

Commonwealth of Massachusetts



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2000

Martin J. Benison, CGFM
State Comptroller

Prepared by The Financial Reporting and Analysis Bureau

*This document and related information are available via the Office of the Comptroller's home page:
www.state.ma.us/osc/osc.htm*

In 1621, King James I authorized the Council for New England to plant and govern land in this area. This Council granted the Peirce Patent, confirming the Pilgrims' settlement and governance of Plymouth. Peirce and his associates, the merchant adventurers, were allotted 100 acres for each settler the Company transported. The Pilgrims had a contract stating all land and profits would accrue to the Company for 7 years at which time the assets would be divided among the shareholders. Most of the Pilgrims held some stock. The Pilgrims negotiated a more favorable contract with the Company in 1626. In 1627, Plymouth colony determined upon a new economic arrangement with 53 Plymouth freemen (the "Purchasers") agreeing to buy out the Company over a period of years. In this passage Bradford describes how this new complex economic arrangement was formulated:

(that was dead) when he built their boats; at their request he put forth himself to make a triall that way of his skill; and took one of y^e biggest of their shalops, and sawed her in y^e middle, and so lengthend her some 5 or 6. foot, and strengthened her with timbers, and so builded her up, and laid a deck on her; and so made her a convenient, and wholesome vessel, very fit & comfortable for their use, which did them service 7 years after; and they got her finished, and fitted with sayles & anchors & of ensuing year. And thus passed y^e affairs of this year.

Anno Dom: 1627 .

At y^e usual season of y^e coming of ships to Newton returned, and brought some of the goods with him, according to y^e order given him. for upon his commission he took up 200^l which he now sold at 30 per cent: the which goods they got safely home, and well conditioned, which was much to the comfort, & content of y^e plantation. He declared unto them also, how with much dooe, and no small trouble, he had made a comparison with y^e adventurers, by the help of sundrie of their faithfull friends there who had also took much paine their about. The agreement or bargain he had brought a draught of, with a list of their names ther too annexed; drawn by the best counsel of law they could get, to make it firme. The heads wherof y^e shall here insert

To all Christian people ^{greeting} Or. whereas at a meeting y^e 26. of October last past.

"Therefore they resolved, for sundrie reasons, to take in all amongst them, that were either heads of families, or single yonge men, that were of ability, and free, (and able to governe them selvs with meete descretion, and their affairs, so as to be helpful in ye comone-welth,) into this partnership or purchass. First, they considered that they had need of men & strength both for defence and carrying on of bussinesses. 2ly, most of them had borne ther parts in former miseries & wants with them, and therefore (in some sort) but equall to partake in a better condition, if ye Lord be pleased to give it. But chiefly they saw not how peace would be preserved without so doing, but danger & great disturbance might grow to their great hurte & prejudice other wise. Yet they resolved to keep such a mean in distribution of lands, and other courses, as should not hinder their growth in others coming to them.

"So they caled ye company together, and conferred with them, and came to this conclusion, that ye trade should be managed as before, to help to pay the debts; and all such persons as were above named should be reputed and inrouled for purchasers; single free men to have a single share, and every father of a familie to be allowed to purchass so many shares as he had persons in his family; that is to say, one for him selfe, and one for his wife, and for every child that he had living with him, one. As for servants, they had none, but what either their maisters should give them out of theirs, or their deservings should obtaine from ye company afterwards. Thus all were to be cast into single shares according to the order abovesaid; and so every one was to pay his part according to his proportion towards ye purchass, & all other debts, what ye profite of ye trade would not reach too; viz. a single man for a single share, a maister of a famalie for so many as he had. This gave all good contente."

Bradford Journal courtesy of the Massachusetts State Library - Special Collections, Text and translation, courtesy of the Pilgrim Hall Museum.

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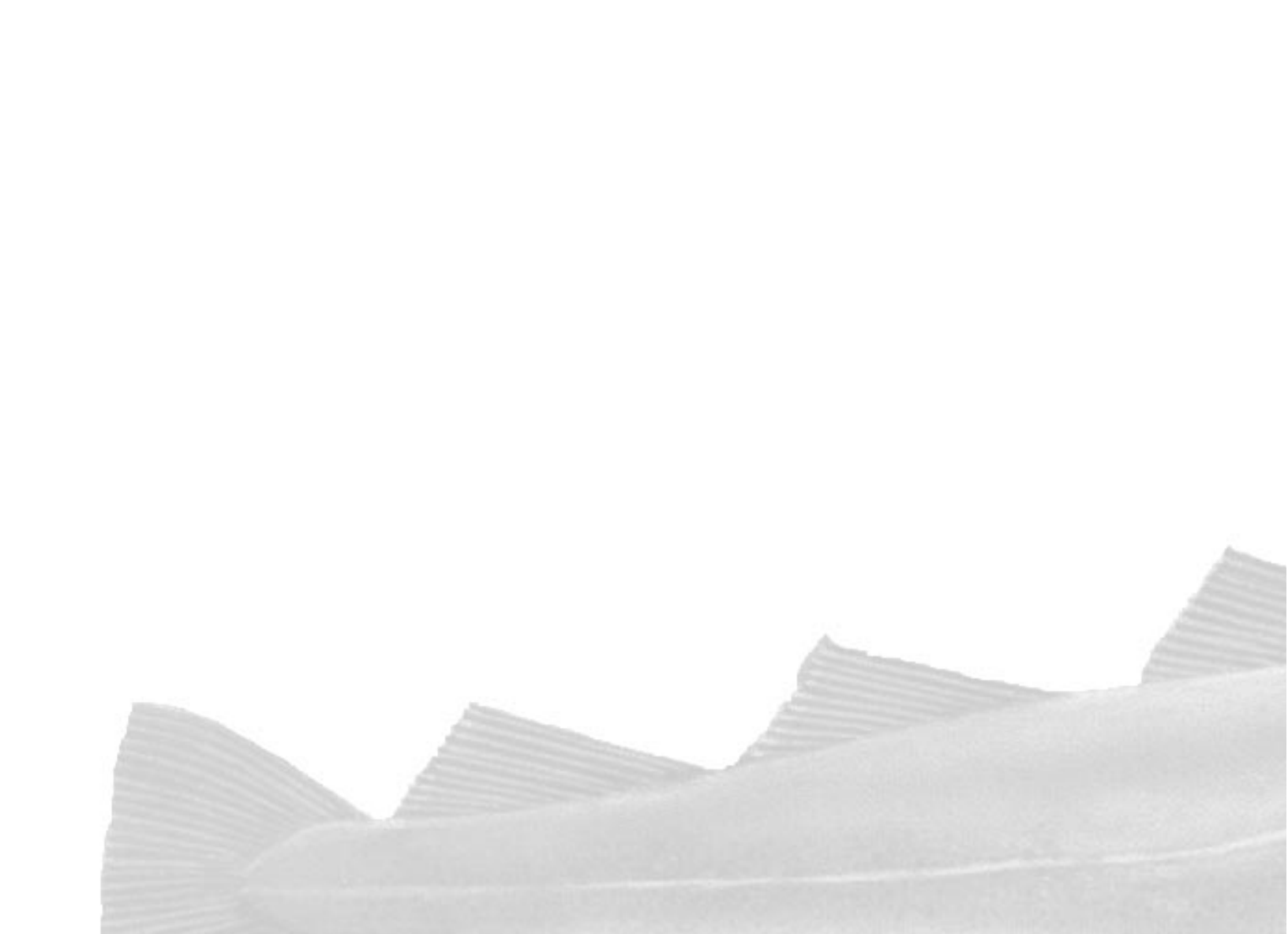
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The theme for this year's Comprehensive Annual Financial Report is trade and commerce within the Commonwealth. As you will see in the pages of this report, the Commonwealth of Massachusetts has come a long way from the Bradford Compact. Today we are fortunate to have a vibrant economy buoyed by the high- and biotechnology booms, balanced with the relative stability of our institutions of banking, learning and medicine. Our per capita income has consistently outpaced the rest of the nation and we have active trading partners with countries in Europe, the rest of the Americas and the Far East. The final section of the Report titled Other Economic Data details these results.

For over 200 years, the emblem of the cod has remained a symbol of the Commonwealth's economic beginnings, as the fishing industry provided the Puritans with food, fertilizer, and revenue from trade.

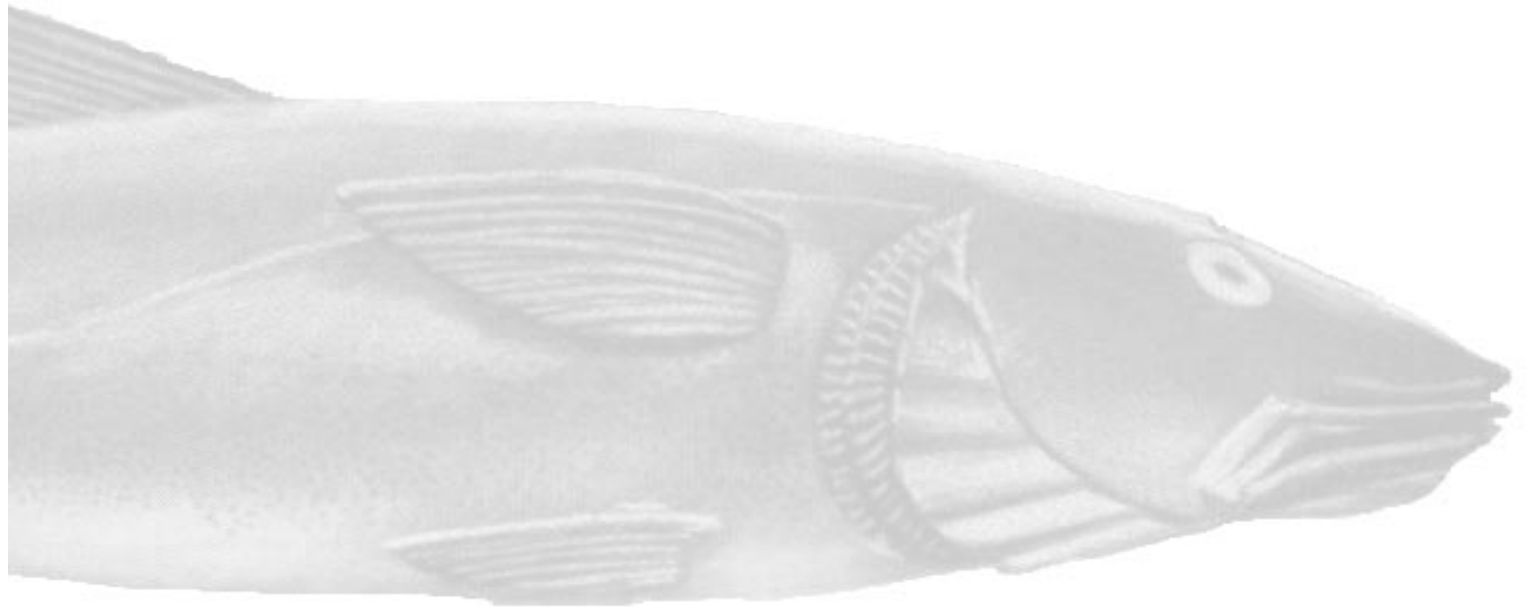
This year the Cavalcade of Cod, a public art exhibit celebrating the artistic gifts and the phi-

lanthropy of Boston's business community was launched. Decorated by professional artists, children and celebrities, close to 100 five-foot, five-inch fish were then installed all over town to the delight of locals and tourists alike. A live celebrity auction was held and all the proceeds will benefit local charities chosen by the sponsors. To get a peek at some of the Cod, see the last page of this report.

