massDOT
Massachusetts Department of Transportation

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION

(A Component Unit of the Commonwealth of Massachusetts)

Basic Financial Statements, Required Supplementary Information and Supplementary Information

June 30, 2023

(With Independent Auditors' Report Thereon)

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Table of Contents

	Page(s)
Independent Auditors' Report	1
Management Discussion and Analysis (Unaudited)	5
Financial Statements:	
Statement of Net Position	22
Statement of Activities	24
Governmental Funds Balance Sheet	25
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position	26
Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances	27
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Proprietary Funds Statement of Net Position	29
Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position	30
Proprietary Funds Statement of Cash Flows	31
Fiduciary Funds Statement of Fiduciary Net Position	32
Fiduciary Funds Statement of Fiduciary Changes in Net Position	33
Notes to Financial Statements	34
Required Supplementary Information (Unaudited)	
Schedule of MassDOT's Proportionate Share of the Net Pension Liability	72
Schedule of MassDOT's Pension Contributions	73
Schedule of MassDOT's Proportionate Share of the Net OPEB Liability	74
Schedule of MassDOT's OPEB Contributions	75
Other Supplementary Information	
Massachusetts Transportation Trust Fund Combining Balance Sheet	76
Massachusetts Transportation Trust Fund Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	77

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

Independent Auditors' Report

Members of the Board of Directors
Massachusetts Department of Transportation:

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Massachusetts Department of Transportation (MassDOT), a component unit of the Commonwealth of Massachusetts, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the MassDOT's basic financial statements as listed in the table of contents.

We did not audit the financial statements of the discretely presented component units disclosed in note 1(b) to the basic financial statements, which represent 100% of the aggregate discretely presented component units. Those statements, except for Cape Ann Transportation Authority, Greater Attleboro-Taunton Regional Transit Authority, MetroWest Regional Transit Authority and Merrimack Valley Regional Transit Authority, were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors.

Summary of Opinions

Opinion unit	Type of opinion
Governmental Activities	Unmodified
Aggregate Discretely Presented Component Units	Qualified
Governmental – General Fund (MTTF)	Unmodified
Governmental – Highway Capital Projects Fund	Unmodified
Governmental – Central Artery Repair and Maintenance Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Qualified Opinion on Aggregate Discretely Presented Component Units

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of MassDOT, as of June 30, 2023, and the changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Unmodified Opinions on Governmental Activities, Each Major Fund and Aggregate Remaining Fund Information

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of MassDOT, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MassDOT and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matter Giving Rise to Qualified Opinion on Aggregate Discretely Presented Component Units

MassDOT did not obtain audited financial statements for Cape Ann Transportation Authority, Greater Attleboro-Taunton Regional Transit Authority, MetroWest Regional Transit Authority and Merrimack Valley Regional Transit Authority, which represents 22.5% of the total assets and 21.1% of the total revenues of the aggregate discretely presented component units. Accordingly, we were unable to obtain sufficient appropriate audit evidence about the amounts included in the aggregate discretely presented component units for Cape Ann Transportation Authority, Greater Attleboro-Taunton Regional Transit Authority, MetroWest Regional Transit Authority and Merrimack Valley Regional Transit Authority. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2024 on our consideration of MassDOT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MassDOT's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MassDOT's internal control over financial reporting and compliance.

KPMG LLP

Boston, Massachusetts
March 11, 2024

Management of the Massachusetts Department of Transportation (MassDOT) provides this Management's Discussion and Analysis to assist readers of its financial statements to better understand the financial activities of MassDOT for the fiscal year ended June 30, 2023. We encourage readers to consider this information in conjunction with MassDOT's basic financial statements, which follow this section.

Overview of the Financial Statements

MassDOT's financial statements present two types of statements each with a different view of MassDOT's finances. This approach focuses on both MassDOT as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about MassDOT as a whole. The fund financial statements focus on the individual parts of MassDOT, reporting MassDOT's operations in more detail than the government-wide financial statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance MassDOT's accountability. Also included in the report is the financial information about activities for which MassDOT acts solely as a trustee or agent for the benefit of those outside of the government. Additional parts of the basic financial statements are the notes to the financial statements, required supplementary information and other supplementary information, which is used to assist readers and investors in reviewing MassDOT's general fund operations in more detail.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of MassDOT as a whole, with the exception of fiduciary activities, and use accounting methods similar to those used by private-sector companies. The statements provide both short-term and long-term information about MassDOT's financial situation and are prepared using the flow of economic resources measurement focus and the full accrual basis of accounting. All revenues and expenses connected with the fiscal year are reported regardless of the timing of cash flows. The government-wide financial statements include the following two statements:

Statement of Net Position – Presents all of MassDOT's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference being reported as "net position". The net position is widely considered a good measure of MassDOT's financial health as increases and decreases in MassDOT's net position serve as a useful indicator of whether MassDOT's financial position is improving or deteriorating. The reader should consider other nonfinancial factors, such as the condition of MassDOT's infrastructure, ways and structures when evaluating financial information.

Statement of Activities – Presents information showing how MassDOT's net position changed during the most recent fiscal year. Revenues, expenses, and gains/losses are reported for some items that will not result in cash flows until future fiscal periods (i.e., accounts receivable, long-term debt, etc.). This statement also presents a comparison between direct expenses and program revenues for each division of MassDOT.

The government-wide financial statements present information to summarize MassDOT's activities. The types of activities presented are as follows:

Governmental Activities – Most of MassDOT's basic services (which are primarily funded by toll revenues, contract assistance from the Commonwealth and other nonexchange revenues) are reported in this section by operational division, which are as follows: Highway, Registry of Motor Vehicles, Rail and Transit, and Aeronautics as well as shared services represented by Planning and Enterprise Services (formerly the Office of the Secretary).

Aggregate Discretely Presented Component Units – Separate legal entities for which MassDOT has financial accountability are included in this section. These entities consist of fifteen regional transit authorities and operate similar to private sector companies. The separately audited financial statements of MassDOT's component units may be obtained by directly contacting the various entities.

The fifteen regional transit authorities are as follows:

Berkshire Regional Transit Authority
Brockton Area Transit Authority
Cape Ann Transportation Authority
Cape Cod Regional Transit Authority
Franklin Regional Transit Authority
Greater Attleboro/Taunton Regional Transit Authority
Lowell Regional Transit Authority
Martha's Vineyard Transit Authority
Merrimack Valley Regional Transit Authority
Metrowest Regional Transit Authority
Montachusett Regional Transit Authority
Nantucket Regional Transit Authority
Pioneer Valley Transit Authority
Southeastern Regional Transit Authority
Worcester Regional Transit Authority

Fund Financial Statements

Users of government financial statements will find the fund financial statement presentation to be most familiar. A fund is a grouping of related accounts that is used to maintain control over resources that have been allocated to specific projects or activities. MassDOT uses fund accounting to ensure and demonstrate compliance with several finance related legal requirements.

All of the funds of MassDOT can be divided into three categories as follows:

Governmental Funds – Most of the basic services provided by MassDOT are financed through governmental funds, which are defined as a set of accounts, focused on near-term inflows and outflows of resources to be spent. These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. The focus is also on the balances left at the end of the fiscal year available for spending. This information is useful in evaluating MassDOT's near-term financing requirements and it is based on the modified accrual basis of accounting. Such statements provide a detailed short-term view of MassDOT's finances that assist in determining whether there will be adequate financial resources available to meet current needs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison will assist the reader in understanding the long-term impact of the government's near-term financing decisions. The governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances include reconciliations to facilitate the comparison. The reconciliations are presented on the page immediately following each respective governmental funds' financial statement.

MassDOT has several governmental funds; three of them, the Massachusetts Transportation Trust Fund (MTTF), Highway Capital Projects Fund and the Central Artery/Tunnel Project Repair and Maintenance Trust (CARM) Fund are considered major funds for presentation purposes. Each major fund is presented in a separate column in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The remaining governmental funds, which primarily consist of federal grant programs and the Motor Vehicle Inspection Trust Fund (MVITF) are aggregated and presented as other governmental funds.

Proprietary Funds – An internal service fund is used to account for the Owner Controlled Insurance Program that was established to pay contractors' workers' compensation claims related to the Central Artery/Tunnel Project. The services provided by the internal service fund benefit the governmental function and, as a result, are included within governmental activities in the government-wide financial statements.

Proprietary funds financial statements provide the same type of information as in the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary funds financial statements use the full accrual basis of accounting.

Fiduciary Funds – Such funds are used to account for resources held for the benefit of parties outside MassDOT. These resources include, but are not limited to, grants collected for regional airports where MassDOT has no direct administrative involvement, inter-agency toll collections for other state

governments, and real estate escrow deposit collections.. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support MassDOT's own programs. The full accrual basis of accounting is used for fiduciary funds.

MassDOTs' fiduciary funds are Custodial funds which report resources held temporarily before being passed along to the intended beneficiaries.

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

The notes provide additional information that is essential for a full understanding of the data reported in the government-wide and fund financial statements.

The required supplementary information section includes pension schedules related to MassDOT's proportionate share of net pension liability and pension contributions, as required by GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*", and Other Post Employment Benefit (OPEB) schedules related to MassDOT's proportionate share of net OPEB liability and OPEB contributions, as required by GASB 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*".

The supplementary information includes a combining balance sheet and a combining schedule of revenues, expenditures and changes in fund balances for MassDOT's general fund (MTTF). The supplementary information provides details for the MTTF's Metropolitan Highway System (MHS), Western Turnpike (WT), Tobin Bridge and Other Operations.

Government-Wide Financial Analysis

Net Position

The following table reflects a condensed statement of net position based on the government-wide financial statements.

Condensed Statement of Net Position
June 30, 2023 and 2022
(in thousands of dollars)

	Governmental activities		Change year over year	
	2023	**2022**	**Amount**	**%**
Assets and Deferred Outflows of Resources				
Current and noncurrent other assets	$ 2,850,620	2,880,252	(29,632)	(1)%
Capital assets	26,388,589	26,138,475	250,114	1 %
Deferred outflows of resources	322,825	387,998	(65,173)	(17)%
Total assets & deferred outflows	29,562,034	29,406,725	155,309	1 %
Liabilities and Deferred Inflows of Resources				
Bonds outstanding and notes payable	1,627,330	1,690,878	(63,548)	(4)%
Noncurrent liabilities	1,581,814	1,576,231	5,583	— %
Other current liabilities	832,825	774,933	57,892	7 %
Deferred inflows of resources	776,871	975,638	(198,767)	(20)%
Total liabilities & deferred inflows	4,818,840	5,017,680	(198,840)	(4)%
Net position:				
Net investment in capital assets	24,942,433	24,630,541	311,892	1 %
Restricted	1,225,036	1,068,255	156,781	15 %
Unrestricted (Deficit)	(1,424,275)	(1,309,751)	(114,524)	9 %
Total net position	$ 24,743,194	24,389,045	354,149	1 %

MassDOT's assets and deferred outflows exceeded its liabilities and deferred inflows at June 30, 2023 by $24.7 billion (presented as net position). The main component of net position represents the net investment in capital assets, totaling $24.9 billion. The majority of capital assets were transferred to MassDOT by the Commonwealth in fiscal year 2010 as a result of transportation reform pursuant to the enabling legislation M.G.L. Ch.6C; however, the Commonwealth continues to finance the debt for these assets. MassDOT uses these capital assets to service the Commonwealth of Massachusetts; therefore, they are not available for future spending.

Governmental activities current and noncurrent other assets, totaling $2.9 billion, include restricted and non-restricted cash and investments of $1.8 billion, net receivables of $655 million, and other assets of $3.9 million. Governmental activities long-term liabilities, totaling $1.6 billion, include all noncurrent liabilities, excluding the long-term portion of bonds outstanding and notes payable. Noncurrent liabilities in the condensed statement include $19 million of derivative instruments, $140 million in accrued interest on capital appreciation bonds and derivative borrowings, $665 million in net pension liability, $661 million in net OPEB liability, and $60 million in other liabilities.

Other current liabilities totaling $833 million are due within one year, and exclude the current portion of bonds outstanding and notes payable totaling $52 million. Other current liabilities include accounts payable and accrued expenses of $543 million, unearned revenue of $211 million, accrued interest of $23 million, and other liabilities of $46 million. Included within the condensed statement's other liabilities category for both noncurrent liabilities and other current liabilities is environmental remediation, workers' compensation, compensated absences, and claims and judgments.

Changes in Net Position

MassDOT's governmental activities ending net position, noted on the Condensed Statement of Changes in Net Position, increased by $354 million from fiscal 2022. This increase is primarily related to an overall decrease in revenues, particularly fees, fines and charges for services, capital grants and contributions and operating assistance from the commonwealth and an overall decrease in expenses.

The governmental activities change in net position decreased by $162 million compared to the prior year due to a decrease in revenue of $196 million and a decrease in expenses of $34 million. Capital grants and contributions amounted to $2.0 billion of revenues, or 59% of total governmental activities revenue, a decrease from the prior year in the amount of $166 million.

The following table reflects a condensed statement of activities based on the government-wide financial statements.

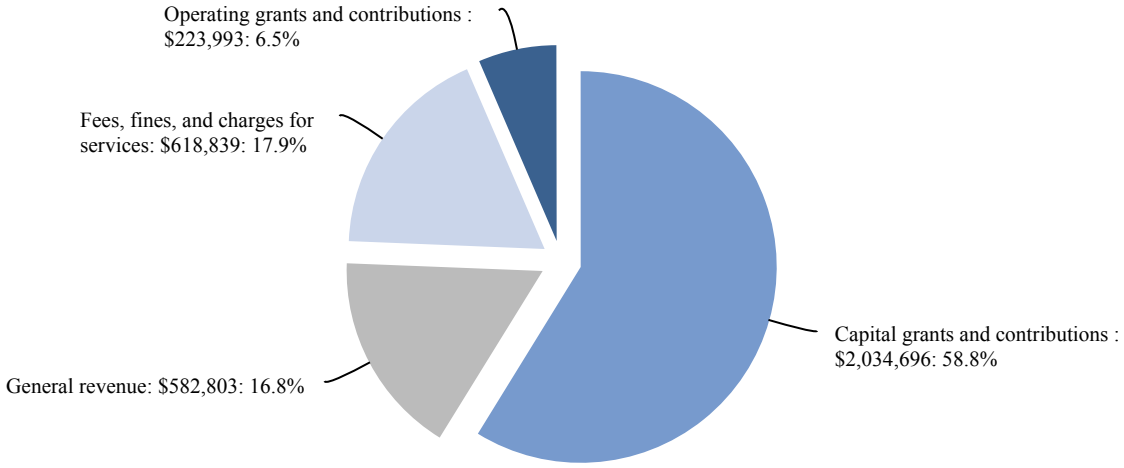
Condensed Statement of Activities
June 30, 2023 and 2022
(in thousands of dollars)

	Governmental Activities		Change year over year	
	2023	2022	Amount	%
Revenues:				
Program revenues:				
Fees, fines, and charges for services	$ 618,839	638,589	(19,750)	(3)%
Operating grants and contributions	223,993	190,184	33,809	18 %
Capital grants and contributions	2,034,696	2,201,164	(166,468)	(8)%
General revenues:				
Operating assistance from the Commonwealth	574,426	627,407	(52,981)	(8)%
Unrestricted investment income (loss)	8,377	(1,026)	9,403	(916)%
Total revenues	3,460,331	3,656,318	(195,987)	(5)%
Expenses:				
Highway	1,938,399	1,640,197	298,202	18 %
Planning and Enterprise Services	317,951	484,191	(166,240)	(34)%
Registry of Motor Vehicles	131,653	131,573	80	— %
Rail and Transit	633,300	795,853	(162,553)	(20)%
Aeronautics	22,783	16,787	5,996	36 %
Debt service	62,096	71,804	(9,708)	(14)%
Total expenses	3,106,182	3,140,405	(34,223)	(1)%
Change in net position	354,149	515,913	(161,764)	(31)%
Net position – beginning	24,389,045	23,873,132	515,913	2 %
Net position – ending	$24,743,194	24,389,045	354,149	1 %

Total Revenues

For fiscal year 2023, total governmental activities revenues ($3.5 billion) were comprised of general revenues ($583 million) and program revenues ($2.9 billion), which include fees, fines and charges for services of $619 million, operating grants and contributions of $224 million and capital grants and contributions of $2.0 billion.

