561
Labor and workforce development*	309,091	352,454	385,757	472,044	498,560
Lottery	4,109,611	3,980,980	3,982,700	3,877,305	3,661,834
Interest (unallocated)	1,263,218	1,197,709	1,206,542	1,202,772	1,177,569
Total governmental activities	**51,047,244**	**48,610,664**	**46,144,020**	**44,644,849**	**64,832,726**
Business-type Activities:					
Unemployment compensation	1,598,084	2,036,431	2,718,447	3,466,500	4,388,360
Higher Education:					
University of Massachusetts	2,809,062	2,925,013	2,759,488	2,684,039	2,865,015
State Universities	994,380	922,383	864,161	851,118	834,453
Community Colleges	891,906	852,946	814,245	801,038	772,883
Total business-type activities	**6,293,432**	**6,736,773**	**7,156,341**	**7,802,695**	**8,860,711**
Total Commonwealth expenses	**$ 57,340,676**	**$ 55,347,437**	**$ 53,300,361**	**$ 52,447,544**	**$ 73,693,437**
REVENUES					
Program Revenues:					
Governmental Activities:					
Charges for services:					
General government	$ 634,289	$ 361,105	$ 352,291	$ 458,320	$ 443,869
Judiciary	105,521	108,766	111,384	114,170	120,293
Medicaid	1,052,170	1,226,108	471,539	297,566	258,032
Group health insurance	755,712	660,359	619,982	495,377	431,078
Energy and environmental	253,856	262,339	228,019	214,340	270,449
Housing and economic development*	164,438	165,365	150,690	142,320	142,387
Health and human services*	405,710	483,080	1,143,551	931,535	896,328
Transportation and public works	577,430	530,853	567,348	505,842	502,004
Early elementary and secondary education*	7,649	10,067	6,748	6,783	6,645
Public safety and homeland security	256,596	228,730	218,643	205,546	193,983
Labor and workforce development*	175,130	150,394	246,577	237,772	142,731
Lottery	5,193,545	5,049,536	5,041,329	4,940,151	4,630,205
Total Charges for services	9,582,046	9,236,702	9,158,101	8,549,722	8,038,003
Operating grants and contributions	13,950,227	13,121,648	12,836,122	12,909,908	14,217,481
Capital grants and contributions	81,475	30,699	18,726	79,733	168,912
Total governmental activities	**23,613,748**	**22,389,049**	**22,012,948**	**21,539,363**	**22,424,397**
Business-type Activities:					
Charges for services:					
Unemployment Compensation	1,492,067	1,897,495	1,923,476	1,982,602	1,945,801
Higher Education:					
University of Massachusetts	1,602,043	1,697,585	1,640,296	1,519,496	1,685,386
State Universities	583,669	558,170	533,347	523,979	530,078
Community Colleges	266,956	270,512	281,428	275,778	250,341
Operating grants and contributions	936,917	1,347,423	1,791,196	2,525,342	3,500,210
Capital grants and contributions	206,128	122,081	123,396	162,271	42,819
Total business-type activities	**5,087,780**	**5,893,266**	**6,293,139**	**6,989,468**	**7,954,635**
Total Commonwealth program revenues	**$ 28,701,528**	**$ 28,282,315**	**$ 28,306,087**	**$ 28,528,831**	**$ 30,379,032**
General Revenues and Other Changes in Net Position (all types consolidated):					
Governmental Activities:					
Taxes (all types)	$ 25,209,826	$ 23,319,168	$ 22,599,332	$ 21,403,426	$ 21,066,430
Investment earnings and miscellaneous	1,251,193	1,131,754	985,713	1,393,094	991,230
Gain on sale of capital assets	—	—	—	—	—
Transfers	(1,429,174)	(1,205,141)	(1,096,061)	(1,155,955)	(860,904)
Transfers to\from MassDOT	—	—	—	—	—
Total governmental activities	**25,031,845**	**23,245,781**	**22,488,984**	**21,640,565**	**21,196,756**
Business-type Activities:					
Investment earnings and miscellaneous	$ 7,366	$ 306,690	$ 271,832	$ 214,056	$ 652,489
Other losses	—	—	—	—	(10,746)
Transfers	1,429,174	1,205,141	1,096,061	1,155,955	860,904
Total business -type activities	**1,436,540**	**1,511,831**	**1,367,893**	**1,370,011**	**1,502,647**
Total Commonwealth general revenues	**$ 26,468,385**	**$ 24,757,612**	**$ 23,856,877**	**$ 23,010,576**	**$ 22,699,403**
CHANGES IN NET POSITION					
Governmental activities	$ (2,401,651)	$ (2,975,834)	$ (1,642,088)	$ (1,464,923)	$ (459,521)
Business-type activities	230,888	668,324	504,691	556,784	596,571
Current year restatements	—	—	—	—	—
Total changes in net position including restatements	**$ (2,170,763)**	**$ (2,307,510)**	**$ (1,137,397)**	**$ (908,139)**	**$ 137,050**

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

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UNAUDITED DRAFT

2010	2009	2008	2007	2006
$ 2,317,016	$ 2,244,553	$ 2,329,454	$ 2,197,089	$ 2,037,041
991,310	1,089,569	1,003,754	849,719	723,968
5,030,363	5,210,451	5,118,858	5,081,359	4,682,027
10,677,999	10,842,549	9,769,893	9,044,420	8,150,576
1,092,178	977,565	828,297	1,033,796	970,150
305,233	407,289	541,840	487,917	435,533
1,291,142	1,036,891	900,577	519,142	669,667
5,880,366	7,326,979	6,753,620	6,408,043	6,564,479
2,062,054	1,319,110	1,202,748	1,270,759	1,284,048
3,806,149	3,574,455	2,854,730	1,888,271	2,008,442
2,292,163	2,462,398	2,118,161	1,758,283	1,752,672
470,878	463,901	342,907	640,614	385,406
3,649,396	3,693,318	3,910,362	3,689,221	3,708,713
1,090,471	1,116,278	1,152,162	1,079,551	985,474
40,956,717	**41,765,304**	**38,827,362**	**35,948,184**	**34,358,196**
5,435,611	3,475,027	1,554,885	1,430,130	1,337,565
2,640,134	2,474,797	2,274,312	2,233,634	2,116,226
762,043	736,972	733,842	624,470	568,592
716,526	671,923	685,235	627,400	592,310
9,554,314	**7,358,719**	**5,248,274**	**4,915,634**	**4,614,693**
$ 50,511,031	**$ 49,124,024**	**$ 44,075,636**	**$ 40,863,818**	**$ 38,972,889**
$ 464,592	$ 436,344	$ 414,614	$ 564,347	$ 451,753
128,198	123,819	124,542	118,652	115,443
185,463	180,380	176,471	172,136	702,104
349,870	230,456	209,008	151,604	131,611
214,269	226,754	162,639	168,789	156,074
221,340	178,011	185,019	1,892	6,245
797,929	718,628	601,483	538,543	613,780
517,045	494,733	477,420	461,217	448,349
9,661	15,728	10,766	8,042	6,346
202,427	175,069	153,641	126,962	135,846
38,319	37,728	31,758	187,256	213,078
4,626,777	4,643,592	4,905,509	4,656,110	4,726,339
7,755,891	7,461,243	7,452,873	7,155,550	7,706,968
12,771,164	12,059,019	9,271,936	8,849,046	8,347,822
779,403	853,221	484,172	487,365	481,780
21,306,458	**20,373,482**	**17,208,980**	**16,491,961**	**16,536,570**
1,727,964	1,671,098	1,587,543	1,698,249	1,741,101
1,527,880	1,419,932	1,160,513	1,194,393	1,076,875
479,900	442,685	400,369	287,195	272,918
235,865	219,986	204,190	190,808	175,418
4,020,351	1,721,199	710,974	746,385	684,108
48,684	56,377	35,893	90,115	31,843
8,040,644	**5,531,277**	**4,099,482**	**4,207,145**	**3,982,263**
$ 29,347,102	**$ 25,904,759**	**$ 21,308,462**	**$ 20,699,106**	**$ 20,518,833**
$ 19,034,227	$ 18,499,273	$ 21,174,430	$ 20,001,189	$ 18,668,322
1,474,995	1,489,018	2,057,309	1,318,008	1,396,033
—	—	—	—	26,300
(864,697)	(1,070,652)	(1,178,030)	(1,167,367)	(1,022,320)
(8,983,955)	—	—	—	—
10,660,570	**18,917,639**	**22,053,709**	**20,151,830**	**19,068,335**
$ 504,404	$ 83,850	$ 234,252	$ 225,793	$ 215,338
(12,125)	(11,530)	—	—	—
864,697	1,070,652	1,178,030	1,167,367	1,022,320
1,356,976	**1,142,972**	**1,412,282**	**1,393,160**	**1,237,658**
$ 12,017,546	**$ 20,060,611**	**$ 23,465,991**	**$ 21,544,990**	**$ 20,305,993**
$ (10,219,688)	$ (2,821,583)	$ 435,327	$ 695,608	$ 1,246,707
(156,694)	(684,470)	263,490	684,671	605,228
—	(152,800)	—	—	—
$ (10,376,382)	**$ (3,658,853)**	**$ 698,817**	**$ 1,380,279**	**$ 1,851,935**

UNAUDITED DRAFT

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(Modified accrual basis of accounting)

(Amounts in thousands)

	2015	2014	2013	2012	2011
Total Unreserved general fund	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
All Other Governmental Funds					
Reserved	—	—	—	—	—
Unreserved:					
Special Revenue Funds	—	—	—	—	—
Capital Projects Funds	—	—	—	—	—
Permanent Trust Funds	—	—	—	—	—
Total Unreserved	—	—	—	—	—
Total all other governmental funds	—	—	—	—	—
Total governmental fund balances	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

* 2010 has been restated for GASB 54 presentation. Years prior have not been restated.