Photography and text regarding the Sacred Cod courtesy of the Massachusetts State Library - Special Collections.

Other Cover photography courtesy of:
Lowell Textile Museum
Massachusetts Department of Agriculture
The Bostonian Society
Massachusetts Institute of Technology
Massachusetts Executive Office of Transportation and Construction
Central Artery/ Tunnel Project

Introductory Section



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Organization Chart of State Government
List of Principal State Officials
Advisory Board to the Comptroller
Certificate of Achievement



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

December 19, 2000

***To the Citizens of the Commonwealth of Massachusetts,
Governor Argeo Paul Cellucci, and Honorable Members of the
General Court***

I am pleased to transmit the Comprehensive Annual Financial Report (“CAFR”) for the fiscal year ended June 30, 2000 (“FY00.”) The financial condition of the Commonwealth remains strong. Over \$1.6 billion, or approximately 6% of budgeted revenues determined in accordance with Generally Accepted Accounting Principles “GAAP” is in the Commonwealth’s Stabilization Fund, sometimes called the “rainy day” fund. With the fund nearly at the maximum amount authorized by law, the Commonwealth is prepared for an economic slowdown.

For the tenth consecutive year, revenues have exceeded expenditures in the governmental funds. Some of us remember in the not too distant past, that the Commonwealth reported a fund deficit in accordance with GAAP of \$1.9 billion. I am now pleased to report a *positive* GAAP governmental fund balance of \$2.8 billion. The GAAP Fund Balance approximates the Statutory Basis fund balance. In FY90 and FY91, the Commonwealth resorted to over \$1.8 billion in deficit borrowing to start down the road of putting its fiscal house in order. What has caused this turnaround? Years of prudent fiscal management, characterized by structurally balanced budgets, and strategic investments in the Commonwealth’s future, combined with a favorable economy, has made the Commonwealth fiscally strong. The Commonwealth is continuing to take steps to plan for the future. In FY00, the Commonwealth set aside \$650 million to defease high interest debt that otherwise could not be refunded. Another \$205.6 million was used to fund new infrastructure and other capital projects, avoiding additional debt burden. These strategic uses of surplus to fund long-term liabilities of the Commonwealth has resulted in the large fund balance on both a statutory and GAAP basis. In 1991 the Statutory Basis Fund Balance in the budgeted funds was \$237 million. However, this same balance when computed in accordance with GAAP, was a deficit of \$761 million. Today’s GAAP fund balance in excess of \$2.8 billion is the strongest evidence of the Commonwealth’s decade long commitment to conservative budgeting and strategic investments in its future stability. It is the ongoing challenge to Commonwealth policy makers to ensure that the financial condition of the Commonwealth remains strong.

Probably the most significant change in the Commonwealth’s financial management is the change in the financial relationship with the Massachusetts Bay Transportation Authority (“MBTA,”) the Boston area’s metropolitan transit system. For decades, the Commonwealth has been the payer of last resort for the MBTA.

MBTA Forward Funding

Sources of Funds

G.O. Bonds Issued.....	\$325,000,000
Operating Transfers.....	10,540,000
Amount to be Amortized.....	<u>612,750,000</u>
Total Sources of Funds to the MBTA...	<u>948,290,000</u>

Uses of Funds

Net Cost of Service Paid For:

Calendar Year 1999 and before.....	505,750,000
1/1/00 through 6/30/00.....	342,540,000
Working Capital.....	<u>100,000,000</u>
Total Cost of Forward Funding.....	<u>\$948,290,000</u>

The Commonwealth recognized this liability on statutory basis 18 months in arrears. For years the difference between what the MBTA spent and took in as revenues was presented to the Treasurer as the request for a cash advance, which was paid and then budgeted by the Legislature in a subsequent fiscal year. While the old law provided a number of procedures to control the growth in spending, this structure excluded the MBTA from the normal budgetary review process. In addition, because transit fares had remained level and contributions from cities and towns had a growth ceiling under Proposition 2½, the bill to the Commonwealth included a disproportionate share of the increase in expense. Beginning in FY01, a new funding mechanism is in place. The Commonwealth will set aside 20% of sales tax revenues, along with amounts assessed on the cities and towns within the service district in a separate fund. The MBTA will control its own destiny by balancing its spending needs with available revenue sources, including this dedicated revenue stream from the Commonwealth. In addition, while the Commonwealth will continue to guarantee existing debt of the MBTA, it will not guarantee future debt issuance.

One crucial step in this process was for the Commonwealth to fund the 18 month lag in operating subsidies previously financed through the loaning of cash reserves to the MBTA and the issuance of notes by the Commonwealth and the MBTA. Under this convoluted process, conceived in the 1960's, the calendar 1998 operating deficit of the MBTA was appropriated in the FY00 budget. In order to catch up, the Commonwealth needed to budget this lag (January 1999 – June 30, 2000) in FY00. The cost of this lag is \$848 million. This cost, along with \$100 million in working capital, was financed by \$325 million in General Obligation Bonds, \$10.5 million in operating appropriations and a \$612.8 million capital projects fund authorization. Additional bonds have been authorized to finance this final piece, but only if it is determined that it cannot be supported within the Commonwealth's cash flow. Otherwise it will be amortized over 20 years in the operating budget.

This Comprehensive Annual Financial Report, ("CAFR,") is prepared by the Office of the Comptroller and we are responsible for the fair presentation of the financial statements of the Commonwealth. The report is presented in three sections: Introductory, Financial, and Statistical. The three sections of the CAFR, as detailed in the table of contents, include the information necessary for the reader to obtain a comprehensive understanding of the Commonwealth's financial position and the results of its operations for FY00.

The CAFR is prepared in accordance with GAAP as established by the Governmental Accounting Standards Board ("GASB,") the professional standards of the American Institute of Certified Public Accountants ("AICPA,") the recommendations of the Government Finance Officers Association ("GFOA,") and the requirements of state finance law.

The Office of the Comptroller transmits the Comprehensive Annual Financial Report in accordance with Section 12 of Chapter 7A of the General Laws.

BUDGETED FUNDS OPERATIONS

The portion of state finances that generates the greatest degree of interest is the Budgeted Funds. These funds include the General, Local Aid, Highway, and certain Special Revenue Funds which comprise the annual state budget. These funds are also important to analyze as the bulk of their revenues are derived from taxation and federal reimbursements. The expenditures in these funds are largely general governmental operations, Medicaid, Local Aid, debt service and public assistance.

The table of Budgeted Funds Operations - GAAP Basis sets forth a multi-fiscal year view of financial performance for the Budgeted Funds under GAAP, and also provides a comparison to the same funds as accounted and reported under the statutory basis of accounting.

Budgeted Funds Operations - GAAP Basis (Amounts in millions)

	FY96	FY97	FY98	FY99	FY00
Beginning fund balances	\$ 287.4	\$ 709.2	\$ 1,096.3	\$ 1,841.4	\$ 1,704.9
Revenues and other financing sources...	17,524.6	18,845.9	20,339.9	20,655.7	25,914.1
Expenditures and other financing uses..	17,102.8	18,458.8	19,594.8	20,792.2	25,293.9
Excess (deficiency).....	421.8	387.1	745.1	(136.5)	620.2
Ending fund balances	\$ 709.2	\$ 1,096.3	\$ 1,841.4	\$ 1,704.9	\$ 2,325.1

Budgeted Funds Operations - Statutory Basis (Amounts in millions)

	FY96	FY97	FY98	FY99	FY00
Beginning fund balances	\$ 726.5	\$ 1,173.0	\$ 1,394.0	\$ 2,192.1	\$ 2,112.4
Revenues and other financing sources..	18,371.4	19,223.3	21,404.6	21,566.9	26,221.1
Expenditures and other financing uses..	17,924.9	19,002.3	20,606.5	21,646.6	26,048.1
Excess (deficiency).....	446.5	221.0	798.1	(79.7)	173.0
Ending fund balances.....	\$ 1,173.0	\$ 1,394.0	\$ 2,192.1	\$ 2,112.4	\$ 2,285.4

On the statutory basis of accounting, which is used to develop the Commonwealth's budget and control its daily activities, the Budgeted Funds have achieved positive ending fund balances for each of the last five years. During this period, fund balance increased from \$1.2 billion in fiscal year 1996 to \$2.3 billion in the current fiscal year, for a cumulative improvement of \$1.1 billion.

Over the same period on a GAAP basis, operating gains have improved the fund balance from \$709.2 million to \$2.3 billion, a cumulative improvement of \$1.6 billion. The widely acknowledged efforts to accomplish fiscal balance on a statutory basis are even more dramatic on a GAAP basis.

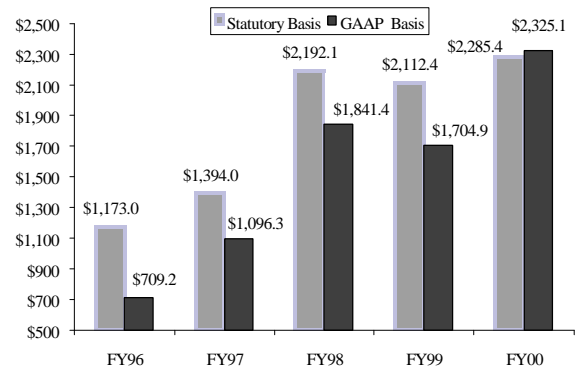
In FY00, the revenues and other financing sources in the budgeted funds totaled \$25.9 billion. The Budgeted Funds - GAAP Basis chart shows the percentage of revenue by type contributing to that total. Budgeted Funds expenditures and other financing uses totaled \$25.3 billion. The chart depicts the percentage of each major program in this total.