Govermental Activities - Total Revenue
(in thousands of dollars)



The governmental activities overall revenue decreased by $196 million, or 5%, from the prior year primarily due to a decrease in Capital Grants and Contributions of $166 million and Operating assistance from the Commonwealth of $53 million with lesser increases in the other program revenue categories.

Governmental Activities - Program Revenue
(in thousands of dollars)

	Total		Change year over year	
	2023	2022	Amount	%
Program revenues:				
Fees, fines, and charges for services	$ 618,839	638,589	(19,750)	(3)%
Operating grants and contributions	223,993	190,184	33,809	18 %
Capital grants and contributions	2,034,696	2,201,164	(166,468)	(8)%
General revenue	582,803	626,381	(43,578)	(7)%
	$ 3,460,331	3,656,318	(195,987)	(5)%

Within program revenues, fees, fines, and charges for services amounted to $619 million, which is a $20 million increase from the prior year. This represents a variety of MassDOT revenues, including tolls ($376 million), rental/lease ($66 million), and departmental revenue, such as advertising and highway-related permit fees ($177 million). The increase in general revenue primarily represents an increase in legislated operational funding from the Commonwealth Transportation Fund (CTF).

Program Revenue - Fees, fines, and charges for services
(in thousands of dollars)

	Total		Change year over year	
	2023	2022	Amount	%
Tolls	$ 376,048	416,886	(40,838)	(10)%
Rental/lease	65,609	61,230	4,379	7 %
Departmental	177,182	160,473	16,709	10 %
	$ 618,839	638,589	(19,750)	(3)%

Operating grants and contributions of $224 million represent investment earnings and federal grants from various federal agencies, such as Federal Transit Authority, Federal Rail Administration, and Federal Aviation Administration. These contributions are restricted for specific designated purposes and account for approximately 6% of the total MassDOT program revenues. The contributions increased by approximately $34 million from the prior year mainly due to a year over year increase in investment earnings due to the year over year increase in the average MMDT interest rate.

Capital grants and contributions of $2.0 billion include funding from the Commonwealth and federal agencies for projects such as the Accelerated Bridge Program (ABP), Statewide Road and Bridge Program, Chapter 90 Local Aid, Regional Transit Authority capital assistance and other capital programs. The majority of these programs are within the Highway division, which account for $1.4 billion, or 68%, of the overall capital grants and contributions. The primary factor to cause the Capital grants and contributions to decrease by $166 million

from the prior year balance was a decrease in reimbursable capital expenses mostly related to various highway improvement projects.

General Revenue

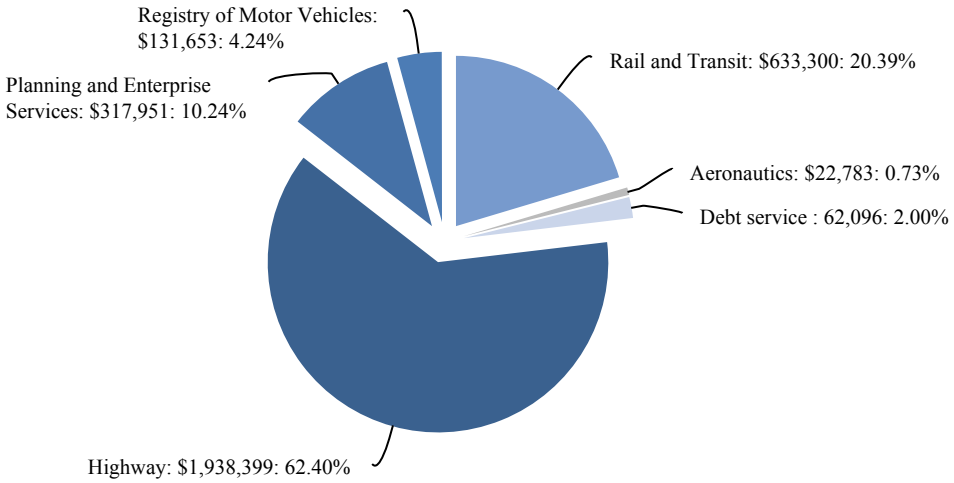
General revenues, totaling $583 million, include operating assistance and contract assistance from the Commonwealth, and investment income, decreased by $44 million from the prior year. The operating and contract assistance are transfer amounts determined by the legislation which vary year over year.

Expenses

For fiscal year 2023, expenses for governmental activities totaled $3.1 billion. The Highway Division's operations continue to be one of the MassDOT's highest priorities and commitments, representing $1.9 billion, or 62%, of the total governmental activities expenses.

The balance of 38% is attributable to Planning and Enterprise Services with $318 million, the Rail and Transit Division with $633 million, and debt service-interest expenses of $62 million. The Registry of Motor Vehicles (RMV) and Aeronautics complete the operational spending pattern with an approximate combined total of $154 million.

Govermental Activities - Expenses
(in thousands of dollars)



Overall, MassDOT's governmental activities expenses decreased by $34 million, or 1% from the prior year. Key elements of this change were increases of $298 million for Highway activities offset by decreases of $163 million and $166 million in the Rail & Transit and Planning & Enterprise services divisions, respectively. The increases in the Highway expenses are attributable to construction projects performed during the fiscal year while the decreases in the Rail & Transit and Planning and Enterprise services divisions are attributable to year over year decreases in expenses related to improving the Commonwealth's transportation system under the Accelerating Transportation Investment Act.

Governmental Activities - Expenses
(in thousands of dollars)

	Total		Change year over year	
	2023	2022	Amount	%
Highway	$ 1,938,399	1,640,197	298,202	18 %
Planning and Enterprise Services	317,951	484,191	(166,240)	(34)%
Registry of Motor Vehicles	131,653	131,573	80	— %
Rail and Transit	633,300	795,853	(162,553)	(20)%
Aeronautics	22,783	16,787	5,996	36 %
Debt service	62,096	71,804	(9,708)	(14)%
	$ 3,106,182	3,140,405	(34,223)	(1)%

Government Funds Financial Analysis

As noted earlier, MassDOT uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

As of June 30, 2023, MassDOT's governmental funds (MTTF, Highway Capital Projects, Central Artery/Tunnel Project Repair and Maintenance Trust Fund and other governmental funds) reported a combined ending fund balance of $1.6 billion. Of this amount, $3.9 million is nonspendable and relates to prepaid expenditures. The majority of the remaining fund balance of $1.5 billion is restricted, which consists of debt service payments and grants or bonded projects that are restricted by external sources and other purposes such as insurance reserve and turnpike operations. Approximately $1,067 thousand of the fund balance is assigned leaving a $63 million unassigned fund balance. All these funds are incorporated in the annual budget and approved by the MassDOT Board of Directors. The MTTF (general fund) is the chief operating fund of MassDOT. As of June 30, 2023, the total fund balance was $1,214 million, comprised of $1,147 million restricted, $3.9 million nonspendable (prepaid expenditures), and $63 million unassigned.

In addition to the MTTF, MassDOT established the Highway Capital Projects Fund and the Central Artery/ Tunnel Project Repair and Maintenance Trust Fund as major governmental funds. The Highway Capital Projects Fund accounts for highway construction projects financed primarily through federal reimbursements passed through the Commonwealth and contract assistance payments received directly from the Commonwealth and as of June 30, 2023, the total fund balance was $77 million. The Central Artery/Tunnel Project Repair and Maintenance Trust Fund accounts for costs incurred in connection with the repairs and maintenance of the Central Artery and the Ted Williams Tunnel and mainly reports investment income as allocated by the State Treasurer. As of June 30, 2023, the total fund balance was $284 million.

The other governmental funds are special revenue funds used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. Projects within this category include federal grants and MVITF activity. As of June 30, 2023, the total fund balance was $24 million.

Proprietary Funds

The Proprietary Funds Statement of Net Position provides the same type of information found in the government-wide statements, but in more detail. MassDOT's proprietary fund is the Owner Controlled Insurance Program (OCIP), an internal service fund.

OCIP's net position at the end of the year totaled $1.4 million, which is considered restricted for purposes of this activity.

Fiduciary Funds

The Fiduciary Funds Statement of Fund Net Position provides the same type of information found in the government-wide statements and are reported using accrual accounting. MassDOT's fiduciary funds are Custodial funds and are excluded from the government-wide financial statements because the resources of these funds are not available to support MassDOT's activities. This includes revenues such as grants collected for regional airports where MassDOT has no direct administrative involvement, inter-agency toll collections for other state governments, and real estate escrow deposit collections.

The net position of the custodial funds at the end of the year totaled $6.2 million.

Governmental Funds – MTTF General Fund

MTTF Revenues

MTTF (General fund) revenues totaled $1.35 billion in fiscal 2023, an increase of $31 million, or 2%, from fiscal 2022. The CTF revenues of $699 million and toll revenues of $406 million combine for 82% of the total revenues. The remaining 18%, or $249 million, consists of rental/lease revenue, investment income, and department and other revenue.

The CTF revenues include $100 million dedicated for MHS bonds (through Chapter 27, Section 9 of the Acts of 2009), $25 million for the operations and maintenance of portions of the Central Artery and the Central Artery North Area, and $574 million for operations. The operational funding included $469 million for MassDOT operations, $94 million for RTA's contract assistance, and $11 million for the Merit Rating Board.

MTTF General Fund - Revenue
(in thousands of dollars)

	Total		Change year over year	
	2023	2022	Amount	%
Tolls	$ 405,885	399,536	6,349	2 %
Commonwealth Transportation Fund	699,426	752,407	(52,981)	(7)%
Other (grants, rental/lease, departmental/other)	248,771	171,147	77,624	45 %
	$ 1,354,082	1,323,090	30,992	2 %

The $406 million in toll revenue consists of pledged revenue of $205 million for Metropolitan Highway System and unpledged revenue of $157 million for Western Turnpike and $44 million for the Tobin Bridge operations.

MTTF General Fund Toll Revenue by Roadway
(in thousands of dollars)

	Total		Change year over year	
	2023	2022	Amount	%
Metropolitan Highway System	$ 205,083	201,033	4,050	2 %
Western Turnpike	156,583	156,672	(89)	— %
Tobin Bridge	44,219	41,831	2,388	6 %
	$ 405,885	399,536	6,349	2 %

MTTF Expenditures

During fiscal 2023, the general fund's total expenditures increased by 21% from the prior year. The increase relates mainly to Highway division and Planning and Enterprise services divisions expenditures.

MTTF General Fund Expenditures
(in thousands of dollars)

	Total		Change year over year	
	2023	2022	Amount	%
Highway	$ 799,034	604,454	194,580	32 %
Planning and Enterprise Services	159,263	131,397	27,866	21 %
Registry of Motor Vehicles	133,579	128,150	5,429	4 %
Rail and Transit	152,154	142,893	9,261	6 %
Aeronautics	3,748	2,550	1,198	47 %
Debt Service	155,932	150,279	5,653	4 %
Totals	$ 1,403,710	1,159,723	243,987	21 %

MTTF Budgetary Highlights

Funding for MassDOT's general fund (MTTF) operations is dependent in part upon operating assistance from the Commonwealth of Massachusetts' CTF, toll operations, and other departmental revenues.

MassDOT submits its MTTF budget to the Standing Committee on Finance and Audit for review and to the MassDOT Board of Directors for final approval. The Board approved a $979 million operating budget to cover fiscal year 2023 operations.

The Transportation Finance Act (Chapter 46 of the Acts of 2013) allows MassDOT to transfer excess revenues from the MVITF to the MTTF, providing all expenses of the motor vehicle inspection program are met. In fiscal year 2023, MassDOT transferred $44 million from the MVITF to the MTTF to fund a portion of operations.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2023, MassDOT's capital assets had a balance of $26.4 billion, net of depreciation. This total amount represents a net increase (including additions and deductions) of $250 million or 1.0%, over last year. MassDOT's capital assets include land, construction in progress, infrastructure, buildings and equipment, vehicles, and software as shown in the table below.

MassDOT Capital Assets - At Year End, Net of Depreciation
(in thousands of dollars)

	Governmental activities	
	2023	**2022**
Land	$ 1,076,188	1,062,751
Construction in progress	11,336,821	10,376,528
Infrastructure	13,861,827	14,606,641
Buildings and equipment	85,619	72,994
Vehicles	26,517	17,141
Software	1,617	2,420
Total	$ 26,388,589	26,138,475

Within governmental activities, construction in progress (CIP) increased by $960 million due to additions to on-going CIP projects, which include assets related to the Accelerated Bridge Program and Highway Repair Projects such as the Tobin Bridge improvements, Lynn- Saugus bridge replacement, Needham-Newton reconstruction of Highland avenue, Improvements on route 24 & 140; Taunton, Fall River Corridor improvements amongst others.

The governmental activities net book value of infrastructure increased as well due to capital projects completed during the year and now classified as infrastructure. Such projects include resurfacing of Route 1 in Peabody-Danvers, Improvements on I-495; Haverhill, Improvements and maintenance on I-95; Lexington-Burlington amongst others.

Additional information on MassDOT's capital assets can be found in note 4.

Debt

At year-end, MassDOT reported $1.50 billion in outstanding bonds and notes under Governmental Activities compared to $1.54 billion last year. On November 9, 2022, MassDOT refunded $371,380 of the Metropolitan Highway System (MHS) 2019 Subordinated Series A Bonds and issued $371,380 in MHS Revenue Refunding Bonds, Variable Rate Demand Obligations, 2022 Series A-1, A-2 and Series A-3. Interest payments are payable semi-annually on July 1 and January 1, commenced on January 1, 2023. Principal payments are payable annually starting on July 1 of 2030. The Bonds mature on July 1, 2039. The refunding frees up MHS revenues in several years giving MassDOT more funding flexibility. The improved debt service coverage is viewed favorably by credit rating agencies.