Fund balances (deficits) GASB 54 :					
Nonspendable	$ 2,318	$ 1,116	$ 914	$ 914	$ 914
Restricted	1,790,143	1,517,555	1,557,928	2,195,287	1,675,055
Committed	2,375,021	2,249,906	2,324,228	2,404,158	2,020,009
Assigned	576,632	510,353	595,085	574,621	750,462
Unassigned	561,105	340,505	391,795	1,143,978	821,188
Total governmental fund balances	**$5,305,219**	**$4,619,434**	**$4,869,950**	**$6,318,958**	**$5,267,628**

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2010*	2009*	2008*	2007*	2006*
$ —	**$ 1,734,822**	**$ 3,171,278**	**$ 4,899,154**	**$ 4,922,074**
—	1,401,985	1,809,058	1,496,094	1,361,980
—	2,044,674	2,437,897	1,587,596	1,476,440
—	(125,138)	(360,570)	(251,985)	(497,300)
—	5,000	5,000	5,000	—
—	1,924,536	2,082,327	1,340,611	979,140
—	**3,326,521**	**3,891,385**	**2,836,705**	**2,341,120**
$ —	**$ 5,061,343**	**$ 7,062,663**	**$ 7,735,859**	**$ 7,263,194**

$ 5,914
1,905,749
2,166,175
156,483
351,395
$ 4,585,716

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Ten-Year Schedule of Revenues and Other Financing Sources

All Governmental Fund Types - Fund Perspective

(Modified Accrual Basis of Accounting)

(Amounts in millions)

	2015	% Total	2014	% Total	2013	% Total	2012	% Total	2011	% Total
Taxes	$ 25,258	41.7	$ 23,786	41.6	$ 22,391	40.5	$ 21,533	39.6	$ 20,854	38.7
Federal reimbursements	10,462	17.2	9,417	16.5	8,981	16.2	8,934	16.4	10,066	18.8
Federal grants	3,583	5.9	3,730	6.5	3,887	7.0	4,051	7.5	4,311	8.0
Lotteries	5,194	8.6	5,049	8.8	5,042	9.1	4,944	9.1	4,631	8.6
Assessments	1,026	1.7	1,080	1.8	1,093	2.0	1,024	1.9	980	1.8
Motor vehicle licenses and registrations	546	0.9	495	0.9	487	0.9	474	0.9	461	0.9
Fees, investment earnings, etc	4,540	7.5	4,152	7.3	3,750	6.8	3,823	7.0	3,246	6.0
Issuance of general and special obligation bonds	3,761	6.2	2,360	4.1	1,471	2.7	2,902	5.3	2,233	4.1
Issuance of refunding bonds	632	1.0	1,236	2.2	1,913	3.5	388	0.7	888	1.6
Bond premiums	379	0.6	193	0.3	398	0.7	260	0.5	130	0.2
Proceeds of capital lease	31	0.1	11	—	1	—	4	—	12	—
Other financing sources	5,247	8.6	5,701	10.0	5,876	10.6	6,033	11.1	6,086	11.3
Total revenues and other financing sources	$ 60,659	100.0	$ 57,210	100.0	$ 55,290	100.0	$ 54,370	100.0	$ 53,898	100.0

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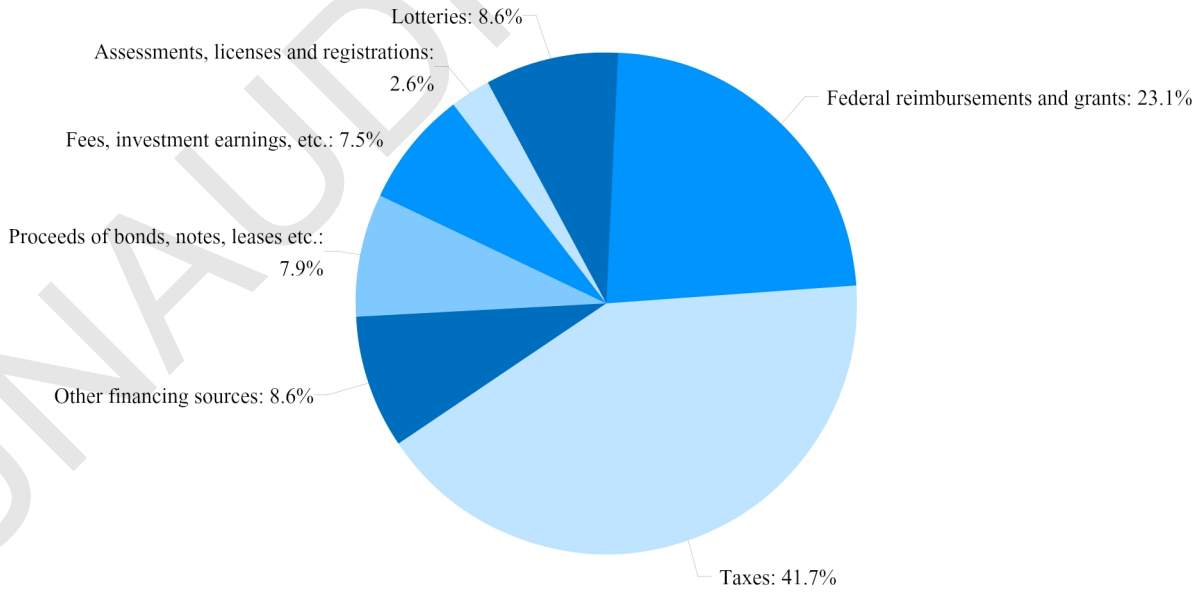
Apportionment of Revenues by Source - Fiscal Year Ended June 30, 2015



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2010	% Total	2009	% Total	2008	% Total	2007	% Total	2006	% Total
$ 18,991	37.3	$ 18,354	36.9	$ 21,120	42.1	$ 19,985	40.4	$ 18,754	39.6
9,453	18.5	9,392	18.9	7,037	14	6,847	13.8	6,350	13.5
4,097	8.0	3,510	7	2,681	5.4	2,489	5	2,479	5.3
4,628	9.1	4,650	9.3	4,915	9.8	4,670	9.4	4,739	10
965	2.0	929	1.9	858	1.8	860	1.7	850	1.9
463	0.9	383	0.8	376	0.7	380	0.8	361	0.8
3,365	6.6	3,204	6.4	3,546	7.1	2,875	5.8	3,270	7.0
2,419	4.7	2,042	4.1	1,281	2.6	3,104	6.3	4,445	9.3
538	1.1	390	0.8	—	—	1,428	2.9	633	1.3
16	0.0	99	0.2	25	—	129	0.3	47	0.1
17	0.0	18	—	17	—	21	—	30	0.1
6,027	11.8	6,817	13.7	8,280	16.5	6,743	13.6	5,232	11.1
$ 50,979	100.0	$ 49,788	100.0	$ 50,136	100.0	$ 49,531	100.0	$ 47,190	100.0

UNAUDITED DRAFT

Ten-Year Schedule of Expenditures and Other Financing Uses by Secretariat

All Governmental Fund Types - Fund Perspective

(Modified Accrual Basis of Accounting)

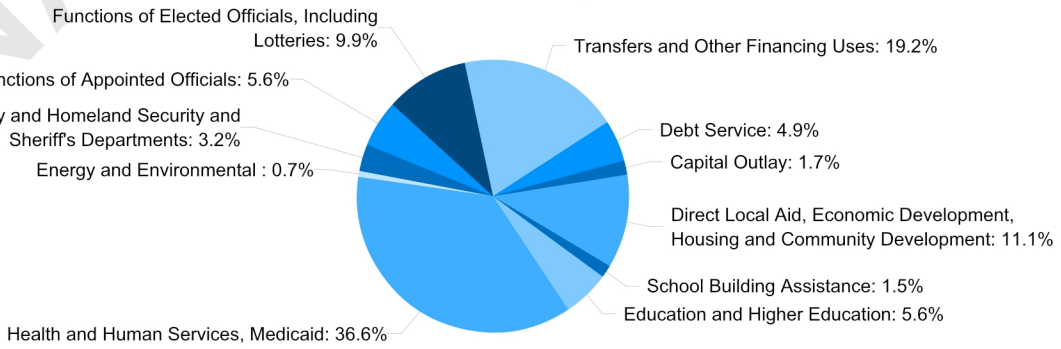
(Amounts in millions)