Historically, there have been five major items that account for almost all the difference between the statutory basis reporting and GAAP: the Medicaid program, subsidies to authorities such as the MBTA, compensated absences, claims and judgments, and tax revenues. In FY00, the Commonwealth's GAAP fund balance was *higher* than its statutory fund balance for the first time since the Commonwealth began reporting on a GAAP Basis. This is primarily due to the forward funding of the MBTA on a statutory basis.

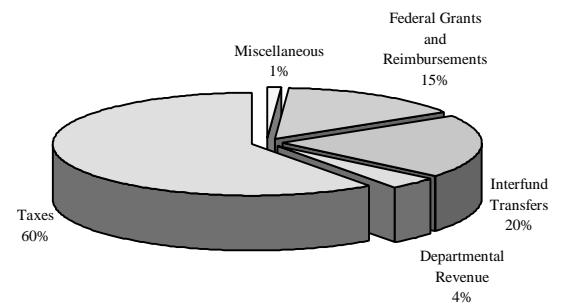
For the Medicaid program, expenditures under the statutory basis of accounting are equivalent to cash disbursements. Thus, bills for services rendered during the fiscal year but not paid, or rate adjustments owed but not paid, are not measured in that year. Rather, they are reported statutorily in the next fiscal year when the cash is received or paid. Under GAAP however, such items are accrued, so that all expenditures are consistently correlated to the fiscal year to which they pertain.

The Medicaid expenditures measured on a GAAP basis for FY00 were \$4.4 billion, which is 14.4% higher than FY99. The value of this liability in FY00, net of federal reimbursement, was \$236.7 million. For several years, the Commonwealth aggressively pursued a policy to constrain expenditure growth in Medicaid, thus helping to balance the overall budget.

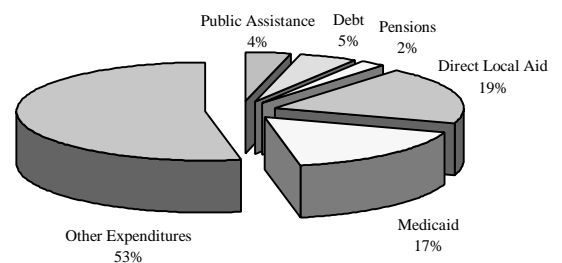
**GAAP VS. STATUTORY
FUND BALANCE
(Amounts in millions)**



**BUDGETED FUNDS – GAAP BASIS
Revenue and Other Financing Sources**



**BUDGETED FUNDS – GAAP BASIS
Expenditures and Other Financing Uses**



The expansion in Medicaid in FY00 was due to the first full year of the Commonwealth's expanded eligibility for services, initiated in FY98. In the face of this expansion though, it is important to assure Medicaid service conforms to affordable growth in the overall budget.

The second difference is the subsidies that the Commonwealth had paid to the MBTA and will continue to pay to the Regional Transit Authorities ("RTAs.") Through various laws the Commonwealth has obligated itself to provide subsidies to these transit authorities for operations and debt service. However, the annual budget is appropriated on a basis which "lags" behind the total amount of the subsidy for the RTAs. Under GAAP, the amount obligated is accrued, to reflect the total cost of the subsidy. Now that the MBTA funding has been addressed this difference is minimal.

The third difference is compensated absences. Under the statutory basis of accounting, the vacation and sick time taken by employees is expensed as it is used. Under GAAP, the amounts owed for vacation earned but not yet taken, and certain amounts of sick leave earned, are accrued and reported as expenditures of the current fiscal year. The liability and usage trend for compensated absences has been relatively consistent.

The fourth difference is claims and judgments. Under the statutory basis, amounts owed as a result of lawsuits for torts, tax disputes, eminent domain land takings, or other legal actions are not measured as expenditures until the issue is adjudicated and the settlement is paid. Under GAAP, an analysis is performed on all pending litigation, and an amount is accrued for that portion of litigation where a settlement against the Commonwealth is considered probable and reasonably estimable.

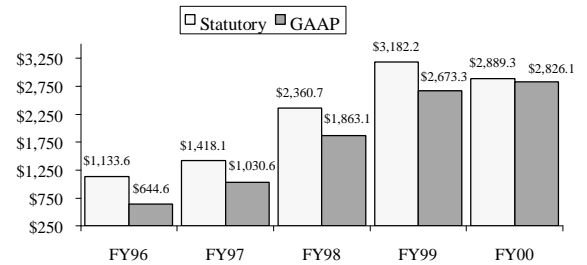
The fifth difference between statutory and GAAP relates to the recognition of tax revenue. A taxpayer's obligation incurred during a fiscal year usually is not fully collected until the ensuing fiscal year; under the statutory basis of accounting this revenue is not recognized until the cash is received. However, under GAAP, an analysis is conducted in conjunction with the Department of Revenue ("DOR,") and an accrual for revenue earned is computed. In FY00, the value of accrued tax revenue from all sources was \$509.4 million.

GOVERNMENTAL FUND OPERATIONS

The Governmental fund type includes all funds where the Commonwealth imposes its sovereign authority to collect revenues and authorize expenditures. This includes all Budgeted Funds as previously described (General and several Special Revenue Funds,) all other (non-budgeted) Special Revenue Funds, and the Capital Project Funds. When viewed as a whole, these funds portray the Commonwealth's comprehensive governmental financial activity. The five-year trend of operations, on a GAAP basis, is summarized in the table on the following page.

The Commonwealth bonds for capital projects in arrears. These expenditures and financing sources are recorded in the Capital Projects Funds component of the Governmental Funds total. The practice of bonding in arrears allows for a high degree of certainty in project spending, mitigating a potential adverse tax consequence. As a result of this practice the Governmental Funds positive fund balance includes FY00 expenditures that will not be funded by bonds until FY01. Between July 1 and December 18, 2000, the Commonwealth issued \$575.1 million in General Obligation Debt to finance these expenditures. In addition, the Commonwealth issued \$577.6 million in Grant Anticipation Notes. \$279.2 million of this amount was reimbursement for expenditures temporarily financed through the Commonwealth's cash flow and the balance has been set-aside to finance expenditures as they occur in the coming year. Finally the Commonwealth recently issued \$677 million in General Obligation Debt, in the form of variable rate and auction rate securities, specifically targeted toward future expenditures of the Central Artery / Tunnel Project. These funds have been invested at rates slightly in excess of the rate of interest on the bonds, generating net income for the Commonwealth. Also subsequent to year-end, the Commonwealth defeased over \$400 million of existing debt as part of the process of funding the Central Artery / Tunnel Project and various projects for statewide roads and bridges.

GOVERNMENTAL FUND BALANCE
Statutory vs. GAAP
(Amounts in millions)



Governmental Fund Operations - GAAP Basis
(Amounts in millions)

	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>
Beginning fund balances (deficits).....	\$ (16.3)	\$ 644.6	\$ 1,030.6	\$ 1,863.1	\$ 2,673.3
Revenues and other financing sources.....	25,102.3	27,372.9	31,249.3	33,272.7	38,174.4
Expenditures and other financing uses.....	<u>24,441.4</u>	<u>26,986.9</u>	<u>30,416.8</u>	<u>32,462.5</u>	<u>38,021.6</u>
Excess	660.9	386.0	832.5	810.2	152.8
Ending fund balances	<u>\$ 644.6</u>	<u>\$ 1,030.6</u>	<u>\$ 1,863.1</u>	<u>\$ 2,673.3</u>	<u>\$ 2,826.1</u>

The Central Artery / Tunnel Project has frequently been referred to as the largest public works project in the history of the United States and an engineering masterpiece. Recently the cost of the project has been the target of public scrutiny.

The Commonwealth has aggressively responded to concerns regarding the integrity of the cost estimates. An independent evaluation of the entire estimate for the project was undertaken. The results were fully disclosed and a finance plan for the cost increases was enacted.

The Commonwealth has also put in place a new management team for the Project that is committed to full, timely disclosure about schedules and costs. The bulk of the spending remaining, outlined in the table to the right, on the Project is currently estimated to occur during FY01 and FY02, with final completion now targeted in FY05. Pursuant to statute and agreements with the Massachusetts Turnpike Authority (the “MTA”) and the Massachusetts Port Authority (“MassPort,”) the entities have committed to significant ongoing contributions to the Commonwealth as part of the financing for this project.

The special revenue funds receive all revenues from the Master Settlement Agreement (MSA) between the states and the tobacco industry to recover health care costs for tobacco related illnesses. The MSA estimates the Commonwealth revenues for the first 25 years of the settlement at \$7.6 billion. This estimate is prior to future adjustments for inflation and changes in the volume of domestic cigarette sales. In FY00, the Commonwealth received \$326 million or 92% of the estimated amounts shown in the settlement agreement. Of the \$326 million, \$83.6 million was transferred to the Tobacco Settlement Fund, a budgeted fund, with nearly half of that amount expended on various health initiatives in the Commonwealth. The Fund also earned nearly \$4.7 million in investment income during the year.

Beginning in FY01, a board of public and private sector investment experts, appointed by the Governor, the Attorney General and the Treasurer-Receiver-General, will manage the investment of funds in the Health Care Security Trust Fund, the recipient of all money in the MSA. This board has broad discretion on investment choices to increase the assets in the fund. Annually 30% of payments into the fund and investment earnings thereon will be transferred to the budgeted funds for appropriation by the Legislature.

INTERNAL SERVICE FUNDS

In FY95, the Commonwealth established for GAAP reporting purposes three Internal Service Funds. These funds account for the operations of the State Employees Workers’ Compensation Program, a special workers’ compensation program for the Central Artery/Tunnel Project, and for the health insurance programs administered by the Group Insurance Commission. In FY00, one additional internal service fund, the Liability Management and Reduction Fund (“LMRF,”) was established. The newest fund is for a program to charge back departments the cost of liability insurance. With the exception of LMRF, on the statutory basis of accounting these funds have not been created and are not reported. The adjusting entries to report these “GAAP only” funds represent another difference from the statutory basis.

The Human Resource Division of the Commonwealth administers the Commonwealth’s self-insured State Employees Workers’ Compensation Program. Revenues of the program represent amounts charged to the various Commonwealth departments. Expenses are for claims and settlements, and accrued expenses for incurred claims, which will be paid in the future.

Central Artery/Tunnel Project (Amounts in billions)

Sources of Funds:

Federal Funds	\$ 7.049
MTA	1.793
MassPort	0.365
GANS	1.500
Other Commonwealth Debt	2.815
Commonwealth Operating Funds and Investment Earnings	0.553

Total Sources \$ 14.075

Costs of Construction:

Actual Costs through FY00	\$ 9.122
Estimated Spending:	
FY01	1.744
FY02	1.371
FY03	0.940
FY04	0.658
FY05	0.240

Total Estimated Costs of Construction: \$ 14.075

The traditional policy followed by the Commonwealth has been to set “chargebacks” to Commonwealth departments equivalent to claims actually paid, typically referred to as a “pay-as-you-go” approach.