MassDOT Outstanding Bonds and Notes at Year End
(in thousands of dollars)

	Governmental activities	
	2023	**2022**
Revenue bonds	1,495,550	1,542,577
Total	$ 1,495,550	1,542,577

MassDOT maintains bond ratings of A or higher for its governmental activities bonds. The Capital Appreciation Bonds are rated (A+) by Standard & Poor's Corporation (S&P) and Fitch, and (A2) by Moody's Investors Services (Moody's). MassDOT's senior fixed rate bonds are rated (A+) by both S&P and Fitch, and (A2) by Moody's.

Additional information on MassDOT's debt can be found in note 5.

Construction Commitments

Major MassDOT obligations include funding for design and engineering services that support the MassDOT construction projects as well as the various bridge replacement and critical construction projects in our Highway, Rail, Transit and Aeronautics Divisions. Additionally, there are obligations to the Commonwealth's 351 cities and towns through our Municipal Programs that support local transportation infrastructure improvements. These programs include a distribution of $200 million in Chapter 90 funds as well as several other locally-focused investment programs like Complete Streets, Municipal Bridge, Local Bottleneck Mitigation, Municipal Pavement and Shared Streets. In fiscal year 2023, an additional $100 million was awarded to municipalities for the WRAP (Winter Recovery Assistance Program). Major projects underway include:

- Hopkinton/Westborough- Reconstruction of Interstate 90 and Interstaste 495 Interchange
- Lynn/Saugus Bridge Replacement Route 107 over the Saugus River
- Montgomery/Russell: Bridge preservation project over Westfield River, Route 20 & CSX tracks
- Lighting Repairs and Improvements in the Prudential Tunnel, Boston
- Roadway, Ceiling, Arch & Wall Reconstruction and Other Control Systems in Sumner Tunnel; Design/ Build Project
- Sumner and Callahan Tunnel Vent Buildings and Pump Stations Mechanical and Electrical Improvements
- Corridor Improvements on Route 79 and Davol Street Design - Build Project in Fall River

Major commitments also include funding for various collaborations with the MBTA in the amount of $612 million for major investments such as South Coast Rail, Red and Orange Line infrastructure improvements, and the purchase of vehicles and commuter rail coaches as well as other safety and state-of-good repair investments.

Future Pronouncements

GASB has issued the following statements, which require adoption subsequent to June 30, 2023 and are applicable to MassDOT. MassDOT has not yet adopted these statements and is currently assessing the impact of each statement.

Statement No.		Adoption Required in Fiscal Year
99	*Omnibus 2022*	2024
100	*Accounting Change and Error Corrections*	2024
101	*Compensated Absences*	2025
102	*Certain Risk Disclosures*	2025

Contacting MassDOT's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of MassDOT's finances and to show MassDOT's accountability for the money it receives. Questions concerning the information provided in this report or requests for additional information should be addressed to MassDOT's Chief Financial Officer at: 10 Park Plaza, Suite 5450, Boston, Massachusetts, 02116.

Economic Factors and Next Year's Budgets and Rates

The MassDOT Board approved an original fiscal year 2024 operating expenditure and debt service obligation budget of $768 million in June 2023, which was revised subsequent to year-end to $1 billion. Total revenues which include tolls, fees, permits, court fines, and federal grants are budgeted 15% higher compared to prior year. Total operating and debt expenditures excluding snow & ice are budgeted for a 29% decrease.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Statement of Net Position

June 30, 2023

(Dollars in thousands)

Assets and Deferred Outflows of Resources	Governmental activities	Aggregate Discretely Presented Component units
Current assets:		
Cash and short-term investments	$ 94,208	47,819
Restricted cash and investments	1,707,021	4,237
Derivative instrument	2,221	—
Receivables, net of allowance for uncollectibles:		
Due from Commonwealth	454,198	12,522
Due from federal government	24,838	36,368
Leases	45,616	30
Other	130,458	96,135
Other assets	3,875	8,133
Total current assets	2,462,435	205,244
Noncurrent assets:		
Receivables, net of allowance for uncollectibles:		
Due from Commonwealth	—	7,042
Due from federal government	—	984
Leases	340,441	316
Other	—	22,480
Net OPEB asset	—	865
Lease right of use assets, net	40,991	—
SBITA right of use assets, net	6,753	—
Other assets	—	382
Capital assets:		
Nondepreciable	12,413,009	61,917
Depreciable, net of accumulated depreciation	13,975,580	488,286
Total noncurrent assets	26,776,774	582,272
Total assets	29,239,209	787,516
Deferred Outflows of Resources:		
Loss on debt refundings	52,590	—
Public-private partnerships	—	2,049
OPEB related	144,577	14,921
Pension related	125,658	11,967
Total deferred outflows of resources	322,825	28,937
Total assets and deferred outflows of resources	$ 29,562,034	816,453

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Statement of Net Position (continued)

June 30, 2023

(Dollars in thousands)

	Governmental activities	Aggregate Discretely Presented Component units
Liabilities and Deferred Inflows of Resources		
Current liabilities:		
Accounts payable and accrued expenses	$ 542,888	90,700
Unearned revenue	211,231	1,562
Accrued interest payable	22,613	2,698
Lease liability	6,335	77
SBITA obligations	3,630	—
Bonds and notes payable	51,954	79,387
Public-private partnership liability	—	2,049
Other liabilities	46,128	5,028
Total current liabilities	884,779	181,501
Noncurrent liabilities:		
Accrued interest	139,642	—
Lease liability	36,377	5,519
SBITA obligations	2,135	—
Bonds and notes payable	1,575,376	26,065
Liability for derivative instruments, net	18,645	—
Net pension liability	664,685	41,472
Net OPEB liability	660,698	57,188
Other liabilities	59,632	10,197
Unearned revenue	—	1,957
Total noncurrent liabilities	3,157,190	142,398
Total liabilities	4,041,969	323,899
Deferred Inflows of Resources:		
Lease related	374,824	92
Derivative instruments	15,270	—
OPEB related	354,988	7,817
Pension related	31,789	10,293
Total deferred inflows of resources	$ 776,871	18,202
Total liabilities and deferred inflows of resources	$ 4,818,840	342,101
Net Position		
Net investment in capital assets	24,942,433	544,124
Restricted	1,225,036	12,843
Unrestricted (Deficit)	(1,424,275)	(82,615)
Total net position	$ 24,743,194	474,352

See accompanying notes to financial statements.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Statement of Activities

Fiscal year ended June 30, 2023
(Dollars in thousands)

Functions/program	Expenses	Program revenues: Fees, fines, and charges for services	Program revenues: Operating grants and contributions	Program revenues: Capital grants and contributions	Net (expense)/revenue and changes in net position: Primary government: Governmental activities	Net (expense)/revenue and changes in net position: Aggregate Discretely Presented Component units
Primary government:						
Governmental activities:						
Highway	$ 1,938,399	442,138	35,860	1,384,151	(76,250)	—
Planning and Enterprise Services	317,951	145,194	52,442	172,831	52,516	—
Registry of motor vehicles	131,653	19,755	11,368	3,119	(97,411)	—
Rail and Transit	633,300	9,942	16,368	455,425	(151,565)	—
Aeronautics	22,783	1,810	69	19,170	(1,734)	—
Debt service	62,096	—	107,886	—	45,790	—
Total governmental activities	3,106,182	618,839	223,993	2,034,696	(228,654)	—
Aggregate discretely presented component units:						
Aggregate discretely presented component units	$ 643,685	325,405	264,955	67,314		13,989
General revenues:						
Operating assistance from the Commonwealth					$ 574,426	—
Unrestricted investment income (loss)					8,377	—
Total general revenues					582,803	—
Change in net position					354,149	13,989
Net Position – beginning of year					24,389,045	460,363
Net Position – end of year					$ 24,743,194	474,352

See accompanying notes to financial statements.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)
Governmental Funds Balance Sheet
June 30, 2023
(Dollars in thousands)

Assets	MTTF (General)	Highway capital projects	Central Artery Repair & Maintenance	Other governmental funds	Total governmental funds
Cash and short-term investments	$ 92,950	—	—	1,258	94,208
Restricted cash and investments	1,335,969	77,202	287,142	4,302	1,704,615
Receivables, net of allowance for uncollectibles:					
Due from Commonwealth	—	454,198	—	—	454,198
Due from federal government	—	—	—	24,838	24,838
Leases	386,057				386,057
Other	130,458	—	—	—	130,458
Other assets	3,875	—	—	—	3,875
Total assets	1,949,309	531,400	287,142	30,398	2,798,249
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable and accrued expenditures	79,644	454,198	2,919	6,126	542,887
Unearned revenue	211,231	—	—	—	211,231
Total liabilities	290,875	454,198	2,919	6,126	754,118
Deferred Inflows of Resources:					
Unavailable revenue	69,225	—	—	—	69,225
Lease related	374,823				374,823
Total deferred inflow of resources	444,048	—	—	—	444,048
Fund balances:					
Nonspendable	3,875	—	—	—	3,875
Restricted	1,147,224	77,202	283,256	24,617	1,532,299
Assigned	—	—	967	100	1,067
Unassigned	63,287	—	—	(445)	62,842
Total fund balances	1,214,386	77,202	284,223	24,272	1,600,083
Total liabilities, deferred inflows of resources, and fund balances	$ 1,949,309	531,400	287,142	30,398	2,798,249

See accompanying notes to financial statements.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position
June 30, 2023
(Dollars in thousands)

Total governmental fund balances:	$	1,600,083
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		26,388,589
Receivables that are measurable but not available are reported as deferred inflows of resources in the governmental funds but recognized as revenue on a full accrual basis.		69,225
Net lease activity in accordance with GASB 87		(1,721)
Net SBITA activity in accordance with GASB 96		986
Capitalized loss on debt refunding in governmental activities that is not capitalized at a fund level in the governmental funds.		52,590
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.		(162,255)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds and notes payable, net		(1,627,330)
Workers' compensation claims		(36,696)
Compensated absences		(63,825)
Environmental remediation		(4,202)
Derivative instruments, net of deferred inflows and outflows		(31,694)
Net pension liability, net of deferred inflows and outflows		(570,816)
Net OPEB liability, net of deferred inflows and outflows		(871,109)
An internal service fund is used by management to manage its OCIP program related to the central artery construction project. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position.		1,369
Net position of governmental activities	$	24,743,194

See accompanying notes to financial statements.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal year ended June 30, 2023
(Dollars in thousands)

	MTTF (General)	Highway capital projects	Central Artery Repair & Maintenance	Other governmental funds	Total governmental funds
Revenues:					
Toll revenue:					
Pledged as security for revenue bonds	$ 205,083	—	—	—	205,083
Unpledged	200,802	—	—	—	200,802
Commonwealth transportation fund:					
Operations	574,426	—	—	—	574,426
Metropolitan highway system bonds	100,000	—	—	—	100,000
Central artery operations and maintenance	25,000	—	—	—	25,000
Commonwealth grants and contract assistance	—	1,298,562	—	870	1,299,432
Federal grants and reimbursements:					
Passed through the Commonwealth	—	733,123	—	—	733,123
Direct	—	—	—	23,829	23,829
Rental/lease income	64,842	767	—	—	65,609
Investment income (loss)	63,776	3,011	1,291	471	68,549
Departmental and other	120,153	—	—	57,029	177,182
Total revenues	1,354,082	2,035,463	1,291	82,199	3,473,035
Expenditures:					
Current:					
Highway	799,034	1,380,370	13,329	1,748	2,194,481
Planning and Enterprise Services	159,263	172,736	—	756	332,755
Registry of motor vehicles	133,579	3,118	—	12,575	149,272
Rail and Transit	152,154	455,172	—	23,128	630,454
Aeronautics	3,748	19,160	—	—	22,908
Debt service:					
Principal	58,929	1,950	—	—	60,879
Interest	97,003	215	—	—	97,218
Total expenditures	1,403,710	2,032,721	13,329	38,207	3,487,967
Excess (Deficiency) of revenues over expenditures	(49,628)	2,742	(12,038)	43,992	(14,932)
Other financing sources (uses):					
Transfers in	44,000	—	—	—	44,000
Transfers out	—	—	—	(44,000)	(44,000)
SBITAs and leases issued	5,454	269			5,723
Issuance of refunding bonds	371,380	—	—	—	371,380
Debt service – principal – current refunding	(371,380)	—	—	—	(371,380)
Total other financing sources (uses)	49,454	269	—	(44,000)	5,723
Net change in fund balances	(174)	3,011	(12,038)	(8)	(9,209)
Fund balances at beginning of year	1,214,560	74,191	296,261	24,280	1,609,292
Fund balances at end of year	$ 1,214,386	77,202	284,223	24,272	1,600,083

See accompanying notes to financial statements.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION

(A Component Unit of the Commonwealth of Massachusetts)

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

Fiscal year ended June 30, 2023

(Dollars in thousands)

Net change in fund balances – total governmental funds	$	(9,209)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period:		
Capital outlays		1,421,434
Depreciation		(717,294)
Certain revenues in the statement of activities that do not provide current financial resources are not recognized in the statement of revenues, expenditures and changes in fund balances. As a result, the recognition of revenue for certain accounts receivable differ between the two statements. This amount represents the net change in deferred inflows of resources		(29,837)
The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also,governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
These amounts represent the related activity of the current period:		
Proceeds of refunding bonds		(371,380)
Net lease activity in accordance with GASB 87		(583)
Net SBITA activity in accordance with GASB 96		986
Bond maturities		421,283
Amortization of premiums		16,493
Amortization of deferred losses on refunding transactions		(4,647)
Amortization of bond discounts		(385)
Amortization of swap payments received		123
Derivatives are reported in the government-wide statements but are not reported in the governmental liability for funds. This amount represents the net changes in the derivative instruments.		1,550
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.		20,509
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.		
These amounts represent the net changes in accruals:		
Net pension liability, net of deferred inflows and outflows		19,110
Net OPEB liability, net of deferred inflows and outflows		57,143
Workers' compensation		(1,526)
Claims and judgments		384
Compensated absences		(13,401)
Environmental remediation		(2,741)
An internal service fund is used by management to manage its OCIP program related to the central artery construction project. The net activity of the internal service fund is reported with governmental activities.		(251)
Changes in net position of governmental activities	$	354,149

See accompanying notes to financial statements.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

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

	Governmental activities - internal service fund
Assets	
Current assets:	
Restricted cash and investments	2,406
Total current assets	2,406
Total assets	2,406
Liabilities	
Current liabilities:	
Other liabilities	76
Total current liabilities	76
Noncurrent liabilities:	
Other liabilities	961
Total noncurrent liabilities	961
Total liabilities	1,037
Net Position	
Restricted	1,369
Unrestricted	—
Total fund net position	1,369

See accompanying notes to financial statements.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Proprietary Funds

Statement of Revenues, Expenses and Changes in Net Position

Fiscal year ended June 30, 2023

(Dollars in thousands)