	2015	% Total	2014	% Total	2013	% Total	2012	% Total	2011	% Total
Legislature	$ 61	0.1	$ 56	0.1	$ 57	0.1	$ 58	0.1	$ 58	0.1
Judiciary	845	1.4	816	1.4	792	1.4	757	1.4	771	1.4
Inspector General	5	—	6	—	6	—	3	—	4	—
Governor and Lieutenant Governor	6	—	5	—	6	—	7	—	5	—
Secretary of the Commonwealth	50	0.1	51	0.1	49	0.1	41	0.1	45	0.1
Treasurer and Receiver-General	5,602	9.7	5,327	9.5	5,307	9.5	5,282	9.9	5,084	9.6
Auditor of the Commonwealth	18	—	18	—	18	—	17	—	18	—
Attorney General	41	0.1	88	0.2	76	0.1	55	0.1	34	0.1
Ethics Commission	2	—	2	—	2	—	2	—	2	—
District Attorney	119	0.2	115	0.2	115	0.2	110	0.2	104	0.2
Office of Campaign and Political Finance	3	—	1	—	1	—	1	—	3	—
Sheriff's Department	593	1.0	565	1.0	541	1.0	529	1.0	514	1.0
Disabled Persons Protection Commission	3	—	2	—	2	—	2	—	2	—
Board of Library Commissioners	28	—	25	—	25	—	24	—	25	—
Massachusetts Gaming Commission	23	—	23	—	14	—	1	—	—	—
Comptroller	16	—	16	—	14	—	14	—	14	—
Administration and finance	2,490	4.2	2,296	4.0	2,295	4.1	1,949	3.7	1,852	3.3
Energy and environmental	417	0.7	410	0.7	365	0.6	351	0.7	368	0.7
Housing and communities development	—	—	—	—	—	—	—	—	—	—
Early education and care	—	—	—	—	—	—	—	—	—	—
Health and human services	7,211	12.0	6,957	12.1	7,384	13.1	7,301	13.6	6,791	12.8
Transportation and public works	—	—	—	—	—	—	—	—	—	—
Massachusetts department of transportation	2,611	4.4	2,296	4.0	1,785	3.1	1,679	3.1	2,086	3.9
Executive office of education*	3,320	5.5	3,201	5.6	3,008	5.3	3,069	5.8	3,232	6.1
Center for Health and Information Analysis	28	—	26	—	9	—	—	—	—	—
Massachusetts school building assistance	732	1.2	869	1.5	1,037	1.8	975	1.8	791	1.5
Higher education	—	—	—	—	—	—	—	—	—	—
Public safety and homeland security	1,334	2.2	1,274	2.2	1,296	2.3	1,208	2.3	1,146	2.2
Housing and economic development*	1,021	1.7	1,035	1.8	988	1.7	999	1.9	1,082	2.0
Labor and workforce development*	269	0.4	330	0.6	350	0.6	455	0.9	478	0.9
Medicaid	15,087	25.2	14,035	24.4	12,286	21.7	11,708	22.0	12,124	22.8
Pension	902	1.5	865	1.5	878	1.5	801	1.5	744	1.4
Direct local aid	5,469	9.1	5,353	9.3	5,179	9.1	4,991	9.4	4,846	9.1
Capital outlay:										
Local aid	—	—	—	—	—	—	—	—	—	—
Capital acquisition and construction	1,205	2.0	999	1.7	854	1.5	847	1.6	885	1.7
Debt service	2,968	4.9	2,769	4.8	2,754	4.9	2,504	4.7	2,220	4.2
Principal on current refunding	203	0.3	159	0.3	230	0.4	—	—	—	—
Other financing uses:										
Payments to refunding bond escrow agent	615	1.0	562	1.0	2,046	3.6	388	0.7	945	1.8
Transfers	6,676	11.1	6,907	12.0	6,972	12.3	7,189	13.5	6,947	13.1
Total expenditures and other financing uses	$ 59,973	100.0	$ 57,461	100.0	$ 56,739	100.0	$ 53,319	100.0	$ 53,217	100.0
Change in Governmental Fund Balance	$ 686		$ (251)		$ (1,448)		$ 1,051		$ 681	

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

See Independent Auditor's Report

Apportionment of Expenditures - Fiscal Year Ended June 30, 2015



UNAUDITED DRAFT

2010	% Total	2009	% Total	2008	% Total	2007	% Total	2006	% Total
$ 59	0.1	$ 60	0.1	$ 58	0.1	$ 59	0.1	$ 55	0.1
769	1.5	797	1.5	796	1.6	799	1.6	660	1.5
4	—	3	—	3	—	3	—	3	—
5	—	8	—	9	—	5	—	5	—
52	0.1	51	0.1	51	0.1	52	0.1	44	0.1
4,862	9.4	5,097	9.8	5,089	10	4,712	9.6	4,803	10.7
18	—	19	—	19	—	18	—	18	—
52	0.1	53	0.1	45	0.1	62	0.1	52	0.1
2	—	2	—	2	—	2	—	1	—
102	0.2	112	0.2	111	0.2	102	0.2	94	0.2
1	—	1	—	1	—	2	—	1	—
394	0.8	296	0.6	295	0.6	272	0.6	247	0.5
2	—	3	—	2	—	2	—	2	—
28	0.1	37	0.1	36	0.1	10	—	8	—
—	—	—	—	—	—	—	—	—	—
13	—	14	—	14	—	14	—	14	—
1,686	3.3	1,709	3.4	1,528	3.1	1,849	3.9	1,651	3.9
403	0.8	352	0.7	312	0.6	318	0.6	282	0.6
—	—	—	—	—	—	402	0.8	536	1.2
—	—	—	—	560	1.1	518	1.1	482	1.1
6,655	12.9	6,684	12.9	6,423	12.6	5,907	12.1	5,865	13
474	0.9	389	0.8	347	0.7	350	0.7	282	0.6
1,209	2.3	—	—	—	—	—	—	—	—
2,968	5.8	2,920	5.6	2,205	4.3	2,048	4.2	1,978	4.4
—	—	—	—	—	—	—	—	—	—
973	1.9	657	1.3	765	1.5	1,411	2.9	2,330	5.2
—	—	—	—	131	0.3	126	0.3	106	0.2
1,282	2.5	1,416	2.7	1,407	2.8	1,238	2.5	1,165	2.6
1,060	2.1	793	1.5	710	1.4	512	1	384	0.9
447	0.9	398	0.8	308	0.6	81	0.2	—	—
10,678	20.8	10,843	20.9	9,770	19.2	9,044	18.5	8,151	18.1
587	1.1	647	1.2	368	0.7	373	0.8	346	0.8
5,030	9.8	5,208	10.1	5,108	10.1	5,072	10.4	4,674	10.4
1	—	3	—	10	—	9	—	8	—
1,300	2.5	2,514	4.9	1,698	3.3	1,724	3.5	1,754	3.9
2,407	4.7	2,410	4.7	2,486	4.9	2,538	5.2	2,088	4.6
—	—	—	—	—	—	—	—	—	—
537	1.0	410	0.8	—	—	1,520	3.1	633	1.4
7,395	14.4	7,887	15.2	10,141	20	7,781	15.9	6,253	13.9
$ 51,455	100.0	$ 51,789	100.0	$ 50,810	100.0	$ 48,935	100.0	$ 44,975	100.0
$ (476)		$ (2,001)		$ (674)		$ 467		$ 2,215	

UNAUDITED DRAFT

Personal Income by Industry
Last Ten Calendar Years

(Amounts in millions)

	2014	2013	2012	2011	2010
Total personal income	**$ 396,206**	**$ 381,271**	**$ 363,944**	**$ 352,243**	**$ 336,400**
Unearned income	94,494	91,615	87,333	83,338	81,190
Farm earnings	178	151	150	136	186
Nonfarm earnings	301,534	289,505	276,461	268,769	255,024
Private earnings	**262,843**	**252,939**	**243,502**	**236,763**	**223,784**
Agricultural services, forestry, fishing	354	373	426	409	383
Mining	270	201	113	124	97
Construction	15,481	14,759	13,426	12,526	11,687
Manufacturing	**25,921**	**25,341**	**26,375**	**25,387**	**25,108**
Durable goods	18,224	17,977	19,223	18,319	18,053
Nondurable goods	7,697	7,364	7,152	7,069	7,055
Transportation and utilities	7,295	7,083	6,742	6,604	6,208
Wholesale trade	13,546	13,483	12,979	13,082	12,501
Retail trade	14,137	13,565	13,333	12,891	12,599
Services	185,839	178,134	170,109	165,740	155,202
Government	**38,691**	**36,567**	**32,959**	**32,006**	**31,240**
Federal, civilian	5,007	4,792	5,442	5,426	5,431
Military	874	943	1,221	1,245	1,260
State and local	32,810	30,832	26,296	25,335	24,550

Personal income tax revenue (fiscal year, statutory basis)	$ 13,202	$ 12,831	$ 11,911	$ 11,576	$ 10,110
Total personal income	$ 396,206	$ 381,271	$ 363,944	$ 352,243	$ 336,400
Average Effective Rate	3.3%	3.4%	3.3%	3.3%	3.0%
Highest Earned Income Tax Rate	5.3%	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.

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UNAUDITED DRAFT

2009	2008	2007	2006	2005
$ 324,680	**$ 335,722**	**$ 322,543**	**$ 304,855**	**$ 282,368**
78,336	80,365	71,529	65,384	55,211
137	180	135	131	126
246,208	255,176	250,878	239,340	227,030
215,396	**225,122**	**222,302**	**211,900**	**200,639**
376	383	405	396	400
101	181	301	363	311
11,717	13,671	14,900	15,193	14,460
23,290	**25,449**	**25,865**	**24,698**	**24,485**
16,466	18,170	18,464	17,639	17,539
6,824	7,280	7,401	7,059	6,947
6,029	6,235	5,891	5,706	5,456
12,458	13,412	13,025	12,538	11,478
12,255	12,545	12,960	12,952	13,188
149,171	153,246	148,954	140,056	130,864
30,812	**30,054**	**28,577**	**27,439**	**26,392**
5,314	5,157	5,045	4,873	4,700
1,220	1,092	1,025	1,005	1,009
24,278	23,806	22,507	21,561	20,683
$ 10,584	$ 12,484	$ 11,400	$ 10,483	$ 9,690
$ 324,680	$ 335,722	$ 322,543	$ 304,855	$ 282,368
3.3%	3.7%	3.5%	3.4%	3.4%
5.3%	5.3%	5.3%	5.3%	5.3%

UNAUDITED DRAFT

Commonwealth of Massachusetts
Personal Income Tax Filers and Liability by Income Level
Calendar (Tax) Years 2013 and 2004

(Amounts, except income level are in thousands)

Calendar Year 2013 (or Fiscal Year 2014)

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$100,001 and higher	685,914	18.9%	$ 8,547,135	70.4%
$75,001 - $100,000	291,759	8.0%	1,088,602	9.0%
$50,001 - $75,000	466,046	12.8%	1,184,509	9.8%
$25,001 - $50,000	773,149	21.4%	1,015,375	8.3%
$10,001 - $25,000	672,885	18.6%	271,784	2.2%
$10,000 and lower	737,335	20.3%	31,216	0.3%
Total	3,627,088	100.0%	$ 12,138,621	100.0%

Calendar Year 2004 (or Fiscal Year 2005)

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$100,001 and higher	442,551	13.4%	$ 5,324,659	59.4%
$75,001 - $100,000	270,812	8.2%	1,026,616	11.5%
$50,001 - $75,000	448,419	13.5%	1,160,455	13.0%
$25,001 - $50,000	792,312	23.9%	1,105,411	12.3%
$10,001 - $25,000	669,959	20.2%	311,447	3.5%
$10,000 and lower	690,528	20.8%	25,812	0.3%
Total	3,314,581	100.0%	$ 8,954,400	100.0%

Source: Massachusetts Department of Revenue - 2013 is the most recent tax year for which complete data is available.