As a result, an unfunded actuarial liability of \$255.4 million has accumulated, of which \$36.1 million is expected to be paid within one year. The Commonwealth should consider a plan to base annual chargebacks on an actuarial valuation, thus eventually funding such liability.

For the Central Artery/Tunnel Project, the Executive Office of Transportation and Construction, with the approval of the U.S. Department of Transportation, has created a special program to cover all participants’ workers’ compensation and general liability claims on the project. In this arrangement, annual premiums and investment earnings are accumulated by the insurance carrier and held in trust on behalf of the Commonwealth to fund current and future claims. The approach is expected to reduce the financial impact to the federal government and the Commonwealth of a potentially expensive component of the large, multi-year construction project.

The Group Insurance Commission manages the health insurance program for Commonwealth employees, retirees, and their beneficiaries. Revenues to the program are amounts contributed by individuals, participant organizations, or by the Commonwealth. The expenses are claims and accruals for claims incurred but not reported. The accumulated balance, a small deficit, is not material to the size of the program, suggesting that symmetry of revenues to expenses is reasonable and change is not warranted.

The LMRF is used for charge backs assessed to departments as premiums for the provision of insurance coverage for state agencies to cover payment of judgments, settlements and litigation costs in tort claims. Through this fund, as well as other measures, the Commonwealth departments have a greater role in managing these costs.

Internal Service Fund Operations

(Amounts in millions)

	FY96	FY97	FY98	FY99	FY00
Beginning retained earnings (deficits).....	\$ (223.4)	\$ (151.0)	\$ (140.3)	\$ (102.9)	\$ (87.0)
Operating gain (loss).....	68.7	3.2	26.6	1.0	\$ (2.7)
Other revenues	3.7	7.5	10.8	14.9	15.8
Ending retained earnings (deficits).....	\$ (151.0)	\$ (140.3)	\$ (102.9)	\$ (87.0)	\$ (73.9)

FIDUCIARY FUND OPERATIONS

The Fiduciary type of funds consists of funds where the Commonwealth is acting as an agent, or steward for funds, which relate to another party. The Fiduciary Fund Type includes the Expendable Trust, Non-expendable Trust, Pension Trust, External Investment Trust and the

Agency Funds.

The Nonexpendable Trusts account for assets held with restrictions and the Agency funds account for assets managed temporarily on behalf of other parties.

The Expendable Trusts ended FY00 with a fund balance of \$5.7 billion. This balance is composed of \$284.7 million in various Commonwealth held Expendable Trusts, \$2.2 billion in the Unemployment Compensation Trust Fund and \$3.1 billion in the Deferred Compensation Trust.

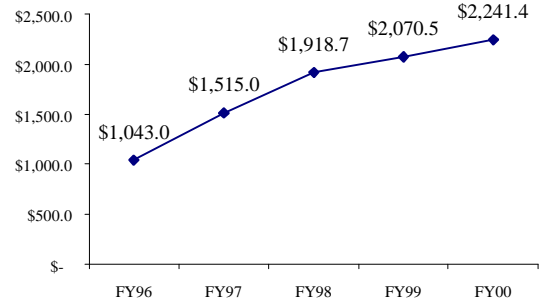
The External Investment Trust is comprised of the portion of investments held by the State Treasurer and Receiver - General on behalf of political sub-divisions in the Massachusetts Municipal Depository Trust ("MMDT.") The MMDT was established by the State Treasurer as a pooled investment trust.

The Commonwealth is responsible for the payment of pension benefits to its employees and to the teachers of the cities, towns, and regional school districts. It manages the operations of both the State Employees' Retirement System ("SERS") and Teachers' Retirement System ("TRS") and reports the results of operations and net assets available to fund employee pension benefits as Pension Trust Funds. Pursuant to the pension reform laws, the Commonwealth funds its pension liabilities on a long-term schedule. It is the responsibility of the Public Employee Retirement Administration Commission ("PERAC") to complete actuarial updates for the funding schedule. The current funding schedule is designed to fully fund the systems by FY2018.

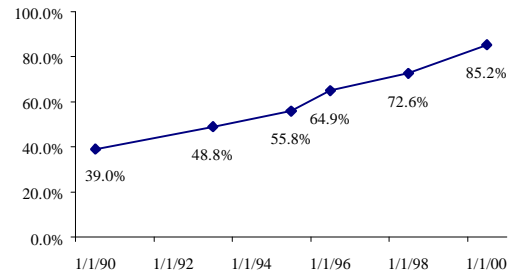
The Pension Funding Progress Graph presents the excellent results over the past eight years of meeting the objective of having a fully funded plan. Footnote 10 details the progress by system.

The following table presents a five-year trend analysis of the Pension Trust Funds Operations.

**Fund Balance
For Unemployment Compensation Fund
(Amounts in millions)**



**Pension Funding Process
Funded Ratio**



Source: Public Employee Retirement Administration Commission Actuarial Valuation Report – 1/1/00

Pension Trust Funds					
(Amounts in millions)					
	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>
Beginning fund balances	\$ 13,483.2	\$ 15,956.2	(as restated) \$ 19,560.0	\$ 23,960.0	\$ 27,112.3
Revenues.....	3,560.6	4,729.4	5,644.0	4,517.1	5,944.3
Expenses.....	<u>1,087.6</u>	<u>1,125.6</u>	<u>1,244.0</u>	<u>1,364.8</u>	<u>1,477.2</u>
Excess	2,473.0	3,603.8	4,400.0	3,152.3	4,467.1
Ending fund balances.....	<u>\$ 15,956.2</u>	<u>\$ 19,560.0</u>	<u>\$ 23,960.0</u>	<u>\$ 27,112.3</u>	<u>\$ 31,579.4</u>

UNIVERSITY AND COLLEGE FUNDS

Since FY93, the CAFR has presented the University and College system in accordance with the AICPA Industry Audit Guide, "Audits of Colleges and Universities." This presentation combines financial activity from all fund types for:

- The University of Massachusetts, including its campuses at Amherst, Boston, Dartmouth and Lowell.
- The State College system of nine state colleges, which provide four-year post-secondary education, and the State College Building Authority.
- The Community College system of fifteen community colleges, which provide two-year post-secondary education, programs.

The University and College Fund Type reports a positive GAAP fund balance. Approximately \$2.9 billion of this fund balance is restricted or designated in plant funds, endowment funds, or other purposes.

University and College Fund Type Operations (Amounts in millions)

	<u>FY96 (1)</u>	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>
Beginning fund balances.....	\$ 2,164.9	\$ 2,363.3	\$ 2,512.2	\$ 2,621.0	\$ 2,768.0
Revenues and other additions.....	1,816.6	1,823.7	1,461.6	1,506.8	1,631.4
Expenditures and other deductions.....	2,254.4	2,381.8	2,053.9	2,218.1	2,374.6
Net transfers, including state appropriations.....	636.2	707.0	781.2	858.3	934.6
Net assets transferred to UMass Memorial Health Care, Inc.....	-	-	(70.5)	-	-
Loss from discontinued operations	-	-	(9.6)	-	(15.1)
Net Increase	<u>198.4</u>	<u>148.9</u>	<u>108.8</u>	<u>147.0</u>	<u>176.3</u>
Ending fund balances.....	<u>\$ 2,363.3</u>	<u>\$ 2,512.2</u>	<u>\$ 2,621.0</u>	<u>\$ 2,768.0</u>	<u>\$ 2,944.3</u>

(1) As restated for addition of component units

In FY00, the University and colleges are commended for producing stand-alone audited financial statements in conformity with GAAP. These 25 schools have demonstrated accountability to their trustees, the Governor and Legislature, and to all concerned parties, by preparing financial statements in accordance with GAAP.

For several years both the Comptroller's Office and the Board of Higher Education have encouraged all schools as a matter of policy, to commit the requisite resources and effort to produce stand-alone audited financial statements. The role of publicly subsidized higher education is important to the continued enhancement of the Commonwealth's economy and quality of life. Accordingly, the financial accountability and financial health of the universities and colleges is an important public policy concern.

COMPONENT UNITS

The Commonwealth's relationship to the independent public authorities, reported as Component Units, is based on statute and contracts between the Commonwealth and these entities.

Component Units Operations					
(Amounts in millions)					
	Beginning Fund Balance/ Retained Earnings	Operating Gain/ (Loss)	Subsidy	Other Changes	Ending Fund Balance/ Retained Earnings
Massachusetts Bay Transportation Authority.....	\$ (163)	\$ (682)	\$ 917	\$ (170)	\$ (98)
Massachusetts Turnpike Authority.....	376	46	-	(78)	344
Regional Transit Authorities.....	5	(92)	49	44	6
Massachusetts Water Pollution Abatement Trust.....	99	(18)	8	33	122
Massachusetts Development Finance Agency.....	36	(9)	13	13	53
Massachusetts Convention Center Authority.....	9	(15)	16	1	11
Massachusetts Technology Park Corporation	17	-	(1)	-	16
Corporation for Business Work and Learning.....	10	(73)	8	67	12
Massachusetts Community Development Finance Corporation.....	3	(1)	1	(1)	2
Community Economic Development Assistance Corporation.....	62	7	-	1	70
Massachusetts Corporation for Educational Telecommunications.....	3	(7)	13	(1)	8
Massachusetts Housing Partnership.....	14	5	7	(9)	17
Commonwealth Zoological Corporation.....	3	(5)	8	2	8
Massachusetts International Trade Council.....	1	(1)	1	-	1
Total.....	<u>\$ 475</u>	<u>\$ (845)</u>	<u>\$ 1,040</u>	<u>\$ (98)</u>	<u>\$ 572</u>

For those interested in more detailed information on the working of these political subdivisions of the Commonwealth, footnote 1 to the financial statements provides contact information where audited financial statements for each of these entities may be obtained.

INDEPENDENT AUDIT

The firm of Deloitte & Touche LLP, together with subcontractors Daniel Dennis & Company, Margaret Carr, CPA and Susan Perna-Damon, CPA, and assisted by the Office of the State Auditor ("OSA,") have performed an independent audit of the Commonwealth's general purpose financial statements for the fiscal year ended June 30, 2000. OSA also plays a large role in the simultaneous audit of the Schedule of Federal Financial Assistance of the Commonwealth, as prescribed in the Federal Office of Management and Budget's Circular A-133.