	Governmental activities - internal service fund
Operating expenses:	
Injuries and damages	306
Total operating expenses	306
Operating loss	(306)
Nonoperating revenues (expenses):	
Interest income (loss)	55
Total nonoperating revenues (expenses), net	55
Decrease in net position	(251)
Net position at beginning of year	1,620
Net position at end of year	1,369

See accompanying notes to financial statements.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Proprietary Funds

Statement of Cash Flows

Fiscal year ended June 30, 2023
(Dollars in thousands)

	Governmental activities - internal service fund
Cash flows from operating activities:	
Claims, premiums and judgments paid	(76)
Net cash used in operating activities	(76)
Cash flows from investing activities:	
Investment and other income (loss)	55
Net cash used in investing activities	55
Net change in cash and short-term investments	(21)
Cash and cash equivalents, restricted and other special accounts, beginning of year	2,427
Cash and cash equivalents, restricted and other special accounts, end of year	2,406
Reconciliation of operating (loss) income to net cash used in operating activities:	
Operating (loss) income	(306)
Adjustments to reconcile operating (loss) income to net cash used in operating activities:	
Changes in all other working capital accounts, except cash and cash equivalents and short-term debt	230
Total adjustments	230
Net cash used in operating activities	(76)

See accompanying notes to financial statements.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Fiduciary Funds

Statement of Fiduciary Net Position

Fiscal year ended June 30, 2023
(Dollars in thousands)

	Custodial Funds
Assets	
Cash and short-term investments	$ 26,249
Total assets	26,249
Liabilities	
Other liabilities	20,065
Total liabilities	20,065
Net Position	
Restricted for:	
Real estate	4,323
Other governments	1,861
Total net position	$ 6,184

See accompanying notes to financial statements.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Fiduciary Funds
Statement of Fiduciary Changes in Net Position
June 30, 2023
(Dollars in thousands)

	Custodial Funds
Additions	
Collections for regional airports	$ 34,826
Toll collections for other governments	245,143
Real estate escrow collections	2,068
Miscellaneous	139
Total additions	282,176
Deductions	
Disbursements to regional airports	34,826
Toll payments to other governments	243,475
Real estate escrows	1,295
Total deductions	279,596
Change in net position	2,580
Net position - beginning	3,604
Net position - ending	$ 6,184

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies and Practices

(a) Description of Business

The Massachusetts Department of Transportation (MassDOT) was established by Chapter 25 of the Acts of 2009 of the Commonwealth of Massachusetts (as amended, the Transportation Reform Act), which was enacted and approved in June 2009. The Transportation Reform Act was designed to reform the transportation system of the Commonwealth of Massachusetts (the Commonwealth) and created the new authority, MassDOT, through enactment of Chapter 6C of Massachusetts General Laws (the Enabling Act). MassDOT has a separate legal existence from the Commonwealth and is governed by a board appointed by the Governor. The Governor has appointed a Secretary of MassDOT, who serves as MassDOT's chief executive officer.

MassDOT is governed by an eleven member board, including the Secretary of Transportation who serves as ex officio chair. Ten members are appointed by the Governor. Four members, other than the chair, serve for terms that are coterminous with the Governor. The remaining six members serve for a four–year term. The Board of Directors of MassDOT was authorized to begin exercising its powers on November 1, 2009.

MassDOT was created through the transfer of the assets, liabilities and equity of:

1. The former Massachusetts Turnpike Authority (including both the Metropolitan Highway System and the Western Turnpike), which was dissolved as part of the legislation

    a. The Metropolitan Highway System comprises the Boston Extension of the Turnpike, the Callahan Tunnel, the Central Artery/Tunnel (CA/T Project), the Central Artery North Area (CANA), the Sumner Tunnel and the Ted Williams Tunnel. The Western Turnpike consists of that portion of the Turnpike extending from the New York border in the Town of West Stockbridge to Route 128 in Weston.

    b. MassDOT assumed the rights, powers, and duties of the former Massachusetts Turnpike Authority upon the November 1, 2009 transfer.

2. The operations of the Massachusetts Highway Department of the Commonwealth

3. The operations of the Massachusetts Aeronautic Commission

4. The operations of the Registry of Motor Vehicles of the Commonwealth

5. The operations of the Executive Office of Transportation of the Commonwealth

6. Certain assets of the Department of Conservation and Recreation (DCR) of the Commonwealth

In addition, the Tobin Bridge (including its associated land and buildings) was transferred from the Massachusetts Port Authority (effective January 1, 2010).

The Merit Rating Board was transferred to MassDOT's Registry of Motor Vehicles division via Chapter 68, Section 8 of the Acts of 2011.

MassDOT has four divisions, including Highway, Rail and Transit, Aeronautics, and the Registry of Motor Vehicles, which includes the Merit Rating Board, that share administrative functions such as human resources, financial management, information technology, and planning through the shared services division, Planning and Enterprise Services (formerly the Office of the Secretary). Each division is headed by an administrator appointed by the Secretary of MassDOT.

The Enabling Act established the Massachusetts Transportation Trust Fund (MTTF) within MassDOT, into which all bridge, tunnel and highway tolls, together with certain other funds, are deposited. The MTTF is to be used for operations, maintenance and capital costs related to the transportation assets under MassDOT's jurisdiction, as well as debt service on outstanding MassDOT debt (previously held by the dissolved Massachusetts Turnpike Authority). MassDOT debt is not debt of the Commonwealth. The MTTF is not subject to appropriation and year-end balances do not revert to the Commonwealth.

Other activities transferred from the Commonwealth to MassDOT include the following: (1) the Central Artery and Statewide Road and Bridge Infrastructure Fund; (2) the Central Artery Repairs and Maintenance Trust Fund; (3) the Highway Capital Projects Fund; (4) the Federal Highway Construction Program; (5) the Motor Vehicle Inspection Trust Fund; (6) the Owner Controlled Insurance Program (OCIP) Fund related to the Central Artery/Tunnel Project and (7) various other administrative trusts transferred from the Commonwealth.

The Enabling Act contemplated that the Legislature of the Commonwealth will continue to make capital appropriations for transportation improvements and that such appropriations will continue to be funded through the issuance of Commonwealth debt by the State Treasurer. Outstanding capital spending authorizations are to be made available to MassDOT by the Commonwealth's Secretary of Administration and Finance.

The Enabling Act also established the Commonwealth Transportation Fund (CTF) as a budgetary fund of the Commonwealth for transportation-related purposes, which receives essentially the same revenues that were previously deposited into the Commonwealth's Highway Fund, including gasoline tax receipts and registry fees. The CTF is subject to appropriation by the Legislature and shall be used for transportation related expenses of the executive office of transportation or any successor agency or authority. In addition, it may pay or reimburse the Commonwealth's General Fund for payment of debt service on bonds issued by or otherwise payable pursuant to a lease or other contract assistance agreement by the Commonwealth for transportation purposes.

Legislation approved by the Governor in fiscal year 2013 provides that the CTF will also receive monies received from sales of motor vehicles and taxes imposed as excises upon sale and use at retail of motor vehicles dedicated to transportation purposes, with a guaranteed annual payment which includes amounts earmarked for MassDOT debt service and the regional transit authorities. In addition, the CTF is used to pay debt service (present and future) associated with highway maintenance and construction projects and provides the funding of MassDOT's annual operating budget. For fiscal year 2023, MassDOT received $699,426 from the CTF and the Commonwealth's General fund which was comprised of $477,926 for operations, $100,000 for debt service, $96,500 earmarked for the regional transit authorities, and $25,000 reimbursement for the cost of the operation and maintenance of the CA/T Project and CANA as authorized by Chapter 235 of the Acts of 1998.

Chapter 194 of the Acts of 2011 established the Transportation Infrastructure and Development Fund for "the purpose of transportation and related infrastructure projects" with the provision that not less than 50 percent shall be dedicated to supplementing construction and reconstruction of municipal ways. The primary source of funding consists of disbursements from the Commonwealth's Gaming Revenue Fund. MassDOT has not received any funding related to this Act since fiscal year 2015.

MassDOT is a component unit of the Commonwealth and its financial statements are incorporated into the financial statements of the Commonwealth.

(b) Basis of Presentation

The accompanying financial statements of MassDOT 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.

For financial reporting purposes, MassDOT has included all funds, organizations, agencies, boards and commissions considered part of the MassDOT legal entity. MassDOT 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 MassDOT is such that exclusion would cause MassDOT's financial statements to be misleading or incomplete. As required by GAAP, these financial statements present MassDOT (the primary government) and its component units.

Aggregate Discretely Presented Component Units – MassDOT presents the following fifteen (15) regional transit authorities (RTAs) in the aggregate as component units in the accompanying financial statements: Berkshire Regional Transit Authority; Brockton Area Transit Authority; Cape Ann Transportation Authority; Cape Cod Regional Transit Authority; Franklin Regional Transit Authority; Greater Attleboro-Taunton Regional Transit Authority; Lowell Regional Transit Authority; Montachusett Regional Transit Authority; Metrowest Regional Transit Authority; Merrimack Valley Regional Transit Authority; Nantucket Regional Transit Authority; Pioneer Valley Transit Authority; Southeastern Regional Transit Authority; Martha's Vineyard Transit Authority; and the Worcester Regional Transit Authority. MassDOT does not consider any of the discretely presented component units to be major.

The separately audited financial statements of MassDOT's component units may be obtained by directly contacting the various entities.

Government-Wide 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 aggregate discretely presented component units. Primary government activities are defined as governmental or activities. MassDOT's governmental activities generally are financed through toll revenues, contract assistance from the Commonwealth, and other nonexchange revenues.

The statement of net position presents all of the reporting entity's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, 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 asset use is 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.

When both restricted and unrestricted resources are available for use, it is MassDOT's policy to use restricted resources first, then unrestricted resources as needed.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include (1) charges to customers who purchase, use, or directly benefit from goods or services provided by a given function; (2) grants and contributions that are restricted to meeting the operational requirements of a specific function and (3) grants and contributions that are restricted to meeting the capital requirements of a specific function. 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 activities.

As a general rule, the effect of interfund activity has been eliminated in the government-wide statements. Exceptions to this rule are activities between funds that are reported in different functional categories in the governmental activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

Fund Financial Statements

MassDOT 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 and deferred outflows of resources, liabilities and deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Transactions between funds within a fund type, if any, have not been eliminated.

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

MassDOT is not required to and does not have a legally adopted annual budget for any of its governmental funds.

(c) Measurement Focus and Basis of Accounting

The Government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting as are the proprietary and fiduciary fund financial statements. 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 fund financial statements account for the general governmental activities of MassDOT. Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual and are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Significant revenues susceptible to accrual include expenditure driven federal grants and amounts due from the Commonwealth. MassDOT considers all revenues available if they are collected within 60 days after fiscal year end. For federal expenditure driven grants, revenue is recognized when the qualifying expenditures have been incurred and other eligibility requirements are met and amounts are considered available. 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 and expenditures 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. Proceeds of general long-term debt and financing from leases and subscription IT arrangements are reported as other financing sources.

MassDOT reports the following fund types:

Governmental Fund Types

The General Fund is the primary operating fund of MassDOT. It is used to account for and report all financial resources not accounted for and reported in another fund. The MTTF is considered the general fund for MassDOT.

The Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Within the governmental fund types, MassDOT has established two other major funds, in addition to the MTTF:

Highway Capital Projects - a capital projects fund, accounts for highway construction projects financed primarily through federal reimbursements passed through the Commonwealth and contract assistance payments received directly from the Commonwealth.

Central Artery/Tunnel Project Repair and Maintenance Trust (CARM) Fund - a fund established to account for costs incurred related to the repairs and maintenance of the Central Artery and the Ted Williams Tunnel. The fund earns interest and investment income as designated by the State Treasurer.

Proprietary Fund Types

MassDOT operates one proprietary fund which is an internal service fund – the Owner Controlled Insurance Program (OCIP) which was established to pay contractors' workers' compensation claims related to the Central Artery/Tunnel Project.

Fiduciary Fund Types

Fiduciary funds account for assets held in a trustee capacity for others that cannot be used to support MassDOT's programs.

MassDOT reports a Custodial Fund, which is used to account for assets held for the benefit of other entities, organizations or individuals outside of MassDOT.

(d) Cash and Short-Term Investments

MassDOT's participation in the Massachusetts Municipal Depository Trust (MMDT) Cash Fund is presented as cash and short-term investments (both restricted and unrestricted) in the accompanying financial statements.

MMDT is an internal investment pool that meets the criteria established under GASB Statement No. 79 to report its investments at amortized cost. As such, MassDOT reports its investment in MMDT at amortized cost which approximates the net asset value of $1.00 (one dollar) per share. MMDT has a maturity of less than one year and is not rated.

Restricted cash and short-term investments also include certain amounts restricted for use by bond indentures and other external requirements. Such amounts are held by the Treasurer in the MMDT Cash Fund as well as amounts held by bond and other trustees.

(e) Investments

Investment securities are recorded at fair value, based on quoted market price.

The Treasurer of the Commonwealth can hold certain investments on behalf of MassDOT. In the event investments are held by the Treasurer they appear as "Investments" in the accompanying financial statements. Interest earned on specific MassDOT investments is allocated to MassDOT. The investments held by the Treasurer are reported in the Central Artery/Tunnel Project Repair and Maintenance Trust (CARM) Fund and the Central Artery Statewide Road and Bridge Infrastructure Fund, a Highway Capital Projects fund.

Restricted investments include amounts restricted for use by bond indentures and other external requirements and include certain investments held by bond and other trustees.

For purposes of the statements of cash flows, unrestricted investments purchased with a maturity date of three months or less are considered cash equivalents.

(f) Accounts Receivable

Reimbursements due from the Commonwealth for state and federally funded construction project expenditures are reported as "Due from Commonwealth" in the financial statements and are considered 100% collectible. "Due from federal government" receivables include direct grants or reimbursements and are considered 100% collectible. "Other" receivables include toll related

receivables, including postpaid toll transactions, toll violations, civil motor vehicle infractions and miscellaneous receivables. Other receivables are reported net of estimated allowances for uncollectible accounts, which are based on historical trends and individual account analysis.

(g) Capital Assets

Capital assets excluding intangible right-to-use lease and subscription IT assets include land, construction in progress, buildings, equipment, vehicles, software and infrastructure (e.g., roads, bridges, ramps, and other similar items). Such assets are reported in the governmental column of the government-wide financial statements. Donated capital assets are recorded at acquisition value at the date of donation. Assets transferred to MassDOT from other governments (subsequent to its formation) are recorded at net carrying value (historical cost less accumulated depreciation) at the date of transfer.

Equipment, vehicles, computer equipment and software purchases that equal or exceed $50 are capitalized. Buildings and infrastructure projects with a cost that equals or exceeds $100 are capitalized. All land and non-depreciable land improvements 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 are depreciated using the straight-line method over the following useful lives:

Type of asset	Estimated useful life (in years)
Buildings	40
Infrastructure - roads, bridges, and tunnels	40
Equipment	10
Computer hardware and software	3 to 7
Vehicles	5

In the government-wide financial statements, depreciation expense is charged to the function to which the capital assets relate.