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UNAUDITED DRAFT

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

(Amounts in thousands, except for percentages)

Fiscal Year Ended June 30	Governmental Activities		Business-Type Activities		Total Primary Government	Prior Year Personal Income	Massachusetts Resident Population (4)	Debt as a Percentage of Personal Income	Amount of Debt Per Capita
	Bonded Debt (1)	Capital Leases (2)	Bonded Debt (2)	Capital Leases					
2015	$23,826,301	$42,928	$4,578,604	$9,895	$28,457,728	$396,206,000	6,745	7.2%	$4.22
2014	22,419,852	55,878	4,243,731	14,529	26,733,990	381,271,000	6,709	7.0%	3.99
2013	21,513,039	50,831	3,736,432	19,299	25,319,601	363,943,750	6,656	7.0%	3.81
2012	21,907,683	60,457	3,370,389	23,327	25,361,856	352,242,750	6,612	7.2%	3.87
2011	20,875,055	60,975	3,277,413	31,105	24,244,548	336,399,750	6,564	7.2%	3.72
2010	19,726,507	76,608	2,731,124	40,924	22,575,163	324,680,250	6,518	7.0%	3.49
2009	19,264,569	109,765	2,103,675	58,885	21,536,894	335,721,500	6,469	6.4%	3.35
2008	18,734,440	83,741	2,026,551	67,631	20,912,363	322,542,500	6,432	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

(1) Excludes Massachusetts School Building Authority debt. Amounts of bonded debt for governmental activities are the amount of debt for statutory debt calculation purposes. For fiscal 2006 through 2012, debt outstanding was defined in state finance law as net proceeds of debt issued. State finance law was amended, effective January 1, 2013, to change the statutory definition of outstanding debt from net proceeds to principal. Therefore, fiscal years prior to 2013 are calculated using net proceeds; fiscal 2013 and thereafter are calculated using principal.

(2) Governmental capital leases exclude the lease between the Commonwealth and the Route 3 North Transportation Improvement Association, a discretely presented component unit.

(3) Business-type activities bond debt includes notes payable of the Institutions of Higher Education.

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

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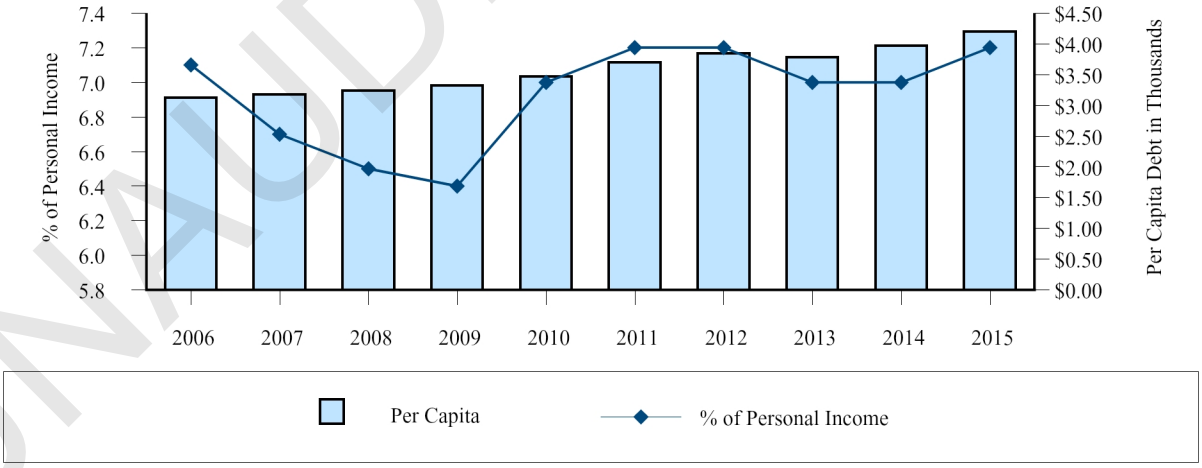
Ten - Year Per Capital Debt and Capital Leases



UNAUDITED DRAFT

Ten Year Schedule of Outstanding Direct Debt and Statutory Debt Limit

(Amounts in thousands)

	2015 (3)	2014 (3)	2013 (3)	2012	2011
Outstanding principal as of June 30 (1)	$ 23,826,301	$ 22,419,852	$ 21,513,039	$ 21,433,553	$ 20,875,056
Plus/(less) amounts excluded:					
Net amortized (discount)/premium and issuance costs	—	—	—	474,130	335,078
Total net proceeds/principal	23,826,301	22,419,852	21,513,039	21,907,683	21,210,134
Less net proceeds/principal of direct debt excluded from statutory debt limit:					
Central artery project bonds	(1,197,127)	(1,241,263)	(1,303,013)	(1,342,841)	(1,356,606)
Accelerated bridge program	(2,195,004)	(1,756,395)	(1,088,605)	(1,095,385)	(676,125)
County debt assumed	—	—	—	(75)	(150)
(Premium)/discount	—	—	—	(474,130)	(335,078)
Grant anticipation notes (2)	—	(178,390)	(349,100)	(510,385)	(666,790)
School Modernization and Reconstruction Trust Bonds	(689,446)	(723,917)	(764,337)	(795,009)	(824,279)
Convention center bonds	(618,705)	(638,700)	(638,700)	(638,700)	(643,715)
MBTA forward funding bonds	(207)	(207)	(207)	(207)	(44,472)
Special obligation gas bonds	(210,635)	(249,705)	(296,395)	(337,545)	(371,665)
Outstanding direct debt, net proceeds/principal	18,915,177	17,631,275	17,072,682	16,713,406	16,291,254
Statutory debt limit*	19,760,659	18,819,675	17,923,500	17,070,000	18,042,424
Debt margin (debt limit less direct debt)	$ 845,482	$ 1,188,400	$ 850,818	$ 356,594	$ 1,751,170
Debt margin as a percentage of direct debt limit	4.3%	6.3%	4.7%	2.1%	9.7%

(1) Exclusive of the Massachusetts School Building Authority debt
(2) Inclusive of crossover refunding amounts
(3) For fiscal 2006 through 2012, debt outstanding was defined in state finance law as net proceeds of debt issued. State finance law was amended, effective January 1, 2013, to change the statutory definition of outstanding debt from net proceeds to principal. Therefore, fiscal years prior to 2013 are calculated using net proceeds; fiscal 2013 and thereafter are calculated using principal.
* Section 60A of Chapter 165 of the Acts of 2012, as amended, reset the statutory defined debt limit, effective July 1, 2012, to $17.070 billion

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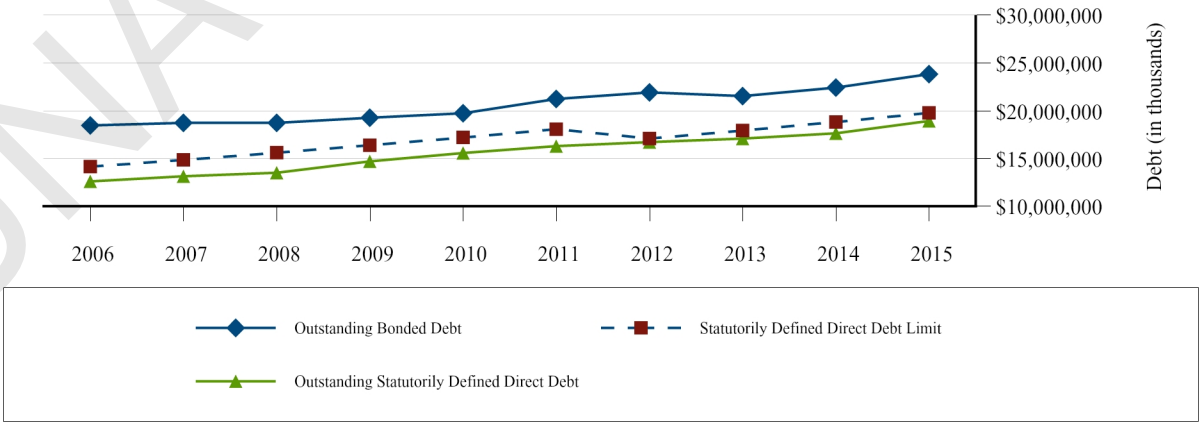
Outstanding Bonded Debt, Statutory Direct Debt and Statutory Debt Limit
2006 - 2015



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2010	2009	2008	2007	2006
19,509,819	$ 19,047,679	$ 18,611,105	$ 18,634,913	$ 18,348,733
216,688	216,890	123,335	102,048	112,673
19,726,507	19,264,569	18,734,440	18,736,961	18,461,406
(1,243,250)	(1,401,581)	(1,434,654)	(1,462,870)	(1,476,287)
—	—	—	—	—
(225)	(300)	(375)	(450)	(525)
216,688	216,890	123,335	102,048	112,673
(997,467)	(1,134,797)	(1,536,206)	(1,666,690)	(1,789,876)
(894,502)	(921,751)	(946,285)	(946,285)	(1,000,002)
(643,715)	(643,715)	(643,715)	(643,715)	(643,715)
(165,559)	(231,000)	(309,203)	(368,873)	(416,830)
(419,785)	(456,984)	(482,953)	(617,226)	(647,551)
15,578,692	14,691,331	13,504,384	13,132,900	12,599,293
17,183,261	16,365,011	15,585,725	14,843,547	14,136,712
1,604,569	$ 1,673,680	$ 2,081,341	$ 1,710,647	$ 1,537,419
9.3%	10.2%	13.4%	11.5%	10.9%

UNAUDITED DRAFT

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, May 2012 and November 2013 (Commonwealth Transportation Fund, or "CTF bonds") are secured by a senior lien on 17.085 cents of the total 24 cent per gallon gasoline tax, the full 21 cents per gallon of special fuels taxes (comprised primarily of taxes on diesel fuel), the full 19.1% of the average price per gallon tax on liquefied natural gas and all Registry of Motor Vehicle fees deposited in the Commonwealth Transportation Fund. Federal Build America Bonds subsidies are also pledged to all CTF bonds. The bonds also have a subordinate lien on 6.86¢ of the 24¢ per gallon gasoline tax not included in the senior lien. Revenues pledged to the bonds are available prior to use for any other purposes. Thus, operating expenses paid from 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.