An integral part of any audit of financial statements is a plan that the audit obtains reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. When performing an audit in accordance with applicable standards, the

auditors obtain a sufficient understanding of the Commonwealth's internal controls to enable them to properly plan the audit and to determine the nature, timing and extent of the audit procedures to be performed. However, because of the characteristics of fraud, a properly planned and performed audit may not detect such illegal acts.

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

We express our gratitude to the staff of the respective firms and the Office of the State Auditor for their professionalism, advice and counsel. The independent auditor's report is presented in the Financial Section.

INTERNAL CONTROL ENVIRONMENT

Chapter 647 of the Acts of 1989, places authority and responsibility for internal controls with the head of each executive department, constitutional office, and branch of government. The Office of the Comptroller issues internal control guidelines and the Office of the State Auditor may investigate departments with risk of internal control weaknesses.

The Office of the Comptroller continues to deliver training sessions for department managers regarding their responsibility for internal control in the Commonwealth's highly automated environment.

Absolute assurance with respect to internal control is prohibitively expensive. Using risk assessment criteria set forth in the guidelines and stressed in the training, the objectives of the Commonwealth's internal control structure are to provide management and the public with reasonable assurance that internal control systems do not have material weaknesses.

The Office of the Comptroller has been working to further strengthen the guidance for Internal Controls for the Commonwealth through a statewide Internal Control Campaign. Using the Committee of Sponsoring Organizations ("COSO") Report of the Treadway Commission as a basis, the office has issued an expanded and updated Internal Control Guide for managers of the Commonwealth. The goal of this effort is to present a sound set of practices that enhance financial credibility throughout the Commonwealth.

As part of the FY00 audit, the Commonwealth emphasized the analysis of departmental internal control plans. The goal being to have departments not just think of their plans as fiscal control documents but management documents that assess risk across all programmatic areas of the department and document strategies to mitigate those risks. The plans, which included developing customized training for particular

departments, scheduling monthly internal control classes, devoting hundreds of single audit hours in the review of internal control plans, development of internal control models and risk assessment techniques and making managers generally aware of the importance of these controls. As a result of this emphasis, the number of current year findings have decreased, the findings repeated from previous years have decreased, and the findings resolved in one year reached an all time high. We clearly have the attention of our departments and plan to continue this focus next year through the continuation of the education process, expansion into program areas to compliment our success in the financial arena, and increased communication of internal information at all levels of government.

REPORTING ENTITY

The financial statements incorporate the 156 departments, agencies, boards, commissions, institutions of higher education, the judicial and legislative branches of government, and constitutional offices.

The departments record their daily financial operations in the state accounting system called the Massachusetts Management Accounting and Reporting System (“MMARS”) operated by the Office of the Comptroller.

In addition, the financial statements include independent public authorities and the State Employees’ and Teachers’ Retirement Systems. These component units meet the criteria for inclusion in the reporting entity in accordance with GAAP, which are further described in Note 1 to the general purpose financial statements.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

MMARS is the computerized, statewide accounting system used by all departments to control and account for their financial activity under the statutory basis of accounting. The financial operations of the authorities and certain non-appropriated higher education funds are accounted for through their own independent accounting systems.

MMARS is designed to satisfy all requirements of the Commonwealth’s statutory basis of accounting and financial reporting. Any additional information needed to prepare financial statements according to GAAP is provided through a combination of MMARS system-generated data, information compiled by departments, and the submission of audited financial statements from certain independent authorities.

During FY01 and for the next three years, the Commonwealth will take steps to upgrade MMARS from a “green screen” mainframe-based system to one that is an Internet based application. We believe that it is time to upgrade the system to take advantage of current and future technologies to position the Commonwealth to provide seamless integration of its e-government applications to its “back-end” budgetary control and financial management systems.

Note 2 to the general purpose financial statements provides a reconciliation between the General and Budgeted Special Revenue Funds on a statutory basis and the GAAP basis presented in the general purpose financial statements.

CASH AND INVESTMENTS

The State Treasurer and Receiver – General controls cash and investments with the exception of pension assets, which are managed by the Pension Reserves Investment Trust. Each department deposits cash receipts daily into a Treasury controlled bank account. Weekly and daily warrants for disbursements are prepared by the Comptroller, and reviewed and approved by the Governor’s Council; the Treasurer issues disbursements. The banking and disbursement process has been recently streamlined to optimize the use of electronic funds transfer and electronics benefits transfer.

A system of bank depository and disbursement accounts and “lockboxes” are employed by the Treasurer’s Office to maximize daily cash balances. The Treasurer manages these cash balances in MMDT and other funds to optimize interest earnings. The Treasurer’s Office invests cash from these general accounts in short-term securities and other investments. A discussion of cash and investments is presented in Note 3 to the general purpose financial statements.

The Treasurer is also responsible for quarterly cash flow plans, weekly variance reporting and, jointly with the Executive Office for Administration and Finance, annual and quarterly cash management plans. Taxes and non-tax inflows, warrants, other outflows, and short and long-term borrowings are monitored against these plans.

FY00 is the seventh year of the Commonwealth’s implementation of the U.S. Cash Management Improvement Act (“CMIA.”) The CMIA requires the states to measure interest income on federal funds drawn from the U.S. Treasury prior to disbursement, and for the U.S. Treasury to measure interest income on funds drawn down subsequent to disbursement. A settlement of interest due to or due from the Commonwealth and federal government is computed.

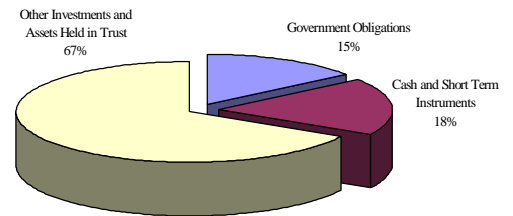
DEBT

The Commonwealth funds its capital appropriations by authorizing the issuance of long-term bonds. The Long-Term Debt table sets forth the trend of the Commonwealth’s tax-supported long-term indebtedness for the last five years.

To limit the Commonwealth debt burden, and control the degree to which debt service creates pressure on the operating budget, the Administration has implemented a five-year capital spending plan. This administrative policy has existed for several years, and the effect of debt service on the operating budget is depicted on the following graph of Debt Service as a Percent of Governmental Expenditures.

In FY97, Standard and Poor’s upgraded the rating for the Commonwealth’s General Obligation Debt from “A+” to “AA-”. The effect of the capital spending plan policy, the acceleration of funding of

Cash and Investments
Primary Government at June 30, 2000
(Amounts in millions)

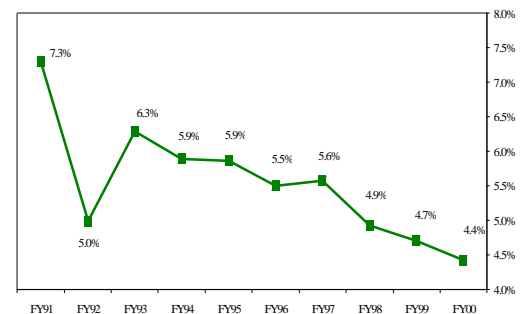


*Includes amounts that are in Pension Trust Funds

Long-Term Debt
(Amounts in billions)

Fiscal Year	Authorized - Unissued	Principal Outstanding
2000	\$11.5	\$12.4
1999	12.0	11.8
1998	12.3	11.0
1997	12.0	10.3
1996	8.2	10.1

Debt Service as a Percent of Governmental Expenditures



the Commonwealth's pension liability and the string of operating surpluses were cited as reasons for the upgrade. The current credit ratings from Moody's is Aa2 and Fitch Investor Services is AA-

As authorized by state finance law, the State Treasurer may utilize short-term borrowing to support governmental cash flow. Other debt consists of certificates of participation and capital lease agreements. Such financing arrangements are used to acquire capital assets, for example computer equipment and motor vehicles. The Commonwealth continued to utilize this form of financing in FY00.

Additional information on Commonwealth debt, including guaranteed debt of independent public authorities, is presented in Notes 7, 8, and 12 to the general purpose financial statements.

During FY00, the Commonwealth defeased debt through the use of \$400 million of the FY99 operating surplus through the escrow and irrevocable trust with an escrow agent that purchased U. S. Government securities. Through this action, the Commonwealth defeased debt service payments of approximately \$578.9 million over the next 9 years. At June 30, 2000, approximately \$508.5 million of the bonds refunded remained outstanding.

At the end of FY00, as part of the Central Artery / Tunnel Project as well as other statewide road and bridge projects, the Commonwealth set aside \$650 million of surplus funds in its debt defeasance fund, attributable to FY00 and prior years' surpluses. In the first months of FY01, nearly \$400 million was expended to purchase additional U.S. Government securities held in trust by escrow agents. The debt service savings from this action will be deposited in the fund for the Central Artery and statewide roads and bridges. On June 28, 2000, the Commonwealth also de-authorized \$106.7 million in unissued general obligation bonds.

RISK FINANCING

The Commonwealth assumes the risk of loss for property damage and personal injury, breach of contract, condemnation proceedings, and other alleged violations of law, and is defended by the Attorney General's Office in such cases. In FY00, approximately \$92 million was expended to settle such claims in special and existing appropriations. Based on the Attorney General's evaluation of cases in which it is probable that a judgment will be rendered against the Commonwealth, and a loss incurred, an additional \$32.5 million has been accrued in the Governmental Funds at June 30, 2000.

ECONOMIC AND FINANCIAL PROSPECTS

The theme of this year's CAFR is trade and commerce in the Commonwealth. We are proud of our healthy economy, but always aware that change is inevitable. Massachusetts has been the center of New England's economy since the Bradford Compact, nearly 380 years ago.

Our Commonwealth is home to many world-renowned institutions of medicine and higher education, both public and private, keeping the economy relatively stable and full of ingenuity. Tourism is also a significant component of our economy, its third largest industry. For 1998, the latest data available, the Massachusetts Office of Travel and Tourism estimates that over \$11.4 billion in direct expenditures were created by the tourism industry in the Commonwealth. According to the Office, these dollars supported 138,100 jobs generating nearly \$3.2 billion in payroll earnings. Traveler direct expenditures also generated \$1.9 billion in federal, state, and local taxes. The Boston metropolitan area and Cape Cod accounted for 71% of these expenditures that year.

Massachusetts' employment has been growing steadily since 1992. The Massachusetts' seasonally adjusted unemployment rate, currently at 2.6%, remains below the national seasonally adjusted rate of 4.0% as of June 30, 2000. Commonwealth per capita income continues to outpace the nation as shown in the Massachusetts vs. United States Year to Year Per Capita Income Graph. This graph shows that Massachusetts per capita income level has been and is increasingly growing against the rest of the nation.