Construction in progress includes all associated cumulative costs of a constructed capital asset. Construction in progress is relieved and a depreciable capital asset is reported at the point at which an asset is placed in service for its intended use. Interest incurred during the construction phase of capital assets is not capitalized as the debt related to the construction appears on the books of the Commonwealth.

(h) Fair Value

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that are required to be made at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure the fair value.

- Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

- Level 2 inputs are other than quoted prices in Level 1 that are observable for the asset or liability or similar assets or liabilities either directly or indirectly through corroboration with observable market data.
- Level 3 inputs are significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

(i) Other Assets

Other assets consist principally of prepaid expenses.

(j) Unearned Revenue

Unearned revenue in the governmental funds financial statements represents monies received in advance of providing goods or services in accordance with the current financial resources measurement focus and the modified accrual basis of accounting.

(k) Long-Term Debt

In the government-wide and proprietary funds, long-term debt is reported as liabilities in the statements of net position. Bond premiums and discounts are capitalized and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Gains and losses related to refunding transactions are presented as deferred inflows and outflows, respectively, and amortized using the straight-line method over the shorter of the maturity of the new debt or the defeased debt.

In the governmental funds, the face amount of long-term debt is reported as other financing sources when the debt is issued. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as Planning and Enterprise Services expenditures.

(l) Fund Balances

The following fund balance classifications describe the relative strength of spending constraints:

Nonspendable – represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact.

Restricted – represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – represents amounts that can be used only for specific purposes imposed by a formal action of MassDOT's Board of Directors, which is the highest level of decision-making authority. Committed amounts may be established, modified, or rescinded only through actions approved by the Board of Directors. At June 30, 2021, MassDOT reported no committed fund balances.

Assigned – represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under MassDOT's structure, this intent can be expressed by the Secretary of Transportation (and Chief Executive Officer), Chief Financial Officer

and Controller. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned – represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

Encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

(m) Compensated Absences

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 an approved rate of pay.

In the government-wide statement of net position, compensated absences are recorded as an expense and liability as the benefits accrue.

For the governmental fund financial statements, accumulated vacation and sick leave are reported as expenditures and fund liabilities when they become due and payable upon retirement, termination, or death.

(n) Deferred Inflows and Outflows

MassDOT accounts for certain transactions that result in the consumption or acquisition of resources in one period that are applicable to future periods as deferred outflows and deferred inflows, respectively, to distinguish them from assets and liabilities.

(o) Pension Benefits

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 additions to/deductions from SERS's fiduciary net position have been determined on the same basis as they are reported by the SERS. 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.

(p) Other Postemployment Benefits

The Commonwealth of Massachusetts administers a single-employer defined benefit Postemployment Benefits Other Than Pensions (OPEB) Plan. Benefits are managed by the Group Insurance Commission (GIC) and investments are managed by the Pension Reserves Investment Management Board (PRIM). The OPEB Plan is reported as an OPEB Trust Fund in the

Commonwealth's financial statements and does not issue a stand-alone audited financial report. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the Commonwealth of Massachusetts. 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.

(q) Interfund Transfers

During the course of its operations, resources are permanently reallocated between funds. These transactions are reported as transfers in and transfers out.

For the year ended June 30, 2023, MassDOT transferred $44,000 from the other governmental funds' motor vehicle inspection trust fund (MVITF) to the MTTF general fund to ensure the budget included sufficient revenue for MassDOT operations. Chapter 46 of the Acts of 2013 indicates available funds may be transferred "provided, however, that expenses of the administration and implementation of the motor vehicle inspection program" are met first.

(r) Leases

Right of Use Asset (ROU) – These assets are recognized at the lease commencement date and represent MassDOT's right to use an underlying asset for the lease term. ROU assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement and initial direct costs. Amortization of the ROU assets is recorded on a straight-line basis over the shorter of the useful life or the lease term.

Lease Liability – These represent MassDOT's obligation to make lease payments arising from leases other than short term leases. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term. Present value of lease payments is discounted based on internal borrowing rates determined by MassDOT for various lease terms. These rates are shown in the table below.

Lease term	Internal Borrowing rate
1 - 5 years	1.35 %
6 - 10 years	1.64 %
Greater than 10 years	1.94 %

Short term leases, those with a maximum period of 12 months, are expensed as incurred.

Lease Receivable – These are recorded as the net present value of lease payments expected to be received under all leases other than short term. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. Short term leases, those with a maximum period of 12 months, are recognized as collected. A deferred inflow of resources is recognized ratably over the life of the lease agreement.

(s) Subscription-Based Information Technology Arrangements (SBITAs)

MassDOT has noncancellable subscription IT arrangements for the right-to-use information technology hardware and software. For subscription IT arrangements with a maximum possible term of 12 months or less at commencement, MassDOT recognizes expenditures based on the provisions of the subscription arrangement. For subscription IT arrangements that are not short-term, MassDOT recognizes a subscription liability and a subscription IT asset.

At subscription commencement, the subscription IT liability is measured as the present value of payments expected to be made during the subscription term. Subsequently, this liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription IT liability, less subscription payments made at or before the subscription commencement date, less any vendor incentives received at or before the subscription commencement date, plus any capitalizable implementation costs. Subsequently, the subscription IT asset is amortized on a straight-line basis over the shorter of the subscription term or useful life of the underlying hardware or software.

(t) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(u) Recent Accounting Pronouncements

GASB Statement No. 91, Conduit Debt Obligations - In December 2020, GASB issued Statement No. 91,*Conduit Debt Obligations*. The Statement establishes a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The primary objective of this Statement is to better meet the information needs of financial statement users by enhancing the comparability and consistency of conduit debt obligation reporting and reporting related transactions and other events.

MassDOT does not have third party arrangements for repayment of bonds and is solely responsible for the repayment of all outstanding debt and thus, the requirement of this statement has no impact on MassDOT's financial statements

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements - The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (underlying PPP asset) for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which is defined in this statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required

to provide to, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for Availability Payment Arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

MassDOT identified one contract as an APA for the operation and maintenance of electric vehicle charging stations. The services provided under this arrangement in fiscal year 2023 and for the duration of the contract are for maintenance of the related assets. Payments for the maintenance service are recorded as period expenses, and as a result, there is no impact as of adoption date.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements - This statement was issued in May 2020 for implementation in fiscal year 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) with the objective of enhancing transparency through the recognition of SBITA-related assets and liabilities on the balance sheet.

MassDOT adopted GASB Statement No. 96 as of July 1, 2022 and has applied the provisions of this standard in these financial statements, including footnote disclosures, see note 9. The adoption of this statement had no impact on the previously reported net position.

GASB Statement No. 99, Omnibus 2022 - The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of the authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB statements and (2) accounting and financial reporting for financial guarantees.

This statement had no impact on MassDOT's financial reporting.

GASB Statement No. 100, Accounting Changes and Error Corrections - ***An Amendment of GASB Statement No. 62 -*** The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This statement had no impact on MassDOT's financial reporting.

(2) Deposits and Investments

MassDOT invests in the Massachusetts Municipal Depository Trust (MMDT) Cash Fund. Authorized investments for the MMDT Cash Fund include primarily U.S. government and government agency obligations, certificates of deposits, commercial paper, notes and repurchase agreements, all with maturities of one year or less. MassDOT’s investment in MMDT is presented in the accompanying financial statement captions as:

Cash and short-term investments	$	120,457
Restricted cash and investments		1,490,075
	$	1,610,532

MassDOT has other investments held by bond and other trustees in accordance with bond indentures and other external requirements. For investments held by trustees, MassDOT has implemented investment policies which incorporate the investment protocols within the Trust Agreements.

In most cases, MassDOT has chosen to limit investments to U.S. Government Treasuries or agencies of the U.S. Government. U.S. Government Agency Obligations purchased may include, but not be limited to, debt issued by: the Student Loan Marketing Association, the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association.

(a) Custodial Credit Risk

At June 30, 2023, all of MassDOT's bank balances were insured and not exposed to custodial credit risk. For deposits held by MMDT Cash Fund, MassDOT had minimal exposure to custodial credit risk.

MassDOT had no custodial credit risk for investments as all investments were either insured or held in MassDOT's name.

(b) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. These investments include certain short-term cash equivalents, various long-term items and restricted assets by maturity in years. MassDOT does not have a formal policy related to interest rate risk.

MassDOT's investments at June 30, 2023 are presented below by investment type and maturity.

		Investments maturities (in years)	
		Less than	
Investment Type	**Fair Value**	**1 year**	**1-5**
U.S. Treasuries	$ 6,002	6,002	—
U.S. Agencies	97,820	97,820	—
Money Market Mutual Funds	113,124	113,124	—
MMDT	1,610,532	1,610,532	—
Total	$ 1,827,478	1,827,478	—

(c) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The following table presents the credit quality ratings of the primary government's fixed income investments at June 30, 2023:

Investment Type	Fair Value	AAA	AA1-AA3	Unrated
U.S. Treasuries	$ 6,002	6,002	—	—
U.S. Agencies	97,820	97,820	—	—
Money Market Mutual Funds	113,124	113,124	—	—
MMDT	1,610,532	—	—	1,610,532
Total	$ 1,827,478	216,946	—	1,610,532

Although the MMDT Cash Fund is not rated, the cash portfolio may only invest in securities rated in one of the two highest short-term rating categories by nationally recognized statistical rating organizations or unrated securities of comparable quality. Securities rated in the highest short-term rating category (and unrated securities of comparable quality) are identified as First Tier securities. Securities rated in the second highest short-term rating category (and unrated securities of comparable quality) are identified as Second Tier securities. At June 30, 2023, credit ratings associated with the investments of the Cash Fund were either First Tier or Second Tier.

(d) Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributable to the magnitude of a government's investment in a single issuer. No investment category other than MMDT exceeded 5% of the total investments of the primary government at June 30, 2023.

(e) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. MassDOT was not exposed to foreign currency risk as of June 30, 2023.

(f) Restricted Cash and Investments by Fund

The following summarizes restricted cash and investments as of June 30, 2023 by the various funds and accounts established by MassDOT for debt covenant requirements and other purposes:

Held by Treasurer Commonwealth	
General Fund - Toll related accounts as restricted by bond covenants	$ 1,096,579
General Fund - MTTF Other	24,850
Major Capital Projects - Statewide Road and Bridge Program	73,837
Major Capital Projects- - Transportation Infrastructure and Development Fund	3,365
Central Artery Repairs and Maintenance	287,142
Other Governmental Funds	4,302
Held by Bond Trustee	
General - Toll related accounts as restricted by bond covenants	214,540
Held by AIG	
Internal Service Fund - Workers' compensation self - insurance	2,406
	$ 1,707,021

(g) Fair Value Hierarchy and Measurements

MassDOT categorizes its fair value measurements within the fair value hierarchy established by GAAP.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023.

Institutional Money Market Funds – Valued at fair value, which is represented by the quoted price for the fund generally $1.00 (one dollar). Institutional money market funds are generally classified as Level 1.

U.S. Treasury and Agency Securities – Securities issued by the U.S. government, its agencies, authorities and instrumentalities are valued using quoted prices, documented trade history in the security and a pricing model maximizing the use of observable inputs determined by investment managers.

- U.S. Treasury Securities consist principally of U.S. Treasury bills, notes and bonds are generally classified as Level 1 of the fair value hierarchy.
- U.S. Government sponsored enterprises securities principally of U.S. Government agency obligations including agency-issued debt, agency mortgage pass-through securities, and agency collateralized mortgage obligation (CMOs) are generally categorized in Level 1 of the fair value hierarchy.

Derivative instruments – MassDOT's interest rate swaps and forward delivery agreements are classified as Level 2 as valued using a market approach that considers benchmark interest rates.

The following summarizes the recurring fair value measurement as of June 30, 2023:

	Fair Value	Level 1	Level 2
Investments by Fair Value Level			
Money Market Mutual Funds	$ 113,124	113,124	—
U.S. Treasuries	6,002	6,002	—
U.S. Agencies	97,820	97,820	—
Total investments by fair value level	216,946	216,946	—
Investments measured at amortized cost			
MMDT	1,610,532		
Total investments	$ 1,827,478		
Derivative instruments			
Interest rate swaps, net (liabilities)	$ (18,645)	—	(18,645)
Forward delivery agreement and interest rate swaps (asset)	2,221	—	2,221
Total derivative instruments	$ (16,424)	—	(16,424)

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Derivative instruments classified in Level 2 of the fair value hierarchy are valued using a market approach that considers benchmark interest rates such as LIBOR and SIFMA.

(3) Accounts Receivable

Governmental funds accounts receivable at June 30, 2023 consisted of the following:

	Gross accounts receivable	Allowance for uncollectibles	Net accounts receivable
Due from Commonwealth	$ 454,198	—	454,198
Due from federal government	24,838	—	24,838
Lease receivable	386,057	—	386,057
Other receivables	264,636	134,178	130,458
	$ 1,129,729	134,178	995,551

(4) Capital Assets

Capital assets of the governmental activities excluding intangible right-to-use lease and subscription IT assets consisted of the following at June 30, 2023:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets, not being depreciated:				
Land	$ 1,062,751	13,486	49	1,076,188
Construction in progress	10,376,528	1,367,345	407,052	11,336,821
Total capital assets, not being depreciated	11,439,279	1,380,831	407,101	12,413,009
Capital assets, being depreciated:				
Infrastructure	31,287,082	413,868	453,224	31,247,726
Buildings	182,099	11,890	—	193,989
Equipment	134,892	6,983	278	141,597
Vehicles	180,114	14,963	2,714	192,363
Software	40,903	—	—	40,903
Total capitals assets, being depreciated	31,825,090	447,704	456,216	31,816,578
Less accumulated depreciation for:				
Infrastructure	16,680,441	705,458	—	17,385,899
Buildings	119,684	3,747	—	123,431
Equipment	124,313	2,501	278	126,536
Vehicles	162,973	4,785	1,912	165,846
Software	38,483	803	—	39,286
Total accumulated depreciation	17,125,894	717,294	2,190	17,840,998
Total capital assets, being depreciated, net	14,699,196	(269,590)	454,026	13,975,580
Capital assets, net	$ 26,138,475	1,111,241	861,127	26,388,589

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Highway	$ 715,540
Planning and Enterprise Services	944
Rail and Transit	810
	$ 717,294