	2015	2014	2013	2012	2011
Pre-2010 Bond Issues					
Tax Receipts	$ 187,913	$ 187,467	$ 186,638	$ 190,129	$ 189,763
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	$ 187,913	$ 187,467	$ 186,638	$ 190,129	$ 189,763
Annual Debt Service	$ 52,225	$ 52,228	$ 58,922	$ 58,939	$ 59,453
Debt Service Coverage Ratio	3.60	3.59	3.17	3.23	3.19
Ratings History of Bonds (Fitch, Moody's and S&P)*	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1, AAA	AA, Aa1, AAA
Post-2010 Bond Issues (Includes Revenues in Excess of Those Needed to Pay Debt Service on Pre-2010 Highway Bonds)					
Receipts	$ 1,201,056	$ 1,149,580	$ 1,170,297	$ 1,121,709	$ 626,619
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	$ 1,201,056	$ 1,149,580	$ 1,170,297	$ 1,121,709	$ 626,619
Annual Debt Service	$ 81,054	$ 69,921	$ 58,108	$ 32,623	$ 14,318
Debt Service Coverage Ratio	14.82	16.44	20.14	34.38	43.76
Ratings History of Bonds (Fitch, Moody's and S&P)*	NA, Aaa, AAA	NA, Aaa, AAA	NA, Aaa, AAA	NA, Aaa, AAA	NA, 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 in 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	$ 124,937	$ 109,879	$ 100,631	$ 94,234	$ 84,905
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	$ 124,937	$ 109,879	$ 100,631	$ 94,234	$ 84,905
Annual Debt Service	$ 56,110	$ 36,722	$ 36,469	$ 36,345	$ 35,391
Debt Service Coverage Ratio	2.23	2.99	2.76	2.59	2.40
Ratings History of Bonds (Fitch, Moody's and S&P)*	NA, A1, A	NA, A1, A	NA, A1, A	NA, A1, A	NA, A1, A

Grant Anticipation Notes (GANS)

Notes issued prior to December 2010 ("Senior Federal Highway Notes") 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 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	$ 559,178	$ 598,463	$ 636,116	$ 755,985	$ 623,410
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	$ 559,178	$ 598,463	$ 636,116	$ 755,985	$ 623,410
Annual Debt Service	$ 178,390	$ 176,215	$ 174,467	$ 184,394	$ 188,379
Debt Service Coverage Ratio	3.13	3.40	3.65	4.1	3.31
Ratings History of Bonds (Fitch, Moody's and S&P)*	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1,
Amount Appropriated for National Federal Highway Spending (Federal Fiscal Year) (billions) (1)	$ 43,269	$ 42,952	$ 43,427	$ 43,896	$ 44,323
Post 2010 GANS (Includes Revenues in Excess of those Needed to Pay Debt Service on Pre-2010 Highway Bonds and GANS)					
Receipts	$ 1,500,790	$ 1,503,272	$ 1,575,266	$ 1,674,485	$ 909,546
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	$ 1,500,790	$ 1,503,272	$ 1,575,266	$ 1,674,485	$ 909,546
Annual Debt Service	$ 33,472	$ 4,268	$ 4,973	$ 4,271	$ 2,039
Debt Service Coverage Ratio	44.84	352.22	316.76	392.06	446.01
Ratings History of Bonds (Fitch, Moody's and S&P)*	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa2, AAA	AA+, Aa2, AAA	AA+, Aa2,

*(1) Source: The Federal Budget for Fiscal 2016, Historical Tables, Table 9.6 2015 is estimated. *Uninsured rating, if available.*

(2) Reflects rating recalibration

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2010	2009	2008	2007	2006
$ 188,666	$ 189,246	$ 194,785	$ 148,047	$ 239,469
N/A	N/A	N/A	N/A	N/A
$ 188,666	$ 189,246	$ 194,785	$ 148,047	$ 239,469
$ 58,931	$ 58,924	$ 56,535	$ 58,867	$ 56,545
3.2	3.21	3.45	2.51	4.24
AA, Aa2, AA+	AA+, Aa3, AA+	AA-, Aa3, AA	AA-, Aa3, AA	AA-, Aa3, AA
$ 75,432	$ 73,918	$ 78,984	$ 66,347	$ 55,052
N/A	N/A	N/A	N/A	N/A
$ 75,432	$ 73,918	$ 78,984	$ 66,347	$ 55,052
$ 36,296	$ 36,293	$ 35,600	$ 34,486	$ 33,964
2.08	2.04	2.22	1.92	1.62
NA, A1, A	NA, A1, A	NA, A2, A	A2, A	A2, A
$ 761,351	$ 828,956	$ 463,588	$ 462,484	$ 451,284
N/A	N/A	N/A	N/A	N/A
$ 761,351	$ 828,956	$ 463,588	$ 462,484	$ 451,284
$ 196,248	$ 204,788	$ 211,709	$ 211,712	$ 211,712
3.88	4.05	2.19	2.18	2.13
AA+(2), Aa2, AA	AA, Aa3, AA+	Aa3, AA	Aa3, AA	Aa3, AA
$ 43,040	$ 39,358	$ 36,747	$ 34,373	$ 33,975

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Ten-Year Schedule of Percentage of Annual Debt Service Expenditures

For General Bonded Debt to Total Non-Capital Expenditures - Fund Perspective

All Governmental Fund Types

(Amounts in thousands)

Fiscal year ended June 30	Debt service (1)	Total Non-capital expenditures (2)	Ratio (%)
2015	$2,703,200	$46,601,933	5.8
2014	2,928,801	43,953,346	6.7
2013	2,753,715	41,403,978	6.7
2012	2,504,253	40,234,846	6.2
2011	2,219,667	39,126,733	5.7
2010	2,407,270	37,519,262	6.4
2009	2,409,590	37,878,441	6.4
2008	2,486,403	35,608,652	7.0
2007	2,538,134	33,918,074	7.5
2006	2,028,441	31,831,391	6.4

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

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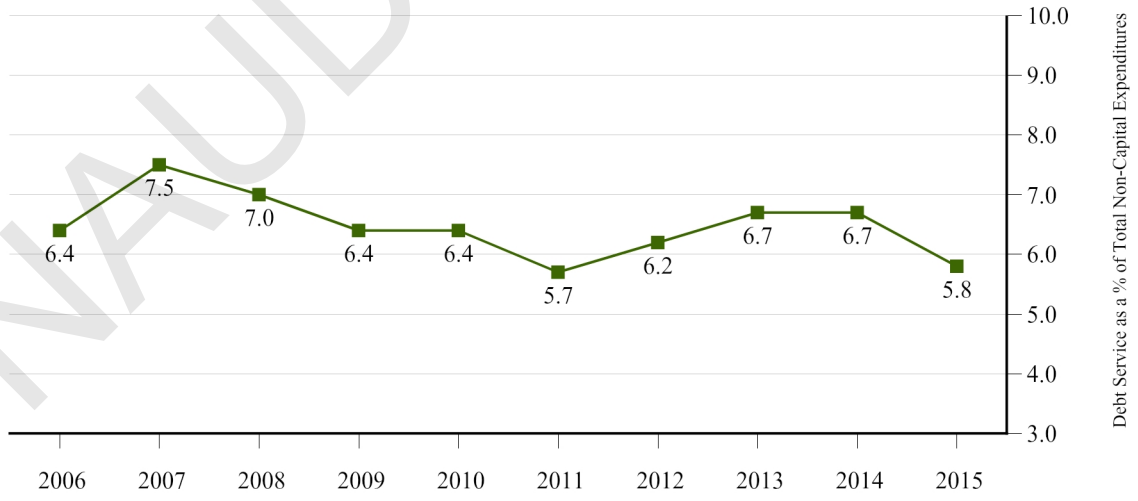
Debt Service to Non-Capital Expenditures Ratio 2006 - 2015



UNAUDITED DRAFT

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 (%)
2015	$1,950,292	$1,417,420	1.38
2014	1,481,374	1,126,392	1.32
2013	1,585,500	1,244,358	1.27
2012	1,584,013	1,517,899	1.04
2011	1,444,813	1,170,149	1.23
2010	1,460,045	1,383,231	1.06
2009	1,825,018	1,066,175	1.71
2008	1,753,149	831,978	2.11
2007	1,725,941	853,752	2.02
2006	1,499,896	825,170	1.82

(1) Net revenues represent revenue pledged and available for the repayment of revenue bonds. In most cases, revenue pledged for the bonds is available prior to use for any other purposes. Thus operating expenses paid from these revenue sources are not applicable when calculating debt service coverage and are not subtracted from pledged revenues.

(2) Debt service requirements represent total debt service payments made less debt service paid on short-term borrowings of only those Authorities with revenue bonds outstanding.