The Commonwealth, with an international reputation for medical, cultural, historical, and educational institutions, is the economic and educational hub of New England. The Commonwealth's economy remains diversified but its strongest component is its knowledge-based technology and service industries.

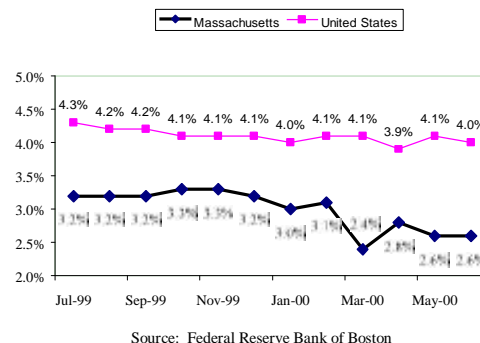
Massachusetts' infrastructure provides strong support for this knowledge-based economy. There are over 120 colleges and universities located in Massachusetts, and 27.2% of the residents over age 25 have earned bachelor's degrees, compared to 20.3% for the United States as a whole. Our capital, Boston, has over 20 hospitals and three medical schools.

A continued low rate of inflation is expected to keep wage growth low and allow for slow-paced positive growth in the Massachusetts economy.

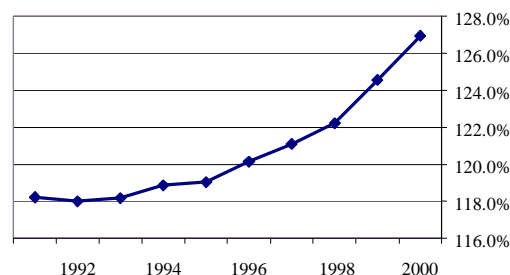
The Commonwealth's FY01 budget forecast is consistent with the economic trends presented above. Budgeted revenues and other sources, as estimated by the Executive Office for Administration and Finance, are currently projected at approximately \$21.9 billion, including transfers and other receipts. The estimate assumes tax revenues will be 1.7% lower than the FY00 actual collections of \$15.7 billion, after accounting for sales tax, funds dedicated to the MBTA. This estimate also reflects the impact of two taxes cuts effective for calendar year 2001.

On November 7, 2000 Massachusetts' voters approved two initiative programs that reduced personal income taxes beyond what was in the FY00 budget. A 5.85% rate was effective for tax year 2000 and a 5.8% rate was effective on January 1, 2001. The voters reduced the 2001 rate to 5.6%, the 2002 rate to 5.3% and thereafter to 5%. This rate reduction has an impact of \$135 million in FY01 rising to \$1.2 billion when fully implemented in FY04. Economic theory suggests that the tax reduction

**Monthly Unemployment Rate
July 1999 – June 2000**



**Massachusetts vs. United States
Year-to-Year Per Capita
Net Income Change
1991- 2000**



Source: - United States Department of Commerce, Bureau of Economic Analysis, 2000 as of June 30, 2000, population for per capita calculation from MISER

will return to the Commonwealth in the form of increased spending activity and therefore, higher tax receipts. In the short run, it will also force the Commonwealth to live within the means that the citizens have stipulated.

Charitable donations will also be deductible from earned income beginning in tax year 2001. This has an estimated impact of \$80 million in 2001 and \$192 million when fully implemented. The charitable deduction will help stimulate the not-for-profit sector in the Commonwealth.

After accounting for vetoes and overrides in the budget as passed, the Executive Office for Administration and Finance projects the Commonwealth's total budgeted expenditures and other uses in FY01 at \$22.1 billion. This estimate assumes the spending in the Commonwealth will decrease by 1.4% from FY00.

The Administration is engaged in an extensive mid-year review of this estimate. The Governor will release his recommended budget for FY02 in late January, at which time the FY01 forecast may be revised.

SIGNIFICANT ACCOMPLISHMENTS

In FY00, there were a number of significant accomplishments that demonstrate accountability and sound financial management.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 1999. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. This is the tenth consecutive year that the Commonwealth has received this award.

On both a statutory and GAAP basis, the Commonwealth has maintained a positive fund balance for the tenth consecutive year. The Commonwealth Stabilization Fund balance, sometimes called the "rainy day" fund, has grown to \$1.6 billion, representing the Commonwealth's reserves for future purposes.

As part of the FY01 budget, the Commonwealth established a Capital Needs Investment Trust Fund. For the next five fiscal years, \$45 million of surplus will be deposited into this fund. Of this amount, \$20 million per year will create and preserve affordable housing. \$11 million per year will improve technology in our public schools, and an additional \$14 million per year will be used for deferred maintenance of state property and redevelopment of state facilities. These initiatives are important, as they improve the livelihood of our citizens, while creating opportunities for further economic development.

The non-tax revenue optimization campaign was very successful in FY00. With special authorization in the budget, a task force was comprised of key persons from the Executive Office for Administration and Finance, the Budget Bureau, and the Comptroller's Office.

The task force provided leadership and sponsored projects by which outside experts were engaged on a contingent fee basis, and departments optimized various sources of non-tax revenue (such as federal reimbursement) by over \$202 million during FY00. The initiative is dedicated to optimizing all collection potential within the framework of existing fee structure and program authorizations. The non-tax revenue optimization campaign continues in FY01.

THE FUTURE OF THE CAFR – NEW REPORTING PRINCIPLES TO BE IMPLEMENTED

As reported to you last year, the Commonwealth's financial statements are in the process of a dramatic change. Our balance sheet will now look more like a business' balance sheet. It will have a complete picture of our government and its ancillary authorities in one entity-wide statement. This statement will include fixed assets, including infrastructure and long-term debt. Bond payments and interest accruals, revenue and expenses will be reported on a full accrual basis similar to a business. A new "Statement of Activities" will be more useful for decision makers, who will be able to directly discern a function of government's direct and indirect costs, offset by the function's direct revenues. It will also include depreciation expense. It must be noted though, that these statements are merely different aggregations of funds and account groups that are already being reported in this CAFR.

The process will enter its next phase in January, when we will take this year's CAFR and begin the process of translating it, on a test basis, into the new reporting format. Some systems will need to be changed, mainly around rearranging the geography of the statements and instituting depreciation for the governmental funds. The most significant component of this project is the valuation of and depreciation of the Commonwealth's infrastructure. We have assembled a working group comprised of major departments with infrastructure, working to develop historical costs, useful lives, capitalization thresholds and policies.

The staff of the Office of the Comptroller is working closely with the GASB, the National Association of State Auditors, Comptrollers and Treasurers ("NASACT") the Association of Government Accountants ("AGA") and GFOA, to implement Statement 34 and its related statement 35 for higher education. We have already released an implementation guide for our schools of higher education for statements 34 and 35. This guide is available on our website. The Office of the Comptroller is in the process of doing the same early in calendar year 2001 for our other component units.

The Division of Capital Asset Management has undertaken a concise inventory of vertical assets in the Commonwealth in conjunction with implementation of its upgraded asset management software. Finally, and perhaps, most vitally, we are working closely with our component units and institutions of higher education, all of whom need to uniformly implement exactly when the Commonwealth does.

We are also providing technical assistance and advice to our Cities, Towns and other entities who would like to use our expertise and best

practices to apply to their governments. We have taken the first steps to reach our goal of issuing a pro – forma FY01 CAFR in GASB Statements 34 and 35 format.

RECOMMENDATIONS AND CONCLUSIONS

The Commonwealth has many accomplishments in FY00 of which it can be proud. A large number of projects to enhance or re-engineer business processes with new technology have been performed. Such projects relate to an array of Commonwealth activities, including automation of welfare eligibility determination, management of cases in the legal system, creating a new statewide client server infrastructure, and significant changes to the Commonwealth’s administrative and fiscal systems.

Examples of projects from the domain of administrative or fiscal systems include: re-engineering the Commonwealth disbursement practices to the model of electronic commerce; exploiting the internet with web-enabling procurement and other applications and replacing the existing array of payroll and human resource systems with a new payroll/human resources system (HRCMS).

In FY98, the Office of the Comptroller, in conjunction with the Information Technology Division and the Operational Services Division, embarked on a pilot initiative known as the electronic mall or “eMALL.” This past summer, after conclusion and evaluation of the pilot, the first “production state” e-Procurement system was launched. eMALL is part of the Commonwealth’s on-line government initiative. The eMALL is an extranet application where Commonwealth agencies can prepare their orders for commodities, interact with the Commonwealth’s back-end financial systems, place the approved orders with their suppliers, mark goods as received and create automated payments through the accounting system, all done over the internet. The eMALL will expand to other Commonwealth entities such as cities and towns, public authorities and also to other states in order to maximize purchasing power and realize economies of scale.

The Office of the Comptroller continued to enhance its MassFinance website at <http://www.massfinance.state.ma.us>, adding the ability of citizens, employees and vendors of the Commonwealth to access government information they want – when they want it. Commonwealth vendors can now access their remittance information, including scheduled payment and actual payment information, on-line at their convenience. Most recently, MassFinance was enhanced to allow citizens as well as municipal officials the ability to query local aid payments and assessments. In support of the e-Government initiative, the Office of the Comptroller continues to make improvements enhancing this web site by bringing more information and services to the public.

The e-Government effort will expand the existing scope of Commonwealth on-line services to create a fully integrated enterprise portal for the Commonwealth.

February of this year was the culmination of a multi-year effort to rethink the Commonwealth’s human resource and payroll practices and

replace multiple legacy systems with HRCMS. In a Commonwealth-wide effort, the personnel and payroll practices of the Commonwealth were dissected and reconstructed. Departments across state government were led by an Executive Committee, chaired by the Personnel Administrator, James Hartnett. The committee had representatives from the Judiciary, Board of Higher Education, Group Insurance Commission, Information Technology Division, Fiscal Affairs Division and the Office of the Comptroller. Examples of the business process changes include the elimination of paper.

Prior to HRCMS, 68% of employees received their pay through direct deposit. Today, over 93% do, reducing banking costs across the Commonwealth. All payroll deductions have also moved to electronic processes. Checks and paper reports have been replaced with electronic payments and data files for all payroll deductions, such as purchases of transit passes, insurance, annuities and payments among the Commonwealth departments. This project eliminated the control risks and inefficiencies associated with the payment of \$250 million annually. A dedicated team of state employees and contractors worked countless nights and weekends making this, the first major financial system replacement since 1986, an outstanding success. With the implementation of HRCMS, systems are more flexible and efficient. Information has become readily accessible to decision makers in the Commonwealth.