(5) Bonds, Notes and Other Long-Term Liabilities

Long-term debt and other long-term liabilities of the governmental activities consisted of the following at June 30, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Senior revenue bonds:					
Metropolitan Highway System:					
1997 Series A, Capital Appreciation Bonds (CAB's), 5.60% to 5.65%, issued September 24, 1997, due 2024 to 2029	$ 42,007	—	—	42,007	8,650
1997 Series C, Capital Appreciation Bonds (CAB's), 5.50% to 5.55% , issued September 24, 1997, due 2016 to 2023	9,227	—	9,227	—	—
2010 Refunding, Series A, variable rate bonds, issued May 27, 2010, due 2035 to 2037	207,665	—	—	207,665	—
Borrowings related to the associated interest rate swap	2,463	—	123	2,340	128
2019 Refunding, Series A, 5.00%, issued October 23, 2019, due 2021 to 2037	436,180	—	20,535	415,645	15,296
Total senior revenue bonds	697,542	—	29,885	667,657	24,074
Subordinated revenue bonds:					
Metropolitan Highway System:					
2018 Refunding, Series A, 5.00%, issued May 10, 2018, due 2024 to 2029	135,690	—	—	135,690	7,400
2019 Refunding, Series A, 5.00%, issued January 24, 2019, due 2030 to 2039	371,380	—	371,380	—	—
2022 Series A1,A2,A3 issued November 2022, due 2030 - 2039, VRDO	—	371,380	—	371,380	—
Borrowings related to the associated interest rate swap	123,245	2,999	—	126,244	—
2019 Refunding, Series B-1, 5.00%, issued January 24, 2019, due 2025 to 2037	51,230	—	—	51,230	—
2019 Refunding, Series B-2, 2.87% to 3.12%, issued January 24, 2019, due 2020 to 2025 (federally taxable)	5,590	—	3,241	2,349	1,600
2019 Refunding, Series C, 5.00%, issued October 23, 2019, due 2021 to 2035	157,900	—	16,900	141,000	18,880
Total subordinated revenue bonds	845,035	374,379	391,521	827,893	27,880
Total	1,542,577	374,379	421,406	1,495,550	51,954
Less: unamortized bond discounts	(2,491)	414	(385)	(2,520)	—
Plus: unamortized premiums	150,793	—	16,493	134,300	—
Total bonds payable	1,690,879	374,793	437,514	1,627,330	51,954
Other noncurrent liabilities:					
Workers' compensation	35,170	7,968	6,442	36,696	6,442
Judgments and claims	1,191	—	154	1,037	76
Compensated absences	50,424	13,401	—	63,825	38,692
Environmental remediation	1,461	2,883	142	4,202	918
Total other	88,246	24,252	6,738	105,760	46,128
Total noncurrent	$ 1,779,125	399,045	444,252	1,733,090	98,082

Interest is payable semiannually on all debt, except on Capital Appreciation Bonds which is accrued over the lives of the Bonds and is payable upon maturity of the Bonds.

Revenue bonds are secured by a lien and pledge of cash and revenues derived from the Metropolitan Highway System. In addition, the Commonwealth has pledged $100 million per fiscal year until June 30, 2039 to provide contractual assistance with repayment of the bonds. These contractual payments constitute dedicated payments from the Commonwealth that are deposited directly to the Subordinated Debt Service Fund. The Commonwealth has also pledged $25 million per fiscal year until June 30, 2050 to provide contract assistance toward repayment of the senior bonds (until June 2037) and toward payment of subordinated bonds (until June 2039). These contractual payments constitute dedicated payments from the Commonwealth and are deposited into the Senior Debt Service Fund. Refer to footnote 6 for pledged revenue disclosure.

Debt service requirements, excluding derivative borrowings, are as follows:

	Principal	Interest	Total
Year ending June 30,			
2024	$ 51,826	88,809	140,635
2025	54,163	87,210	141,373
2026	76,120	56,184	132,304
2027	81,625	52,378	134,003
2028	44,053	105,112	149,165
2029 - 2033	386,099	259,845	645,944
2034 - 2038	571,140	94,382	665,522
2039	101,940	4,057	105,997
Total	$ 1,366,966	747,977	2,114,943

As rates change, interest payments on the 2010 and 2022 Bonds will vary. Outstanding bonds that are redeemable before their scheduled due dates are as follows at June 30, 2023:

Description	Redemption date	Redemption price	Principal amount outstanding
Metropolitan Highway System:			
2010 Series A - Senior Debt	2035 to 2037	100	$ 207,665
2022 Series A1, A2, A3 - Subordinated Debt	2023 to 2039	100	371,380
2019 Series B-1 - Subordinated Debt	2029 to 2037	100	44,885
2019 Series A - Senior Debt	2029 to 2037	100	288,870
2019 Series C - Subordinated Debt	2029 to 2035	100	107,090

Current Refunding

On November 9, 2022, MassDOT issued $371,380 in revenue bonds to refund $371,380 of outstanding Metropolitan Highway System (MHS) 2019 Subordinated Series A Bonds with Variable Rate Demand Obligations,

2022 Series A-1, A-2 and Series A-3. Interest is payable semi-annually on July 1 and January 1, commencing on January 1, 2023. Principal payments are payable annually starting on July 1 of 2030. The Bonds mature on July 1, 2039.

As a result of this refunding, MassDOT proactively realigned the amortization on the 2022A Bonds to improve debt service coverage in future years on both the Senior and Subordinated liens.

Demand Bonds

Included in long-term debt is $207,665 of Senior and $371,380 of Subordinated variable rate demand bonds. The bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest. The ability of MassDOT, through its Trustee and remarketing agent, to purchase such bonds is secured through letters of credit and standby bond purchase agreements with various nationally recognized financial institution which expire between April 2025 and November 2027. Under generally accepted accounting principles, variable rate demand obligations (VRDO's) are generally classified as current, rather than long-term, liabilities if, among other things, the supporting security agreements expire less than one year after year end. If the letters of credit or the standby bond purchase agreements expired less than one year after year end, they are subject to a "Mandatory Tender for Purchase" requirement that results in the VRDO's being treated as long-term debt. As such, these amounts have been presented as long-term liabilities rather than current liabilities in the accompanying financial statements.

Prior Defeasances of Debt

At June 30, 2023, the 1993 Series A Term Bond principal amount of the defeased debt has been paid off and there is no outstanding balance.

Derivative Instruments

Interest Rate Swaps/Swaptions

The former Massachusetts Turnpike Authority (the Turnpike) entered into swaptions, which upon exercise became interest rate swaps (hereinafter referred to as Swaps) to (1) lock in long-term fixed rate payments and (2) hedge changes in cash flows on variable-rate bonds due to interest rate risk. As of November 1, 2009 (MassDOT's inception), these Swaps were classified as investment derivatives, as they were not associated with a then existing asset or liability of MassDOT. During the year ended June 30, 2010, these Swaps became associated with and were determined to be effective hedges of the 2010 Series A Senior and Subordinated Revenue Bonds issued by MassDOT to refund long-term debt previously issued by the Turnpike. At June 30, 2023, the remaining Swap continues to be an effective hedge of the refunding bonds.

Additionally, the Turnpike received premiums in connection with these swaps upon issuance of the related swaptions. A portion of the premiums is considered borrowings and is valued separately from the swaps. The balance of the borrowings at June 30, 2023 totals $2,340 and is presented as part of bonds payable in the accompanying government-wide financial statements.

In fiscal year 2019, MassDOT terminated Swap agreements and simultaneously entered into two forward swap contracts that commence January 1, 2023. As part of the swap termination, novation payments were made by two counterparties on behalf of MassDOT and are considered premiums received related to the forward swaps. The on behalf payments/premiums are considered borrowings and are valued separately from the swaps. The balance of the borrowings at June 30, 2023 totals $126,244 and is presented as part of bonds payable in the accompanying government-wide financial statements.

Forward Delivery Agreement

MassDOT's bond trustee has invested certain of the debt service funds it holds through a Forward Delivery Agreement (Agreement). The Agreement, administered by Wells Fargo Bank, N.A., provides MassDOT with a guaranteed rate of return on trustee deposits held for debt payments until such time as payments are due. These deposits are recorded on MassDOT's financial statements at the fair value of the underlying securities provided by Wells Fargo through the Agreement. The Agreement qualifies as an investment derivative instrument and is reported at its fair value of $2,221 as of June 30, 2023. The credit rating of Wells Fargo Bank, N.A. at June 30, 2023, as determined by S&P, was A+.

The fair value balances and notional amounts of the derivative instruments outstanding at June 30, 2023, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2023 financial statements are as follows:

	Changes in fair value		Fair value at June 30, 2023		
	Classification	Amount debit (credit)	Classification	Amount debit (credit)	Notional
Governmental activities:					
Cash flow hedges:					
Pay-fixed and receive-variable interest rate swaps	Deferred outflow	$ (35,456)	Derivative liability	$ (20,028)	$ 561,665
Investment derivatives:					
Pay-fixed and receive-variable interest rate swaps	Investment revenue	(729)	Derivative asset	1,383	17,380
Subtotal		(36,185)		(18,645)	
Forward delivery agreements	Investment revenue	1,794	Derivative asset	2,221	
		$ (34,391)		$ (16,424)	

The fair values of the interest rate swaps and the Forward Delivery Agreement were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the derivative, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the derivatives.

The following table displays the terms of MassDOT's derivative instruments outstanding at June 30, 2023:

Derivative Item	Type	Objective	Effective Date	Notional amount	Term date	Payable swap rate	Receivable swap rate	Fair value at June 30, 2023
Cash flow hedges:								
1	Pay-fixed interest rate swap	Hedge interest rate risk from 2010 senior debt (Series A-1 and A-2)	7/1/2008	$207,665	1/1/2037	4.750%	68% of 1 month LIBOR	$ (43,706)
4	Pay-fixed interest rate swap	Hedge interest rate risk from 2022 sub. debt (Series A)	1/1/2023	236,000	1/1/2039	4.750%	68% of 1 month LIBOR	15,852
4	Pay-fixed interest rate swap	Hedge interest rate risk from 2022 sub. debt (Series A)	1/1/2023	118,000	1/1/2039	4.750%	68% of 1 month LIBOR	7,827
Investment derivatives:								
4	Pay-fixed interest rate swap		1/1/2023	11,587	1/1/2039	4.750%	68% of 1 month LIBOR	932
4	Pay-fixed interest rate swap		1/1/2023	5,793	1/1/2039	4.750%	68% of 1 month LIBOR	450
		Subtotal		$579,045				(18,645)
8	Forward delivery agreement		—	—	1/1/2029	—	Fixed	2,221
								$ (16,424)

Swap Payments and Related Debt

The table below shows debt service requirements for the 2010 Senior A-1 and A-2 bonds and net swap payments for the cash flow hedge applying the synthetic fixed rate of 4.75% on the 2010 Senior bonds assuming a 68% of one month LIBOR rate of (3.54804%) and variable rates of (4.150% and 4.100%) on the 2010 Senior A-1 and A-2 as of June 30, 2023, through the term of the swap. The 2019 Series A Subordinated fixed rate bonds were refunded in Fiscal year 2023 and 2022 Subordinated Variable Rate Bonds A-1; A-2 and A-3 which reactivated the liability for the same terms of the swap that was formerly suspended and associ`ated with the 2019 subordinated Series A bonds commencing on January 1, 2023. The 2022 Subordinated A-1; A-2 and A-3 bonds and net swap payments for the cash flow hedge applying the synthetic fixed rate of 4.75% on the 2022 Subordinated bonds assuming a 68% of one month Libor rate of (3.54804%) and variable rates of (4.19%; 4.00% and 3.75%) on the 2022 Subordinated A-1; A-2 and A-3 as of June 30, 2023, through the terms of the swaps.

	Principal	Interest	Interest rate swap, net	Total
2024	—	23,345	6,960	30,305
2025	—	23,345	6,960	30,305
2026	—	23,345	6,960	30,305
2027	—	23,345	6,960	30,305
2028	—	23,345	6,960	30,305
2029 - 2033	67,800	112,447	33,507	213,754
2034 - 2038	409,305	80,065	23,875	513,245
2039	101,940	4,057	1,225	107,222
	$ 579,045	313,294	93,407	985,746

As rates change, interest payments on the 2010 and 2022 Bonds and net swap payments will vary.

Risk Disclosures

Credit Risk – MassDOT is not exposed to credit risk on its interest rate swaps as none of these instruments are in an asset position. However, if interest rates and volatilities change and the fair values of the swaps were to become positive, MassDOT would be exposed to credit risk in the amount of the positive fair values. To mitigate credit risk, MassDOT's counterparties are all required to be rated in the A category or higher by the three rating agencies.

The following represents the credit ratings of the swap counter parties at June 30, 2023:

Derivative swap item	Counterparty credit rating(Moody's, S&P and Fitch)
Derivative 1 (USB AG)	Aa3, A+, AA-
Derivative 4 (Citibank, N.A.)	Aa3, A+, A+
Derivative 4 (Barclays Bank PLC)	A1, A, A+

Basis Risk – MassDOT is exposed to basis risk related to its pay-fixed and receive-variable interest rate basis swaps. The fixed rate MassDOT pays is 4.75% while it receives 68% of 1 month LIBOR.

Tax Risk – If maximum tax rates were to decline, it is possible that the 68% of one month LIBOR the MassDOT receives under the 2001 UBS and 2019 Citi and Barclays bank swaps would be less than the amount needed to pay its variable rate bonds. The MassDOT and its financial advisor take this risk into consideration when analyzing the sufficiency of the hedge reserve fund balance.

Termination Risk – MassDOT or the counter party may terminate the swap if the other party fails to perform under the terms of the contract. If any of the swaps are terminated, the related variable rate bonds would no longer be hedged. Finally, if at the time of termination the swap has a negative fair value, MassDOT would be liable for a payment equal to the swaps' fair value.

(6) Pledged Revenues

MassDOT has pledged toll and certain related revenues, generated from the Metropolitan Highway System (MHS) to repay revenue bonds after deducting the amount necessary to pay all operating and maintenance costs, capital reinvestment and the maintenance of certain debt service reserve funds as required by the applicable bond covenants. The bonds were originally issued to provide financing for construction related to the MHS. Certain revenue bonds associated with the original issuance were refunded, for which the pledge remains. The bonds are payable through 2039 from the pledged revenues and a $125,000 annual contract assistance payment from the Commonwealth. Annual principal and interest payments (including net swap payments) on the bonds, net of the Commonwealth's $125,000 annual contract assistance payment, are expected to require approximately 10% to 26% of pledged revenues.

The remaining principal balance to repay MHS revenue bonds amounts to $1.4 billion. The remaining principal and interest (including net swap payments) related to MHS to be paid on the bonds is $2.2 billion. Principal and interest (including net swap payments) paid and pledged revenue received for the year ended June 30, 2023 were $155,932 and $205,083, respectively.