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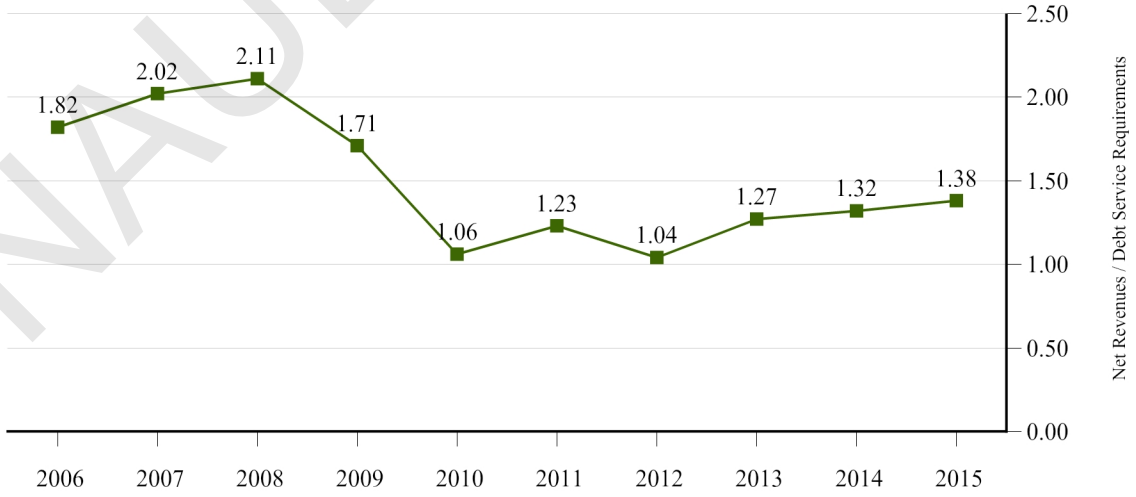
Source: Office of the Comptroller

Component Units Revenue Bond Coverage 2006 - 2015



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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.
2015	318,857	0.7%	6,745	0.5%	2.1%
2014	316,498	0.8%	6,709	0.8%	2.1%
2013	314,112	0.8%	6,656	0.7%	2.1%
2012	311,722	0.8%	6,612	0.7%	2.1%
2011	309,347	0.8%	6,564	0.7%	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%

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

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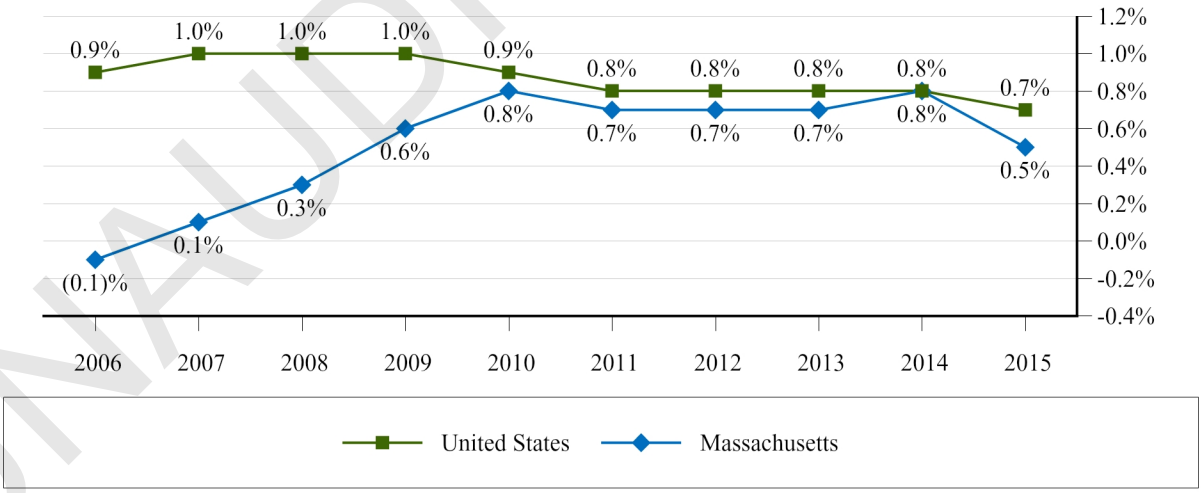
Massachusetts and United States Estimated Year-to-Year Population Change
2006 - 2015



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

Calendar year	United States	% Change	Massachusetts	% Change	Massachusetts as % of U.S.
2014	$ 46,049	3.6 %	$ 58,737	3.9 %	127.6%
2013	44,438	0.4 %	56,549	(0.4)%	127.3%
2012	44,266	4.3 %	56,752	4.5 %	128.2%
2011	42,453	5.4 %	54,327	5.2 %	128.0%
2010	40,277	2.3 %	51,643	2.7 %	128.2%
2009	39,376	(4.2)%	50,296	(2.8)%	127.7%
2008	41,082	3.2 %	51,742	3.3 %	125.9%
2007	39,821	4.4 %	50,103	4.5 %	125.8%
2006	38,144	6.2 %	47,940	7.5 %	125.7%
2005	35,904	4.6 %	44,596	4.5 %	124.2%

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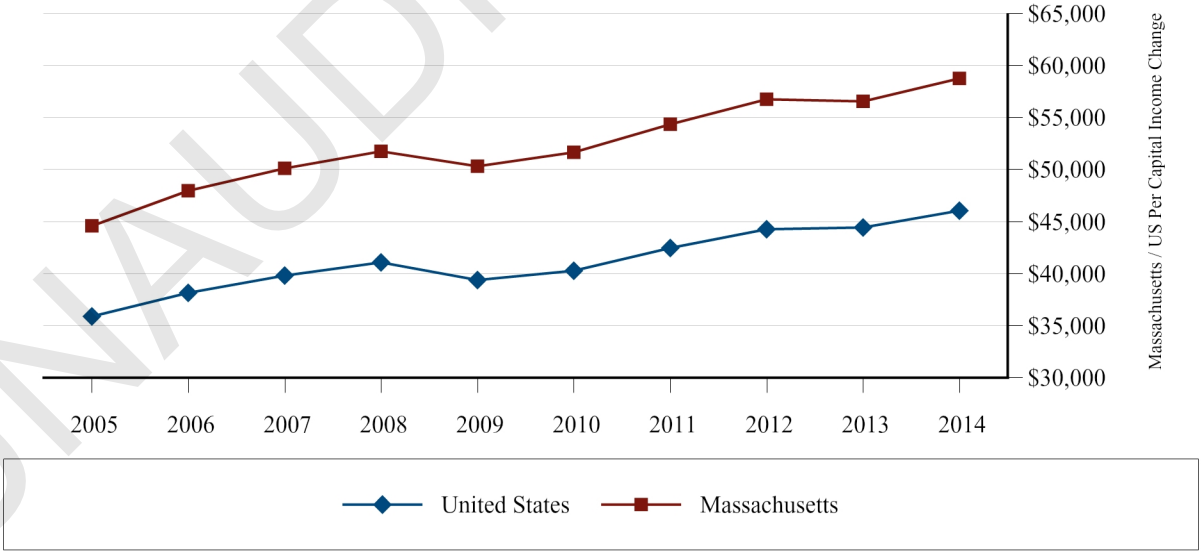
Source: Bureau of Economic Analysis, US Department of Commerce. Prior years restated due to revised estimates released on September 30, 2015.

Massachusetts and United States Estimated Year-to-Year Population Change
2005 - 2014



UNAUDITED DRAFT

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
2015	3,598	185	5.1%	156,613	8,915	5.7%	90.3%
2014	3,526	217	6.2%	155,482	10,513	6.8%	91.0%
2013	3,492	234	6.7%	155,336	12,076	7.8%	86.2%
2012	3,472	237	6.8%	154,301	13,150	8.5%	80.1%
2011	3,463	267	7.7%	153,624	14,254	9.3%	83.1%
2010	3,470	300	8.6%	153,906	15,009	9.8%	88.7%
2009	3,470	244	7.0%	154,559	11,767	7.6%	92.4%
2008	3,434	165	4.8%	153,680	7,593	4.9%	97.2%
2007	3,424	164	4.8%	152,438	6,904	4.5%	105.8%
2006	3,392	165	4.9%	150,353	7,252	4.8%	100.9%

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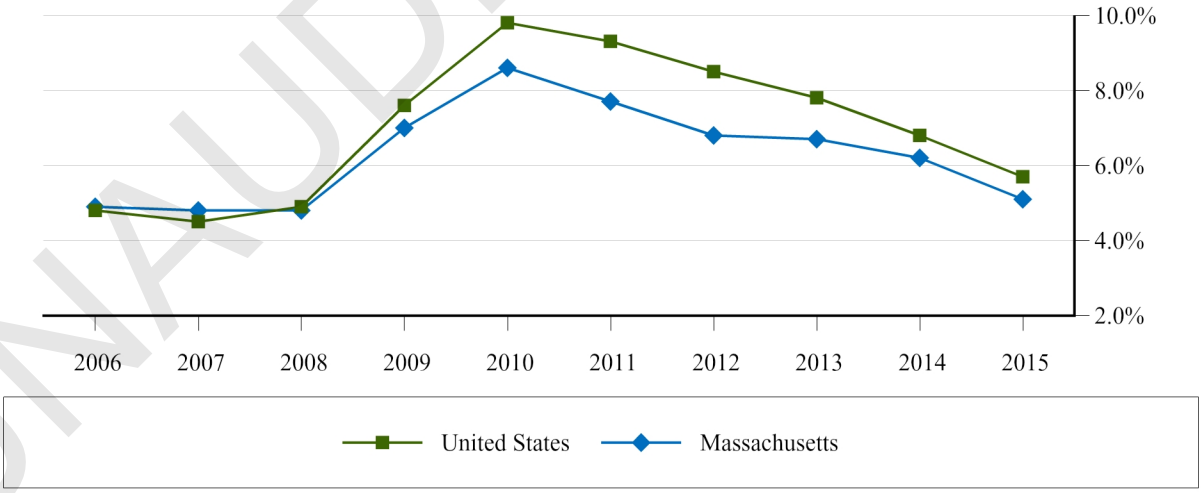
Massachusetts and United States Average Unemployment Rates FY2006 to FY2015



Source: Federal Bureau of Labor Statistics, October 2015. Seasonally adjusted. Previous data has been updated by the Federal Bureau of Labor Statistics

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Largest Private Sector Massachusetts Employers 2015 and 2006

(Alphabetical Order)