Finally, the long-feared Y2K crisis never arrived in the Commonwealth. This was not because the risk did not exist. The dedicated effort of thousands of employees across the Commonwealth identified systems and software that were non-compliant and implemented solutions to insure uninterrupted service as we entered the new millennium. Under the leadership of the Chief Information Officer, David Lewis, the Commonwealth in many instances did more than solve the problem. We used Y2K as an opportunity to review business practices and the technology supporting those business practices. As a result, instead of carrying 1990's technology forward into the next century, new systems taking advantage of new technologies have been put in place.

Building upon the observations in this letter, a detailed review of these financial statements suggests the need for action to further improve and strengthen state finance law and fiscal practice.

The Commonwealth must constantly monitor and update its systems and controls. Upon taking office 18 months ago, I began a multi-year effort to expand awareness of and the quality of internal controls throughout the Commonwealth. We have asked each department, at its highest levels, to assess its risks and target controls to manage those risks efficiently and effectively. Toward this end the Office of the Comptroller has continued a multi-pronged effort to improve controls throughout the Commonwealth. This effort must continue.

The Commonwealth must ensure that its bills are paid timely. A solid reputation of timely bill payments benefits both our business partners and the taxpayers. During FY00, this office began a campaign with the Chief Fiscal Officers in the 156 state departments to improve the percentage of bills paid within 30 days. The timing and focus on bill paying improved the Commonwealth's bill payment track record

this year to 82% of all bills paid within 30 days. This effort will continue until we have reached and maintained a 95% level.

The management of spending to the administratively capped debt limit should continue. The Commonwealth has committed to an extensive capital projects agenda and great discipline will be needed to assure spending on these projects is matched with financing from bonds, federal reimbursement, transfer of budgetary surplus and financial participation from component units. Assuring proper balance between outflows and inflows, and limiting the segment funded by bonds to the administratively imposed limit, will be a major challenge.

The Commonwealth should continue to emphasize optimization of both tax and non-tax revenues. This statewide campaign has generated nearly \$202 million in revenues since FY96. The revenue optimization strategy should continue.

The Commonwealth must continue its investment in information technology as a means of delivering services as expeditiously and transparently as possible. This fall, Governor Cellucci launched a statewide initiative, under the direction of Secretary Crosby, to re-conceptualize the way government interacts with its customers. As part of the initiative, we will serve our citizens quickly, fairly and as accurately as possible on their schedules. We will eliminate “stand-alone” systems to streamline information. We will make it as easy as possible for citizens to interface with us. In our increasingly busy and dynamic world, it is critical that government continues to “re-invent” itself.

I again would like to express my thanks to the many dedicated people within the Office of the State Comptroller. We have had another successful year within the office. Our office has undertaken many tasks this year: a successful Y2K transition, a successful implementation of the HRCMS system, and a dedicated effort helping to implement forward funding of the MBTA. As we go forth into FY01, we are embarking on the redesign of our separate Comprehensive Annual Financial Report due to Government Accounting Standards Board Statements 34 and 35, and an upgrade to the Commonwealth’s accounting system, MMARS. I am proud to have all the employees on my team to help tackle these and other difficult issues of the future.

Respectfully submitted,

Martin J. Benison
Comptroller



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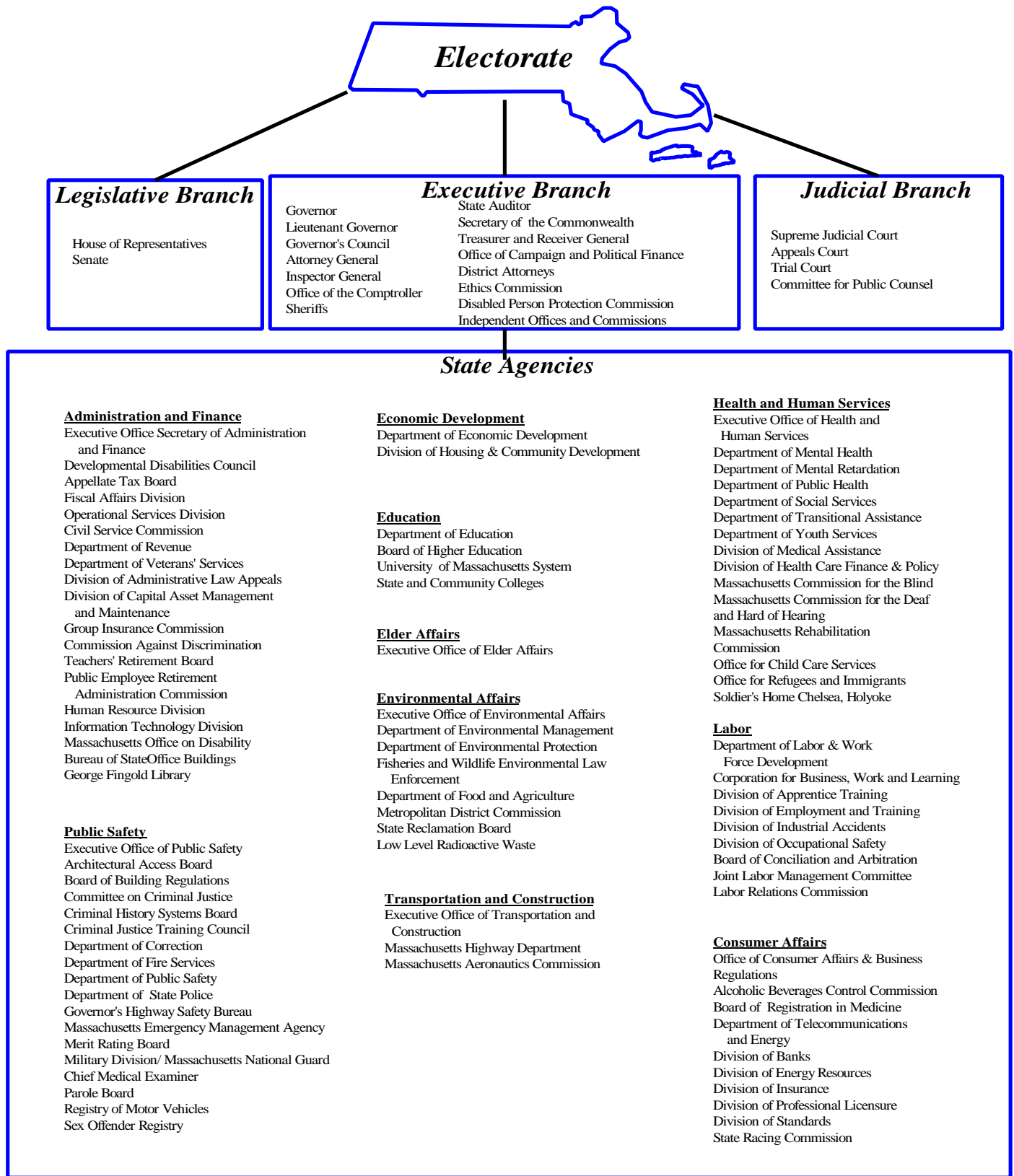
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CONSTITUTIONAL OFFICERS

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Lieutenant Governor

William F. Galvin
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Shannon P. O'Brien
Treasurer and Receiver-General

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Chief Justice, Appeals Court

Barbara A. Dortch-Okara
Chief Justice for Administration and Management, Trial Court

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Secretary for Administration and Finance

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Auditor

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Treasurer and Receiver-General

Barbara A. Dortch-Okara
Chief Justice for Administration and Management, Trial Court

Thomas F. Reilly
Attorney General

Certificate of Achievement for Excellence in Financial Reporting

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For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1999

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Anne Spray Kinsey
President

Jeffrey L. Esoll
Executive Director

As English immigrants, the first settlers came from a society already undergoing a capitalist transformation. They were able to take advantage of new commercial organizations, such as the Joint-stock company, and they benefited from English credit and investment. Many New England settlers had firsthand experience with commercial agriculture, trade, or manufacturing. As Puritans, they were committed to a religion that valued hard work and to a civic culture that favored strong government action in the name of the common good.

Second, the colonists encountered not a virgin environment but one that had already been shaped and cultivated by Native Americans. Settlers were able to live in shelters built by Indians, to farm fields already cleared by the Indians, to plant seed obtained from the native inhabitants, and to trade for meat. These early appropriations and exchanges made all the difference between starvation and survival in the difficult early years of settlement. Later, the Indian fur trade provided the colonists with their only real export commodity with which to pay for needed imports from home.

The fur trade represented the single most important source of foreign exchange before 1640, and New Englanders avidly pursued their modest comparative advantage in this industry. Plymouth maintained fur trading posts in Maine near the Penobscot and Kennebec rivers, at Windsor on the Connecticut River, at Narragansett Bay, and on Long Island Sound. Those residents of Salem, Boston, and Cambridge who were licensed by the Massachusetts General Court – and some were not-trucked with the Mohegans Pequots, Narragansetts, Shunnecoicks, and other southern New England and Long Island tribes, exchanging for beaver the necessities of corn, knives, kettles, and cloth (and despite legislation to the contrary, liquor, firearms, and powder).

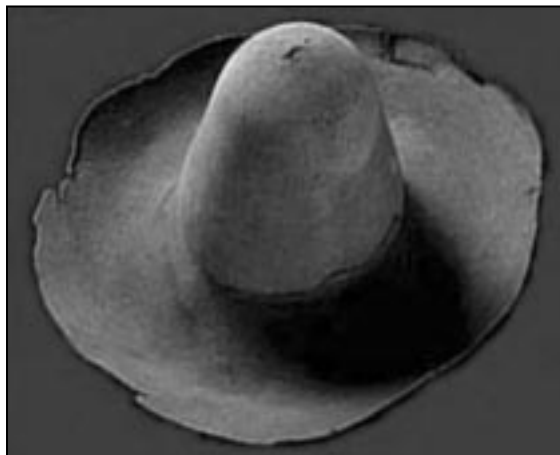
William Pyncheon of Springfield and his son John shipped cargoes of beaver worth nearly \$5,600 to England. Such profits enabled men like the Pynchons to purchase land and invest in agriculture, cattle, mills, and shop good for European customers, paving the way for a more diversified local economy later. Rivers that had once contained beaver could be exploited for their falls and dams as potential mill sites.

New England farmers exchanged their grain for a variety of goods and services, from furs to knowledge about growing food. Farmers and traders discovered that they could prosper by supplying surplus meat, horses, and grain to other colonies where specialization in tobacco, sugar, or fishing replaced production of foodstuffs. The rich fishing banks off New England provided another export “crop”, codfish.