(7) Governmental Fund Balances

The constraints on fund balances as listed in aggregate in the Governmental Funds Balance Sheet are detailed as follows:

	Governmental Funds - Fund Balance				
	MTTF (general)	**Highway capital projects**	**Central Artery Repair & Maintenance**	**Other governmental funds**	**Total**
Nonspendable:					
Prepaid expenditures	$ 3,875	—	—	—	3,875
Restricted:					
Debt service	214,540	—	—	—	214,540
Turnpike (toll) operations and capital reinvestment	711,008	—	—	—	711,008
Tobin bridge and metropolitan highway system operations	217,527		—	—	217,527
Transportation infrastructure fund	—	73,837	—	—	73,837
Transportation Infrastructure & Development Fund	—	3,365	—	—	3,365
Central Artery repairs and maintenance	—	—	283,256	—	283,256
Motor vehicle safety inspection	—	—	—	3,156	3,156
Planning and Enterprise Services	—	—	—	1,352	1,352
Registry	4,149	—	—	—	4,149
Rail and Transit	—	—	—	20,109	20,109
Total restricted fund balances	1,147,224	77,202	283,256	24,617	1,532,299
Assigned:					
Highway operations	—	—	967	—	967
Registry operations	—	—	—	100	100
Total assigned fund balances	—	—	967	100	1,067
Unassigned	63,287	—	—	(445)	62,842
Total governmental fund balances	$ 1,214,386	77,202	284,223	24,272	1,600,083

(8) Employee Benefit Plans

(a) Pension Plan

General Information about the Pension Plan

Plan description: Pensions are provided to eligible MassDOT employees through the Massachusetts State Employees' Retirement System (MSERS), a cost-sharing multiple employer defined benefit pension plan as defined in GASB Statement No. 67, *Financial Reporting for Pension Plans*. The former Massachusetts Turnpike Authority (MTA) employees and retirees became members of MSERS upon the creation of the MassDOT. Other employees who transferred to MassDOT have been, and remain, members of MSERS. The assets and liabilities of the former MTA have been transferred to MSERS.

The MSERS is governed by the Massachusetts State Retirement Board (MSRB), which consists of five members-two elected by current and active MSERS members, one by the remaining members of the MSRB, one who is appointed by the State Treasurer and the State Treasurer, who serves as ex-officio and is the Chair of the MSRB. Membership in the MSERS is mandatory immediately upon the commencement of employment for all permanent employees working a minimum of 25 hours per week. MSERS is part of the Commonwealth of Massachusetts' reporting entity and does not issue a stand-alone audited financial report.

Benefits provided: MSERS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory public employee retirement systems (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, 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 creditable 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 MSERS' 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 MSERS 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.

Contributions: Chapter 32 of the MGL assigns authority to establish and amend contribution requirements of the plan. Active plan members contribute between 5 and 9% of their gross regular compensation except for State Police which is 12% of regular compensation. The contribution rate is based on the date plan membership commences. Members hired on or after January 1, 1979, contribute an additional 2% of annual regular compensation in excess of $30.

The MGLs governing employer contribution requirements to MSERS are varied and vary among employers to such an extent that there is no uniform contribution method. Consequently, MSERS developed an effective contribution methodology that allocates total actual contributions among the employers in a consistent manner (based on an employer's share of total covered payroll). Any differences between the effective contribution and an employer's actual contributions are considered a nonemployer contribution from the Commonwealth. While certain nonemployer contributions are the legal responsibility of the Commonwealth and are identified by MSERS as special funding situations, MassDOT does not fall within this category. For the June 30, 2022 measurement date, the Commonwealth made contributions on behalf of MassDOT totaling $18,143 and MassDOT made contributions totaling $49,114 to the pension plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, MassDOT reported a liability of $664,685 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022 for which update procedures were used to roll forward the total pension liability to the measurement date (June 30, 2022). MassDOT's proportion of the net pension liability is based on actual contributions adjusted for nonemployer contributions (as described above). At June 30, 2022, MassDOT's proportion was 4.77852%, which compared to a proportion of 4.72169% at June 30, 2021.

For the year ended June 30, 2023, MassDOT recognized pension expense of $55,413. At June 30, 2023, MassDOT reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	$ —	3,544
Changes of assumptions	18,300	—
Changes in proportion	34,445	2,302
Difference between expected and actual experience	16,534	25,943
Contributions subsequent to the measurement date	56,379	—
	$ 125,658	31,789

Excluding contributions made subsequent to the measurement date, the amount reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Amount
2024	$ 7,868
2025	3,462
2026	(12,290)
2027	38,450
Total	$ 37,490

Actuarial assumptions: The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of January 1, 2022 rolled forward to June 30, 2022. This valuation used the following assumptions:

1. (a) 2.5% inflation rate (b) 7.00% investment rate of return, (c) 3.50% interest rate credited to the annuity savings fund and (d) 3.00% cost of living increase on the first $13,000 of allowance each year.

2. Salary increases are based on analyses of past experience but range from 4.0% to 9.0% depending on group and length of service.

3. Mortality rates were as follows:

    - Pre-retirement – reflects RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2020, set forward 1 year for females.

    - Post-retirement – reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2020, set forward 1 year for females.

    - Disability – the mortality rate is reflects the post-retirement mortality described above, set forward 1 year.

4. Experience studies were performed as follows:

    - Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2020 for post-retirement mortality.

Investment assets of MSERS are with the Pension Reserves Investment Trust (PRIT) Fund. 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, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	38 %	4.2 %
Core Fixed Income	15	0.5
Private Equity	15	7.3
Portfolio Completion Strategies	10	2.7
Real Estate	10	3.3
Value Added Fixed Income	8	3.7
Timberland / Natural Resources	4	3.9
Totals	100 %	

Discount rate: The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the Commonwealth's contributions will be made at rates equal to difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the pension plan's net position was 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.

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
MassDOT's Proportionate Share of the Net Pension Liability	$ 916,753	664,685	451,401

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the Commonwealth of Massachusetts' Annual Comprehensive Financial Report.

(b) Other Postemployment Benefits (OPEB)

Plan Description. MassDOT participates in the Commonwealth's OPEB plan, a single employer defined Postemployment Benefits Other Than Pensions (OPEB) Plan. Benefits are managed by the Commonwealth's Group Insurance Commission (GIC) and investments are managed by the Pension Reserves Investment Management (PRIM) Board.

At the inception of MassDOT, the employees of the former Massachusetts Turnpike Authority 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 State Retiree Benefits Trust Fund (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 SRBT is administered by the Board of Trustees and is reported as an OPEB Trust Fund in the Commonwealth's financial statements and does not issue a stand-alone audited financial report.

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

Benefits provided. 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. 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/benefits costs, which are comparable to contributions required from employees.

Funding Policy. Employer and employee contributions rates are set in the General Law. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2022 and as of the valuation date (January 1, 2022), participants contributed 0% to 20% of the premium cost, depending on the date of hire and whether the participant is active, retiree or survivor status. As part of the fiscal 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs. MassDOT is required to reimburse the Commonwealth at their contractual fringe rate of 7.28% based on current payroll. MassDOT's reimbursement to the Commonwealth for the year ending June 30, 2023 was approximately $24,569, which equaled the required contribution.

The Massachusetts General Laws (MGLs) governing employer contributions to OPEB determine whether entities are billed for OPEB costs. Consequently, OPEB developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). Any differences between the effective contribution and an employer's actual contributions are considered a nonemployer contribution from the Commonwealth. According to MGL, certain nonemployer contributions are the legal responsibility of the Commonwealth and have accordingly been reflected on the schedule of employer and nonemployer allocations as special funding situations. MassDOT is not a special funding situation.

OPEB Liabilities, OPEB Expense, and Deferred Inflows of Resources Related to Pensions

At June 30, 2023 MassDOT reported a liability of $660,698 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2022 for which procedures were used to roll forward the total OPEB liability to the measurement date. MassDOT's proportion of the net OPEB liability is based on actual contributions adjusted for nonemployer contributions. At June 30, 2022, MassDOT's proportion was 4.94822%, which compared to a proportion of 4.88706% at June 30, 2021.

For the year ended June 30, 2023, MassDOT recognized OPEB expense (benefit) of ($30,670). At June 30, 2023, MassDOT reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Net differences between projected and actual investment earnings on OPEB plan investments	$ 1,004	—
Changes of assumptions	48,663	239,120
Changes in proportion	58,178	6,482
Difference between expected and actual experience	12,163	109,386
Contributions subsequent to the measurement date	24,569	—
	$ 144,577	354,988

Excluding contributions made subsequent to the measurement date, the amount reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense (benefit) as follows:

Year ending June 30	Amount
2024	$ (56,658)
2025	(43,344)
2026	(57,184)
2027	(55,943)
2028	(21,851)
Totals	$ (234,980)

Actuarial Assumptions: The total OPEB liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of January 1, 2022 rolled forward to June 30, 2022. This valuation used the following assumptions:

1. The annual health care cost trend rates were developed based on the most recent published SOA-Getzen trend rate mode, version 2022_f4. The short-term trend assumptions were based on a review of the plan's historical trend rates during fiscal years 2021 and 2022, along with industry surveys, separately for non-Medicare and Medicare benefits. The industry surveys were used to predict short-term future per capita cost increases. The most recently published SOA-Getzen model was then used to determine the trend rates beginning in 2023 and thereafter, based on the plan's long-term inflation assumption and reasonable macro-economic assumptions for the growth of health care expenditures during this period relative to the general economy.

Current and future trend rates for Medicare and non-Medicare are summarized in the table below.

Year	Medicare Benefits	Non-Medicare Benefits
2022	5.00%	7.60%
2023	6.80%	9.11%
2024	6.79%	8.82%
2025	4.99%	6.72%
2026	4.99%	6.43%

Getzen long run growth factors assumptions:

- Inflation: 2.5%
- Real GDP Growth: 1.4%
- Excess Medical Growth: 1.0%

2. The mortality rate was in accordance with RP-2014 Blue Collar Mortality Table projected with scale MP-2020 from the central year, with females set forward one year.

3. Participation rates:

    a. 100% of employees currently electing healthcare coverage are assumed to elect coverage at retirement

    b. 35% of employees currently opting out of active employee health coverage are assumed to elect to enroll in retiree coverage.

    c. 85% of current and future vested terminated participants will elect health care benefits at age 55, or if later, the participant's current age.

    d. Retirees who currently elect to waive their coverage are assumed to remain uncovered in the future.

    e. 100% of spouses are assumed to elect to continue coverage after the retiree's death.

    f. Current non-Medicare eligible retirees and spouses (if covered) under age 65 who are in a POC/PPO plan are assumed to move to an Indemnity plan if they are Medicare eligible at 65. All others are assumed to remain in their currently elected product type (Indemnity/ POS/ PPO/ HMO)

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

	Retirement Age	
	Under 65	Age 65 +
Indemnity	28.0 %	96.0 %
POS/PPO	60.0	—
HMO	10.0	4.0

4. Long-term expected rate of return:

   The long-term expected rate of return as of June 30, 2022 was 7.00%. Investment assets of the plan are held by the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best estimate ranges of expected future rates of return are developed for each major asset class. Refer to the Pension plan section of this footnote for the table showing the best estimates of geometric rates of return for each major asset class.

Discount rate: The discount rate used to measure the OPEB liability as of June 30, 2022 was 4.30%. The rate was based on a blend of the Bond Buyer Index rate of 3.54% as of the measurement date and the long term expected rate of return on plan investments of 7.00%. The plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. Based on the stated assumptions and the projection of cash flows, the Plan’s Fiduciary Net Position and future contributions were not sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on SRBT investments was applied to projected benefit payments through year 2042 and the municipal bond rate was applied to all remaining future years to determine the Total OPEB Liability.

Sensitivity of MassDOT's proportionate share of the net OPEB liability to changes in the discount rate: The following presents MassDOT's proportionate share of the net OPEB liability calculated using the discount rate, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1- percentage point lower or 1- percentage point higher than the current rate:

	1% Decrease (3.30%)	Current Discount Rate (4.30%)	1% Increase (5.30%)
MassDOT's Proportionate Share of the Net OPEB Liability	$ 770,775	660,698	570,277

Sensitivity of MassDOT's proportionate share of the net OPEB liability to changes in the healthcare cost trend rate: The following presents MassDOT's proportionate share of the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Current Rate	1% Increase
MassDOT's Proportionate Share of the Net OPEB Liability	$ 553,853	660,698	795,949

(9) Leases and Subscription-Based Information Technology Arrangements

Leases

MassDOT has entered various lease arrangements for various terms for assets including land, building, equipment, office space amongst others under non-cancelable lease agreements. In accordance with GASB Statement No. 87, *Leases,* MassDOT has recognized a lease receivable and a deferred inflow of resources for lessor arrangements and a lease liability and an intangible right-to-use asset for lessee arrangements.

(a) Lessee arrangements

MassDOT leases equipment and real estate for various terms under long-term, non cancellable lease agreements which may provide for renewal options.

Total future minimum lease payments under lease agreements are as follows:

Years:	Principal	Interest	Total
2024	$ 6,335	$ 751	7,086
2025	6,143	631	6,774
2026	5,698	516	6,214
2027	5,027	416	5,443
2028	4,202	330	4,532
Thereafter	15,307	785	16,092
Total	$ 42,712	3,429	46,141

Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class.

Leased assets being amortized	Beginning Balance July 1, 2022	Additions	Remeasurements	Ending Balance June 30, 2023
Leased equipment	$ 1,010	966	672	1,304
Leased real estate	52,852	771	441	53,182
Total Leased Assets Being Amortized	53,862	1,737	1,113	54,486
Less: Accumulated Amortization				
Leased equipment	(597)	(448)	672	(373)
Leased real estate	(6,777)	(6,786)	441	(13,122)
Total Accumulated Amortization	(7,374)	(7,234)	1,113	(13,495)
Total, net of accumulated amortization	$ 46,488	(5,497)	—	40,991

A summary of changes in the related lease liabilities is as follows for the year ended June 30, 2023:

	Beginning balance July 1, 2022	Additions	Remeasurements	Deductions	Ending balance June 30, 2023	Amounts due within one year
Lease Liability	$ 47,626	1,737	—	6,651	42,712	6,335

(b) Lessor Arrangements

MassDOT leases property and air rights to others under various lease agreements. During the year ended June 30, 2023, MassDOT recognized $44,296 in lease revenue, $7,254 in interest revenue and $14,059 in rental income.

Total future minimum lease payments to be received under lease agreements are as follows:

Fiscal Year	Revenue	Interest	Total
2024	$ 40,709	$ 6,742	$ 47,451
2025	35,972	6,297	42,269
2026	23,769	5,893	29,662
2027	11,789	5,732	17,521
2028	9,346	5,621	14,967
Thereafter	253,238	277,701	530,939
Total	$ 374,823	$ 307,986	$ 682,809

A summary of principal changes in the related lease receivables is as follows for the year ended June 30, 2023:

	Beginning balance July 1, 2022	Increases	Decreases	Ending balance June 30, 2023	Amounts due within one year
Lease Receivable	$ 425,280	3,769	42,992	386,057	45,616

Subscription Based Information Technology Arrangements

MassDOT has also entered various noncancellable subscription IT arrangements for the right-to-use various information technology hardware and software.