2015			2006		
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	Boston University	Boston	University
Brigham and Women's Hospital, Inc.	Boston	Hospital	Brigham and Women's Hospital, Inc.	Boston	Hospital
DeMoulas Supermarkets, Inc.	Tewksbury	Supermarket	DeMoulas Supermarkets, Inc.	Tewksbury	Supermarket
EMC Corporation	Hopkinton	Computer Storage & Peripherals	EMC Corporation	Hopkinton	Computer Storage & Peripherals
General Hospital Corporation	Boston	Hospital	Friendly Ice Cream Corporation	Wilbraham	Food Service
Harvard University	Cambridge	University	General Hospital Corporation	Boston	Hospital
Massachusetts Institute of Technology	Cambridge	University	Harvard University	Cambridge	University
Partners Healthcare Systems, Inc.	Boston	Hospital	Massachusetts Institute of Technology	Cambridge	University
Raytheon Company	Lexington	Electronics / Defense	Raytheon Company	Lexington	Electronics / Defense
The Stop & Shop Supermarkets , Co.	Quincy	Supermarket	S & S Credit Company, Inc (Stop & Shop)	Quincy	Supermarket
Shaw's Supermarkets, Inc.	West Bridgewater	Supermarket	Shaw's Supermarkets, Inc.	West Bridgewater	Supermarket
Southcoast Hospitals Group	New Bedford	Hospital	Southcoast Hospitals Group	New Bedford	Hospital
State Street Bank and Trust Company	Boston	Banking	State Street Bank and Trust Company	Boston	Banking
The Children's Hospital Corporation	Boston	Hospital	The Children's Hospital Corporation	Boston	Hospital
The TJX Companies, Inc.	Framingham	Retail	UMASS Memorial Medical Center, Inc.	Worcester	Hospital
UMASS Memorial Medical Center, Inc.	Worcester	Hospital			

Source: Massachusetts Executive Office of Labor and Workforce Development, Division of Unemployment Assistance - March 2015 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 register each store, facility or franchisee as a separate employer.

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UNAUDITED DRAFT

Full Time Equivalent Employees

By Function / Program

Last Ten Years

Functions / Programs	2015	2014	2013	2012	2011
General government	7,696	7,637	7,627	7,408	8,020
Judiciary	7,264	7,195	7,297	7,087	7,111
Energy and environmental affairs	2,689	2,629	2,684	2,685	2,737
Health and human services	22,060	21,496	21,996	21,042	21,011
Transportation and construction	4,357	4,301	4,243	4,230	4,209
Education	970	1,099	928	922	1,037
Public safety and homeland security	17,057	17,215	16,907	16,503	15,785
Housing and economic development	884	891	868	845	831
Higher Education:					
University of Massachusetts	14,670	14,066	14,688	14,159	14,159
State universities	5,422	4,969	4,856	4,747	4,487
Community colleges	4,692	4,990	5,111	4,834	4,684
Totals	**87,760**	**86,488**	**87,205**	**84,462**	**84,070**
Percentage change	**1.5%**	**(0.8)%**	**3.2%**	**0.5%**	**(0.9)%**

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 construction 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 pages 20-21 of Management's Discussion and Analysis for details).

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2010	2009	2008	2007	2006	Change - 2015 from 2006
8,280	6,277	6,368	6,204	6,177	24.6 %
7,388	7,821	8,021	7,993	7,635	(4.9)%
2,783	2,955	2,928	2,847	2,686	0.1 %
21,401	22,605	23,322	22,972	22,935	(3.8)%
4,127	3,043	2,892	1,903	2,708	60.9 %
1,575	844	615	617	651	49.0 %
15,857	13,951	14,242	14,550	13,517	26.2 %
846	2,314	2,302	2,339	2,264	(61.0)%
14,031	13,814	13,651	13,602	13,360	9.8 %
4,282	4,650	4,519	4,495	4,301	26.1 %
4,276	4,781	4,775	4,689	4,603	1.9 %
84,846	**83,055**	**83,636**	**82,211**	**80,837**	8.6 %
2.2%	**(0.7)%**	**1.7%**	**1.7%**	**2.1%**	

UNAUDITED DRAFT

Average Annual Medicaid Caseload and
Medicaid Expenditures - Fund Perspective
Last Ten Fiscal Years
(Caseload amount in thousands, Expenditure amounts in Millions)

Fiscal year ended June 30	Average Annual Caseload	Medicaid expenditures	Average Expenditures per Case
2015	1,903	$15,087	$7,928
2014	1,556	14,035	9,020
2013	1,413	12,286	8,695
2012	1,361	11,708	8,602
2011	1,315	12,124	9,220
2010	1,263	10,678	8,454
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

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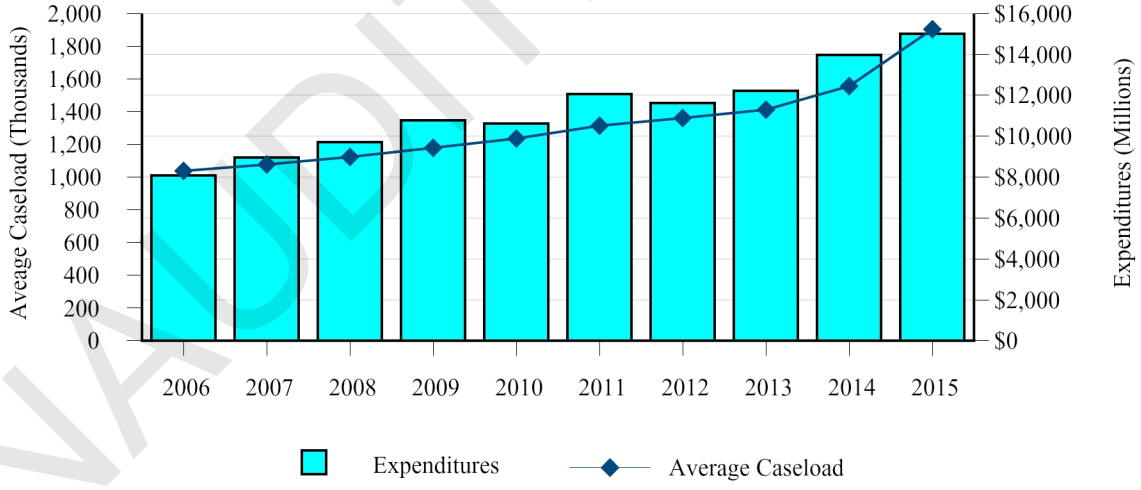
Average Annual Caseload and Mediciad Expenditures 2006 - 2015



* Includes members in transitional coverage program starting January 1, 2014.

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

Calendar Year	Interstate	Arterial	Collector	Local	Total	% Change	Total Urban	Total Rural
2014	3,211	15,645	9,048	44,472	72,376	(0.01)%	85.7%	14.3%
2013	3,211	15,674	9,058	44,438	72,381	0.16%	85.7%	14.3%
2012	3,212	15,639	9,038	44,379	72,268	0.13%	85.8%	14.2%
2011	3,212	15,051	9,611	44,300	72,174	0.2%	81.1%	18.9%
2010*	3,210	15,047	9,607	44,169	72,033	0.2%	81.1%	18.9%
2009	3,212	14,974	9,589	44,112	71,887	0.3%	81.1%	18.9%
2008	3,212	14,976	9,591	43,893	71,672	0.4%	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%	19%
2005	3,202	14,966	9,573	43,303	71,044	0.11%	81%	19%

*2010 was restated to include both urban and rural roads.

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

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Massachusetts Real Property Owned and Leased

Annual Inventory, Acreage, Improvements and Square Footage

Last Ten Years

Functions/Programs	Survey Year 2015	Survey Year 2014	Survey Year 2013	Survey Year 2012	Survey Year 2011
General Government:					
Total Acreage	2,574	3,114	3,101	3,039	2,993
Number of Improvements	173	513	333	279	255
Gross square footage	6,803,498	10,916,681	9,076,550	7,690,761	7,206,548
Judiciary:					
Total Acreage	153	149	148	148	141
Number of Improvements	75	74	73	73	68
Gross square footage	4,843,949	5,310,049	4,700,920	4,700,920	4,787,564
Energy and environmental affairs					
Total Acreage	674,046	668,631	652,400	642,799	627,286
Number of Improvements	2,186	1,806	2,192	2,191	2,182
Gross square footage	8,134,142	6,507,161	7,287,961	7,283,666	7,295,922
Housing and economic development:					
Total Acreage	2	—	2	2	2
Number of Improvements	6	4	5	5	6
Gross square footage	78,012	57,812	68,412	68,412	77,642
Health and human services:					
Total Acreage	5,623	5,834	5,829	6,407	6,449
Number of Improvements	627	907	792	855	866
Gross square footage	8,360,310	10,995,096	9,759,611	10,923,090	10,834,266
Transportation and public works:					
Total Acreage	6,966	7,014	6,965	6,972	7,013
Number of Improvements	929	675	921	919	918
Gross square footage	4,919,282	1,989,583	4,876,689	4,876,689	4,873,783
Education:					
Total Acreage	208	208	208	208	233
Number of Improvements	40	40	43	43	43
Gross square footage	207,633	205,503	272,352	272,352	272,352
Public safety and homeland security:					
Total Acreage	19,150	19,166	19,169	19,172	19,158
Number of Improvements	1,014	1,083	997	990	991
Gross square footage	13,376,555	14,402,161	12,213,112	12,191,229	12,141,396
Higher Education:					
Total Acreage	7,243	7,128	7,473	7,254	7,178
Number of Improvements	1,076	873	1,009	1,007	987
Gross square footage	38,411,260	29,666,140	32,594,800	32,523,400	32,144,815
Totals for Commonwealth (exclusive of Component Units):					
Total Acreage	**715,965**	**711,244**	**695,295**	**686,001**	**670,454**
Number of Improvements	**3,940**	**5,975**	**6,365**	**6,362**	**6,316**
Gross square footage	**85,134,641**	**80,050,186**	**80,850,407**	**80,530,519**	**79,634,288**
Percentage Change for Commonwealth:					
Acreage	**0.7 %**	**2.3 %**	**1.4%**	**2.3%**	**0.6 %**
Improvement	**(34.1)%**	**(6.1)%**	**—%**	**0.7%**	**— %**
Gross square footage	**6.4 %**	**(1)%**	**0.4%**	**1.1%**	**(0.1)%**