A summary of right-to-use subscription IT assets acquired through subscription arrangements are shown below:

Assets being amortized	
SBITA Assets	$ 10,092
Total Assets Being Amortized	10,092
Less: Accumulated Amortization	
SBITA Amortization	(3,339)
Total Accumulated Amortization	(3,339)
Total, net of accumulated amortization	$ 6,753

Future annual subscription IT payments are as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 3,630	$ 84	$ 3,714
2025	1,015	35	1,050
2026	402	20	422
2027	331	13	344
2028	338	6	344
Thereafter	49	1	50
Total	$ 5,765	$ 159	$ 5,924

A summary of changes in the related subscription IT liabilities is as follows for the year ended June 30, 2023:

	Beginning balance July 1, 2022	Additions	Deductions	Ending balance June 30, 2023	Amounts due within one year
SBITA obligations	$ 10,092	2,281	6,608	5,765	3,630

(10) Risk Management

As part of its normal operations, MassDOT encounters the risk of accidental loss stemming from third party liability claims, property loss or damage, and job related injuries and illnesses. In managing these loss exposures, MassDOT applies a combination of risk management measures, including safety and loss prevention program, emergency planning, contractual risk transfer, self-insurance (internal retention) and commercial insurance. Settled claims resulting from the risks discussed above did not exceed the amount of insurance coverage in force during the year ended June 30, 2023.

In connection with the self-insurance and insurance programs, MassDOT retains part of the losses incurred and internally manages the self-insured claims. The current MassDOT self-insured retention includes (i) up to $2,500 per loss for public official liability (ii) $7,500 per loss for privacy & network liability, (iii) $250 per loss involving damage to buildings and their contents, and (iv) $50,000 per bridge and tunnel loss. Insurance is purchased above self-insured amounts, subject to availability and reasonableness of cost. Liability insurance policies related to the former Massachusetts Turnpike Authority's exposures in prior periods (for incurred but not reported claims) have been assigned to MassDOT and remain in force.

(a) Workers' Compensation

MassDOT's fully self-insured workers' compensation program is administered by the Commonwealth of Massachusetts' Human Resources Division (HRD). HRD assumed responsibility for making fair and timely payments of indemnity and medical benefits to injured MassDOT employees, maintaining the claim and financial records and for negotiating appropriate settlements for all workers' compensation claims. This includes all legacy claims from the predecessor entities.

Liabilities for self-insured claims are reported if it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported at year-end and are based on the historical cost of settling similar claims. MassDOT records such liabilities as other liabilities.

The estimated workers' compensation liability for occurrences through June 30, 2023 is $36,696. This amount is based on the results of a review performed by an independent actuarial firm retained by MassDOT, and represents an estimate of liabilities incurred based on past experience for claims reported and not reported as of June 30, 2023.

Changes in the workers' compensation claims liability since July 1, 2021 were as follows:

Liability balance, July 1, 2021	$	18,862
Provision to record estimated losses		22,101
Payments		(5,793)
Liability balance, June 30, 2022	$	35,170
Liability balance, July 1, 2022	$	35,170
Provision to record estimated losses		7,968
Payments		(6,442)
Liability balance, June 30, 2023	$	36,696

(b) Owner Controlled Insurance Program (OCIP)

MassDOT has assumed responsibility for providing workers' compensation and general liability insurance for all eligible contractors and subcontractors working on the Central Artery/Tunnel Project (Project) by establishing OCIP. A Trust, managed and administered by an independent third party (trustee), was established to protect a portion of the assets set aside with the insurance carried to fund Project liabilities. During fiscal 2018 the Trust was dissolved and MassDOT manages and administers OCIP. Amounts related to OCIP are restricted and cannot be used for other purposes.

These insurance programs within the OCIP are structured as retrospectively rated insurance programs with retained loss limits of $1,000 per claim, $3,000 on aggregate per occurrence for worker's compensation and $2,000 per contractor, $6,000 on aggregate per occurrence for general liability coverage. MassDOT is responsible for loss costs up to these amounts.

The estimated Claims and Judgments liability for the OCIP for occurrences through June 30, 2023 is $1,037. This amount is based on the results of a review performed by an independent actuarial firm and

it represents an estimate of liabilities incurred based on past experience for claims incurred and not reported as of June 30, 2023. Any residual amount remaining at the end of the program will be transferred to MassDOT's Transportation Infrastructure Fund.

Changes in the claims liability since July 1, 2021 were as follows:

Liability balance, July 1, 2021	$	1,230
Provision to record estimated losses		(285)
Payments		(138)
Liability balance, June 30, 2022	$	807
Liability balance, July 1, 2022	$	807
Provision to record estimated losses		306
Payments		(76)
Liability balance, June 30, 2023	$	1,037

(11) Commitments

MassDOT enters into construction contracts for roads, bridges, highways (including the Metropolitan Highway System and Western Turnpike) with various construction and engineering companies, as well as collaborating with the MBTA on various projects. Significant construction contracts outstanding at June 30, 2023 approximated $6.9 billion.

(12) Litigation

MassDOT from time to time is engaged in various matters of routine litigation. These matters include personal injury and property damage claims for which MassDOT’s liability is covered in whole or in part by insurance. MassDOT does not expect that these matters will require any amounts to be paid which in the aggregate would materially affect the financial statements. At June 30, 2023, MassDOT did not have any accruals for legal claims.

(13) Subsequent Events

Subsequent to year end, MassDOT replaced two remarketing agreements; the MHS Subordinated Contract Assistant Secured Variable Rate Demand Obligations 2022 Series A-1 and the MHS Senior Variable Rate Demand Obligations 2010 Series A-1 previously held with the remarketing agent Citigroup Global Markets. MassDOT selected Wells Fargo Securities, LLC as the new remarketing agent for the MHS Subordinated Contract Assistant Secured Variable Rate Demand Obligations 2022 Series A-1 with a principal amount of $123,795,000, with an effective date of February 6, 2024 while Bank of America “[BofA]” Securities, Inc was selected as the remarketing agent for the MHS Senior Variable Rate Demand Obligations 2010 Series A-1 with the principal amount of $100,000,000 with an effective date of February 5, 2024.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information
Fiscal year ended June 30, 2023
(Dollars in thousands)
(Unaudited)

SCHEDULE OF MASSDOT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (1)

	2023 (measurement date June 30, 2022)	2022 (measurement date June 30, 2021)	2021 (measurement date June 30, 2020)	2020 (measurement date June 30, 2019)	2019 (measurement date June 30, 2018)	2018 (measurement date June 30, 2017)	2017 (measurement date June 30, 2016)	2016 (measurement date June 30, 2015)
MassDOT's proportion % of the net pension liability	4.77852 %	4.72169 %	4.26585 %	4.26544 %	4.31966 %	4.43888 %	4.67817 %	5.07498 %
MassDOT's proportionate share of the net pension liability	$ 664,685	$ 492,780	$ 799,297	$ 624,213	$ 571,492	$ 569,276	$ 645,065	$ 577,676
MassDOT's covered-employee payroll	$ 305,181	$ 290,661	$ 289,528	$ 255,607	$ 248,834	256,471	263,416	280,329
MassDOT's nonemployer contributions provided by the Commonwealth	$ 18,143	$ 13,558	$ 9,577	$ 11,650	$ 10,189	9,185	8,701	2,648
MassDOT's proportionate share of the net pension liability as a percentage of its covered-employee payroll	217.80 %	169.54 %	276.07 %	244.21 %	229.67 %	221.96 %	244.88 %	206.07 %
Plan fiduciary net position as a percentage of the total pension liability	71.05 %	77.54 %	66.48 %	66.28 %	67.91 %	67.21 %	63.48 %	67.87 %

	2015 (measurement date June 30, 2014)
MassDOT's proportion % of the net pension liability	4.98100 %
MassDOT's proportionate share of the net pension liability	369,795
MassDOT's covered-employee payroll	266,308
MassDOT's nonemployer contributions provided by the Commonwealth	8,199
MassDOT's proportionate share of the net pension liability as a percentage of its covered-employee payroll	138.86 %
Plan fiduciary net position as a percentage of the total pension liability	76.32 %

(1) Data is being accumulated annually to present 10 years of the reported information.

See accompanying independent auditors' report

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information
Fiscal year ended June 30, 2023
(Dollars in thousands)
(Unaudited)

SCHEDULE OF MASSDOT'S PENSION CONTRIBUTIONS

	2023	2022	2021	2020	2019
Contractually required contribution	$ 56,379	49,114	42,611	40,765	30,826
Contributions in relation to the contractually required contribution	(56,379)	(49,114)	(42,611)	(40,765)	(30,826)
Contribution deficiency (excess)	$ —	—	—	—	—
MassDOT's covered-employee payroll	$337,599	305,181	290,661	289,528	255,607
Contributions as a percentage of covered employee payroll	16.70 %	16.09 %	14.66 %	14.08 %	12.06 %

	2018	2017	2016	2015	2014
Contractually required contribution	$ 29,313	25,519	24,893	29,126	21,118
Contributions in relation to the contractually required contribution	(29,313)	(25,519)	(24,893)	(29,126)	(21,118)
Contribution deficiency (excess)	$ —	—	—	—	—
MassDOT's covered-employee payroll	$248,834	256,471	263,416	280,329	266,308
Contributions as a percentage of covered employee payroll	11.78 %	9.95 %	9.45 %	10.39 %	7.93 %

See accompanying independent auditors' report.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information
Fiscal year ended June 30, 2023
(Dollars in thousands)
(Unaudited)

SCHEDULE OF MASSDOT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (1)

	2023 (measurement date June 30, 2022)	2022 (measurement date June 30, 2021)	2021 (measurement date June 30, 2020)	2020 (measurement date June 30, 2019)	2019 (measurement date June 30, 2018)	2018 (measurement date June 30, 2017)
MassDOT's proportion % of the net OPEB liability	4.94822 %	4.88706 %	4.82515 %	4.4195 %	4.47456 %	4.59294 %
MassDOT's proportionate share of the net OPEB liability	$ 660,698	$ 781,904	$ 998,381	$ 808,483	$ 831,094	$ 803,052
MassDOT's covered-employee payroll	$ 305,180	$ 290,661	$ 289,527	$ 255,607	$ 248,834	$ 256,471
MassDOT's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	216.49 %	269.01 %	344.83 %	316.30 %	334.00 %	313.12 %
Plan fiduciary net position as a percentage of the total OPEB liability	13.00 %	10.70 %	6.40 %	6.96 %	6.01 %	5.39 %

(1) Data is being accumulated annually to present 10 years of the reported information.

See accompanying independent auditors' report.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information
Fiscal year ended June 30, 2023
(Dollars in thousands)
(Unaudited)

SCHEDULE OF MASSDOT'S OPEB CONTRIBUTIONS (1)

	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 24,569	$ 23,325	$ 22,375	$ 21,117	$ 22,478	$ 22,193
Contributions in relation to the actuarially determined contribution	$ (25,228)	$ (26,655)	$ (25,315)	$ (21,280)	$ (19,876)	$ (20,216)
Contribution deficiency (excess)	(659)	$ (3,330)	(2,940)	(163)	2,602	1,977
Covered employee payroll	$ 337,599	$ 305,181	$ 290,661	$ 289,527	$ 255,607	$ 248,834
Contributions as a percentage of covered employee payroll	7.28 %	7.64 %	7.70 %	7.29 %	8.79 %	8.92 %

(1) Data is being accumulated annually to present 10 years of the reported information.

See accompanying independent auditors' report.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Massachusetts Transportation Trust Fund
Combining Balance Sheet
June 30, 2023
(Dollars in thousands)

Assets	Metropolitan Highway System	Western Turnpike	Tobin Bridge	Other operations	Total
Cash and short-term investments	$ —	—	—	92,950	92,950
Restricted cash and investments	681,569	413,397	216,154	24,849	1,335,969
Leases receivable	76,184	211,729	—	98,144	386,057
Other receivables, net	61,876	36,693	10,226	21,663	130,458
Other assets	2,618	581	205	471	3,875
Total assets	$ 822,247	662,400	226,585	238,077	1,949,309
Liabilities, Deferred Inflows of Resources and Fund Balances:					
Liabilities:					
Accounts payable and accrued expenditures	22,343	19,650	1,310	36,341	79,644
Unearned revenue	191,064	2,327	—	17,840	211,231
Total liabilities	213,407	21,977	1,310	54,181	290,875
Deferred Inflows of Resources:					
Unavailable Revenue	34,932	26,750	7,543	—	69,225
Lease related	73,964	205,571	—	95,288	374,823
Total deferred inflows of resources	108,896	232,321	7,543	95,288	444,048
Fund balances:					
Nonspendable	2,619	580	205	471	3,875
Restricted	497,325	407,522	217,527	24,850	1,147,224
Unassigned	—	—	—	63,287	63,287
Total fund balances	499,944	408,102	217,732	88,608	1,214,386
Total liabilities, deferred inflows of resources and fund balances	$ 822,247	662,400	226,585	238,077	1,949,309

See accompanying independent auditors' report.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Massachusetts Transportation Trust Fund
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Fiscal year ended June 30, 2023
(Dollars in thousands)

Revenues	Metropolitan Highway System	Western Turnpike	Tobin Bridge	Other operations	Total
Toll revenue:					
Pledged as security for revenue bonds	$ 205,083	—	—	—	205,083
Unpledged	—	156,583	44,219	—	200,802
Commonwealth transportation fund:					
Operations	—	—	—	574,426	574,426
Metropolitan highway system bonds	100,000	—	—	—	100,000
Central artery operations and maintenance	25,000	—	—	—	25,000
Rental/lease income	14,872	36,000	—	13,970	64,842
Investment income	32,879	13,834	7,675	9,388	63,776
Departmental and other	20,448	14,287	3,227	82,191	120,153
Total revenues	398,282	220,704	55,121	679,975	1,354,082
Expenditures					
Current					
Highway**	182,265	143,590	30,712	442,467	799,034
Planning and Enterprise Services	28,107	12,528	791	117,837	159,263
Registry of motor vehicles	—	—	—	133,579	133,579
Rail and Transit	—	—	—	152,154	152,154
Aeronautics	—	—	—	3,748	3,748
Debt service:					
Principal***	51,703	1,003	30	6,193	58,929
Interest***	96,454	86	4	459	97,003
Total expenditures	358,529	157,207	31,537	856,437	1,403,710
Excess (deficiency) of revenues over expenditures	39,753	63,497	23,584	(176,462)	(49,628)
Other financing sources (uses):					
Transfers in	—	—	—	44,000	44,000
SBITAs and leases issued	858	580	10	4,006	5,454
Issuance of refunding bonds	371,380	—	—	—	371,380
Debt Service-principal,current refunding	(371,380)	—	—	—	(371,380)
Total other financing sources (uses)	858	580	10	48,006	49,454
Net change in fund balances	40,611	64,077	23,594	(128,456)	(174)
Fund balances at beginning of year	459,333	344,025	194,138	217,064	1,214,560
Fund balances at end of year	$ 499,944	408,102	217,732	88,608	1,214,386

See accompanying independent auditors' report.

** Pay go Maintenance expenditures of $165 million are included in total line ($92 million in MHS & $74 million WT)

*** The Principal and Interest payment amounts reported under the WT, Tobin and Other operations are in accordance with GASB Statement no. 87, leases and GASB Statement no. 96, subscription-based information technology arrangements (SBITA) implementation. Included in the MHS is $1.40 million of Principal and $0.17 million of interest payment related to lease agreements and $0.40 million of Principal and $0.01 million of interest payment related to SBITA agreements.