Source: *Executive Office of Administration and Finance, Division of Capital Asset Management.* See http://www.mass.gov/anf/property-mgmt-and-construction/sale-and-lease-of-state-assets/comprehensive-real-estate-serv/massets-reports.html

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UNAUDITED DRAFT

Survey Year 2010	Survey Year 2009	Survey Year 2008	Survey Year 2007	Survey Year 2006
2,373	2,495	1,858	1,681	2,050
227	240	163	84	232
6,797,819	6,660,792	5,736,028	4,767,751	6,745,962
141	141	145	135	118
68	69	71	71	68
4,787,564	4,826,836	5,080,836	4,889,645	4,351,128
623,952	606,662	591,511	586,173	569,282
2,183	2,170	2,162	2,156	2,159
7,299,322	7,246,280	7,242,870	7,185,678	7,057,840
2	2	2	2	2
6	6	6	6	6
77,642	77,642	77,642	77,642	77,642
7,196	7,166	7,259	7,604	7,615
866	902	980	1,059	1,001
10,809,259	11,214,034	12,270,433	13,371,858	12,333,804
6,966	7,050	6,930	6,933	7,217
918	915	915	914	910
4,876,689	4,876,936	4,876,936	4,856,942	4,845,365
233	233	233	233	233
43	43	43	43	43
272,352	272,352	272,352	272,352	272,352
18,693	18,331	18,324	18,319	17,530
1,029	1,028	1,023	1,031	1,026
12,685,447	12,632,897	12,631,497	12,768,250	12,885,742
7,169	7,151	7,149	7,133	7,089
975	937	940	932	933
32,117,854	31,101,329	31,197,929	30,947,996	30,870,743
666,725	**649,231**	**633,412**	**628,212**	**611,136**
6,315	**6,310**	**6,303**	**6,296**	**6,378**
79,723,948	**78,909,098**	**79,386,523**	**79,138,114**	**79,440,578**
2.7%	**2.5 %**	**0.8%**	**2.8 %**	**1.8 %**
0.1%	**0.1 %**	**0.1%**	**(1.3)%**	**(1.3)%**
1%	**(0.6)%**	**0.3%**	**(0.4)%**	**(3)%**

UNAUDITED DRAFT

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

Academic Year	Fall 2014	Fall 2013	Fall 2012	Fall 2011	Fall 2010
ENROLLMENT					
University System					
Undergraduate (FTE)	49,725	48,893	48,136	47,432	48,018
Graduate (FTE)	12,576	12,442	12,202	12,048	11,734
System Enrollment	**62,301**	**61,335**	**60,338**	**59,480**	**59,752**
State University System					
Undergraduate (FTE)	35,507	35,429	34,773	35,639	36,721
Graduate (FTE)	7,507	7,704	7,894	6,224	7,227
System Enrollment	**43,014**	**43,133**	**42,667**	**41,863**	**43,948**
Community College System					
Undergraduate (FTE)	58,764	64,584	62,445	64,586	64,971

DEGREES CONFERRED	2015	2014	2013	2012	2011
University System					
Certificates (MD's)	N/A	376	426	348	246
Associate's	N/A	96	121	97	100
Bachelors	N/A	11,544	10,910	10,399	9,958
Masters	N/A	3,559	3,442	3,360	3,242
Doctoral	N/A	502	486	450	414
Cert. of Adv. Grad. Study	N/A	77	62	89	87
Post-Bacc. Certificate	N/A	691	664	659	550
First Professional	N/A	79	103	43	47
Total Degrees	**N/A**	**16,924**	**16,214**	**15,445**	**14,644**
State University System					
Certificates	N/A	34	37	29	35
Bachelors	N/A	8,184	8,024	7,722	7,190
Masters	N/A	2,478	2,327	2,404	2,376
Cert. of Adv. Grad. Study	N/A	114	108	143	116
Post-Bacc. Certificate	N/A	327	371	362	408
Total Degrees	**N/A**	**11,137**	**10,867**	**10,660**	**10,125**
Community College System					
Certificates	N/A	3,365	2,929	2,888	3,020
Associates	N/A	11,341	10,772	10,404	9,693
Total Degrees	**N/A**	**14,706**	**13,701**	**13,292**	**12,713**
Total All Systems - Degrees	**N/A**	**42,767**	**40,782**	**39,397**	**37,482**

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

N/A - Data not available for degrees issued in the 2015 academic year.

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UNAUDITED DRAFT

Fall 2009	Fall 2008	Fall 2007	Fall 2006	Fall 2005	Change - 2014 from 2005
44,543	42,768	40,806	47,432	48,018	3.6 %
10,177	9,460	9,328	12,048	11,734	7.2 %
54,720	**52,228**	**50,134**	**59,480**	**59,752**	**4.3 %**
34,129	33,040	32,106	35,639	36,721	(3.3)%
4,582	4,495	4,428	6,224	7,227	3.9 %
38,711	**37,535**	**36,534**	**41,863**	**43,948**	**(2.1)%**
60,602	54,228	51,257	64,586	64,971	(9.6)%

2010	2009	2008	2007	2006	Change - 2015 from 2006
329	280	270	268	260	N/A
111	103	96	117	99	N/A
9,362	8,763	8,437	8,191	8,089	N/A
3,029	2,882	2,808	2,503	2,484	N/A
400	381	390	443	371	N/A
79	70	86	77	97	N/A
509	173	133	146	115	N/A
—	—	—	—	—	N/A
13,819	**12,652**	**12,220**	**11,745**	**11,515**	**N/A**
572	605	597	615	556	N/A
6,886	6,621	6,328	6,207	5,885	N/A
2,467	2,343	2,318	2,201	2,190	N/A
170	157	224	151	179	N/A
362	406	347	431	361	N/A
10,457	**10,132**	**9,814**	**9,605**	**9,171**	**N/A**
2,770	2,587	2,495	2,297	2,422	N/A
9,257	8,549	8,247	7,942	8,024	N/A
12,027	**11,136**	**10,742**	**10,239**	**10,446**	**N/A**
36,303	**33,920**	**32,776**	**31,589**	**31,132**	**N/A**

UNAUDITED DRAFT

Calculation of Transfers: Stabilization Fund

June 30, 2015

(Amounts are in thousands)

This statement is prepared on the statutory basis of accounting pursuant to General Laws Chapter 29, Section 5c and Section 53A of Chapter 119 of the Acts of 2015, which superseded certain parts of 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	Massachusetts Tourism	Local Capital Projects	Gaming Local Aid	Manufacturing	Community College	Total
Budgeted Fund Undesignated Balances	$ 111,702	$ (71,484)	$ 31,399	$ 39,675	$ (17,994)	$ 21,713	$ 28,498	$143,507
Fund Balance Deficit Elimination Transfers Per Section 5C of Ch. 29	(42,896)	71,484	(12,062)	(15,238)	17,994	(8,339)	(10,943)	—
Fund Balances after Deficit Elimination Transfers (Consolidated Net Surplus)	68,806	—	19,337	24,437	—	13,374	17,555	143,507
Disposition of Consolidated Net Surplus per Section 53A of Ch. 119 of the Acts of 2015:								
To the Massachusetts Community Preservation Trust Fund	(10,000)	—	—	—	—	—	—	(10,000)
To the Massachusetts Life Sciences Investment Fund	(10,000)	—	—	—	—	—	—	(10,000)
Remaining Consolidated Net Surplus to be Deposited in Stabilization Fund per Section 53A of Ch. 119 of the Acts of 2015	$ 48,806	$ —	$ 19,337	$ 24,437	$ —	$ 13,374	$ 17,555	$123,507

Stabilization Balance Reconciliation:

Balance as of July 1, 2014		**$ 1,248,435**
Reimbursement of Massachusetts Gaming Commission start-up funds per Section 94 of Ch. 194 of the Acts of 2011		20,000
Transfer of investment income, certain tax revenues, and other recoveries to the General Fund, per Ch. 165 of the Acts of 2014		6,695
Adjustment to General Fund transfer for change in market value and other accruals		(1,402)
Less Transfers from Stabilization Fund:		
Investment Income to General Fund per Sec.259(b) of Ch. 165 of the Acts of 2014	(4,806)	
To General Fund Per Sec. 259(a) of Ch. 165 of the Acts of 2014	(140,000)	
Total Transfers from Stabilization Fund during FY 2015		(144,806)
Remaining Consolidated Net Surplus Deposited in Stabilization Fund, per Calculation Above		123,507
Stabilization Fund Balance as of June 30, 2015		**$ 1,252,429**

See Independent Auditor's Report

UNAUDITED DRAFT

Calculation Of Transfers: Tax Reduction Fund

June 30, 2015

(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	$ 1,252,429
Allowable Stabilization Fund balance	5,735,471
Stabilization Fund excess, if any, transferable to Tax Reduction Fund	$ —

Part 2: Status of Stabilization Fund after transfers:

Stabilization Fund balance	$ 1,252,429
Transfer to Tax Reduction Fund	—
Stabilization Fund balance after transfer to Tax Reduction Fund	$ 1,252,429

Part 3: Status of Tax Reduction Fund after transfers:

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

See Independent Auditor's Report

UNAUDITED DRAFT

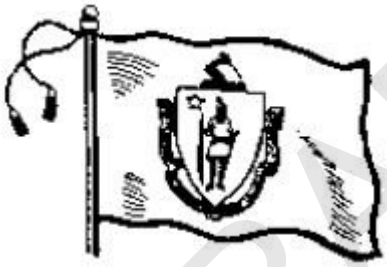
MASSACHUSETTS GENERAL INFORMATION

Admitted to Union (6th State):	1788	**Capital:**	Boston
Population:	6,745,408	**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.

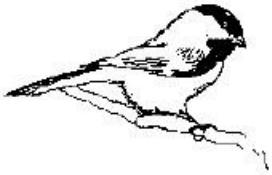
The State Flower

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	**Muffin:**	The Corn Muffin	**Horse:**	The Morgan Horse
Dessert:	Boston Cream Pie	**Cookie:**	Chocolate Chip	**Bean:**	Navy Bean

UNAUDITED DRAFT