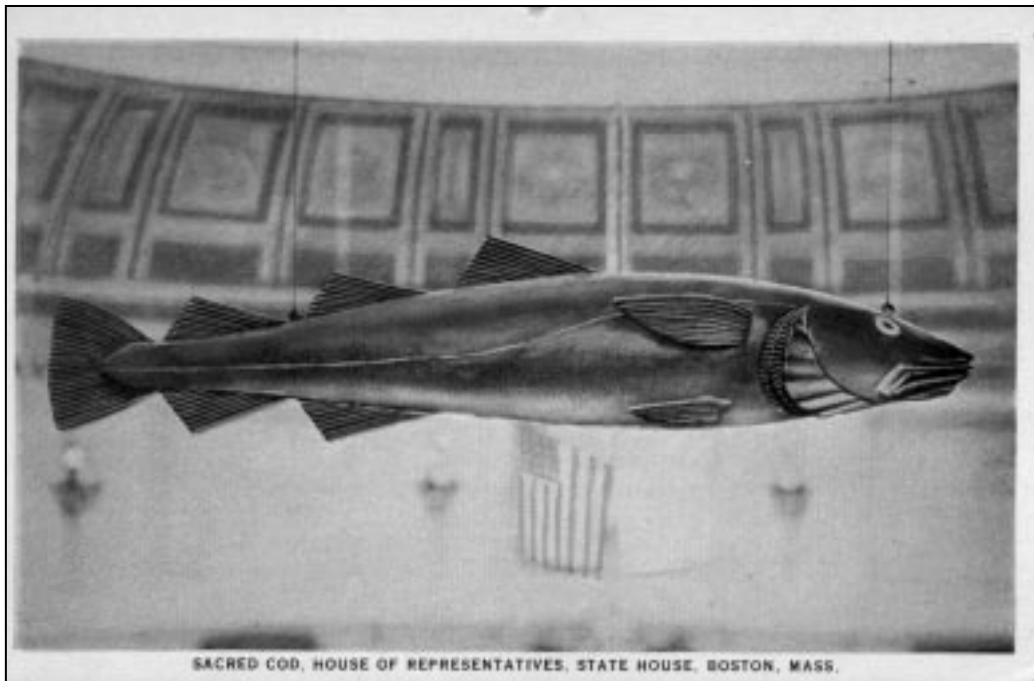
Photography of Constance Hopkin’s beaver pelt hat and of Interview with Massasoit by Eastman courtesy of Pilgrim Hall Museum.

Text from Engines of Enterprise – An Economic History of New England, Harvard University Press.

Photography of farmers courtesy of the Essex Agricultural Technical High School



Financial Section



The "Sacred" Cod dates to the Old State House, when, in 1784, legislator-trader John Rowe "moved the House that leave might be given to hang up the representation of a Cod Fish in the room where the House sits, as a memorial of the importance of the Cod-Fishery to the welfare of the Commonwealth, as had been usual formerly." (Its predecessors were destroyed either in Old Town House fires or during the Revolutionary War.) When the new State House was occupied in 1798, during the administration of Governor Increase Sumner, the "Sacred" Cod, wrapped in an American Flag, was borne up Beacon Hill and placed in the Chamber of the House of Representatives.

Independent Auditors' Report

General Purpose Financial Statements

Notes to General Purpose Financial Statements

Combining and Individual Fund Statements and Account Group Schedules



Beginning in the late 1630s and especially after 1640, New England town and provincial government used all of the tools within their power to foster economic growth. They gave out bounties and special concessions to desired projects, relying, as they had in the past, on "mixed enterprise," in which government provided a variety of incentives to private individuals who engaged in commercial activities deemed in the public interest: sawmills, gristmills, iron slitting mills that produced nails, or fulling mills that treated cloth, saltworks, and glassworks. They built or supported the building of roads, bridges, inns, and ferries. They issued patents and monopoly grants to inventors.

The Saugus Iron Works was America's first sustained, integrated, and successful iron works venture, which operated on the Saugus River from 1646 to about 1670. The Saugus Iron Works National Historic Site is the best evidence and demonstration of the earliest development of iron manufacturing in colonial America. The technology used here was dispersed throughout the colonies and was critical to the development of iron manufacturing in America.

Photography and text courtesy of the Saugus Iron Works National Historic Site.
Text from *Engines of Enterprise - An Economic History of New England*, Harvard University Press.



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general purpose financial statements of the Commonwealth of Massachusetts (the "Commonwealth") as of June 30, 2000, and for the year then ended as listed in the foregoing Table of Contents. These general purpose financial statements are the responsibility of the management of the Commonwealth. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the institutions of higher education and their blended component units listed in Note 1 which reflect 100% of the total assets and 100% of the total revenues of the University and College Fund Type. We did not audit either the financial statements of the Massachusetts Municipal Depository Trust, as they relate to the External Investment Trust which is an investment pool for political subdivisions of the Commonwealth, or the financial statements of the Pension Reserves Investment Trust which is the investment vehicle of the Commonwealth's Pension Trust Funds, the financial statements of which reflect 78.4% and 84.0%, respectively, of the total assets and total additions of the Fiduciary Fund Type. We did not audit the financial statements of the discretely presented component units listed in Note 4 which reflect 99.1% of the total assets and 93.7% of the total revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the entities not audited by us included for the University and College Fund Type, Fiduciary Fund Type, and the discretely presented component units referred to above, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audit and the reports of the other auditors, such general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Commonwealth as of June 30, 2000, and the results of its operations and the cash flows of its Internal Service Funds, Nonexpendable Trust Fund, and discretely presented component units for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund statements and account group schedules, listed in the Table of Contents, are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the Commonwealth. These statements and schedules are also the responsibility of the management of the Commonwealth. Such additional information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, based on our audit and the reports of other auditors, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

The data included in the introductory and statistical sections of this report is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of the Commonwealth. Such additional information has not been subjected to the auditing procedures applied in our audit of the general purpose financial statements, and accordingly, we express no opinion on it.

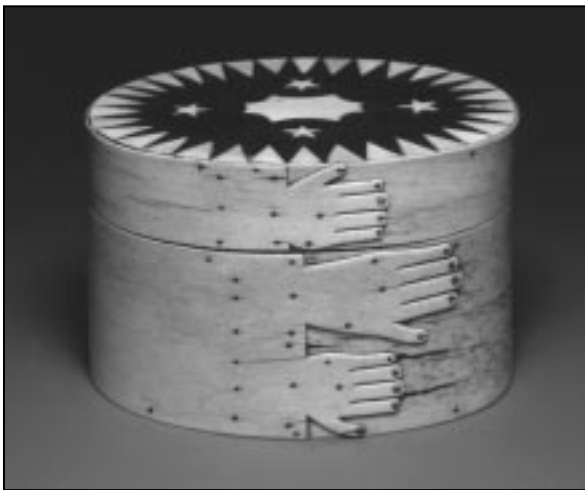
Deloitte & Touche
Boston, MA
December 19, 2000

General Purpose Financial Statements



When seventeenth-century settlers brought their knowledge of the ancient European whaling industry to the shores of New England, they were not the first to hunt the great beasts. Native Americans who lived along the coasts of the continent used carcasses of dead whales that washed up on shore for food, oil, and bone and employed canoes to pursue whales that swam into shallow coastal waters.

As the number of whales near shore inevitably declined, the colonists chased whales in single-masted sloops. As the market for whale products increased, whalers undertook longer journeys. During the first years of deep sea whaling, it was the custom to cruise eastward in spring as far as the Azores, then south along the Guinea coast of Africa, and then east to the coast of Brazil; then return to home, take on supplies, then head north to the Davis Straits, between Greenland and North America, for the summer.



As whales became scarcer on these hunting grounds, American whalers began to fan out into the major oceans of the world, by building vessels that were large enough to make voyages lasting several years. War devastated the industry between 1776 and 1815, however after the war, thirty years of expansion of the whaling fleet began. The New Bedford area fleet continued to grow, reaching a peak in 1857 when 329 New Bedford whaleships, valued at more than \$12,000,000, employed 10,000 men.

The decline of the industry was caused by several factors, principally the discovery of petroleum in 1859. Kerosene, distilled from petroleum, proved to be superior to whale-oil for lighting. The American whaling industry might have died after the Civil War, had it not been for an increasing demand for baleen, which is found in the mouths of baleen whales. Made of keratin, a substance that is also part of finger nails, baleen was used for making carriage springs, corset stays; fishing rods; frames for traveling bags, trunks, and women's hats; hoops for women's skirts; horse whips; and umbrella and parasol ribs. The development in 1906 of spring steel eventually ended the market for baleen.

Photography and text courtesy of the New Bedford Whaling Museum

All Fund Types, Account Groups And Discretely Presented Component Units
Combined Balance Sheet

June 30, 2000
(Amounts in thousands)

	Primary			
	Governmental Fund Types			Proprietary Fund Types
	General	Special Revenue	Capital Projects	Internal Service
ASSETS AND OTHER DEBITS				
Cash and short-term investments.....	\$ 2,298,140	\$ 1,727,829	\$ -	\$ -
Cash with fiscal agent.....	-	76,033	-	-
Deposits.....	-	-	-	-
Investments.....	-	-	-	-
Restricted investments.....	-	-	-	266,552
Investments of deferred compensation plan.....	-	-	-	-
Annuity contracts.....	-	-	-	-
Assets held in trust.....	-	-	-	21,280
Receivables, net of allowance for uncollectibles:				
Taxes.....	1,080,175	762,039	-	-
Due from federal government.....	493,430	520,625	-	-
Loans.....	-	-	-	-
Other receivables.....	105,087	146,681	53	-
Due from cities and towns.....	4,766	495	-	-
Due from primary government.....	-	-	-	-
Due from other funds.....	510,645	141	482,399	20,573
Due from component units.....	29,251	-	-	-
Inventory.....	-	25,169	-	-
Fixed assets.....	-	-	-	-
Other assets.....	-	-	-	-
Amounts available for retirement of general long-term obligations.....	-	-	-	-
Amounts to be provided for retirement of general long-term obligations.....	-	-	-	-
Total assets and other debits.....	<u>\$ 4,521,494</u>	<u>\$ 3,259,012</u>	<u>\$ 482,452</u>	<u>\$ 308,405</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable.....	\$ 995,210	\$ 701,516	\$ 389,593	\$ 405
Accrued payroll.....	87,859	36,552	2,315	-
Compensated absences.....	158,311	57,581	4,962	-
Tax refunds and abatements payable.....	638,828	425,885	-	-
Due to cities and towns.....	-	-	-	-
Due to primary government.....	-	-	-	-
Due to other funds.....	397,706	170,594	416,049	-
Due to component units.....	209,622	30,512	160,770	-
Due to federal government.....	22,082	-	24	-
Deferred revenue.....	194,476	180,318	23	-
Prizes payable.....	-	-	-	-
Agency liabilities.....	-	-	-	-
Claims and judgments.....	32,500	-	-	381,937
Deposits and unearned revenue.....	-	-	-	-
Other accrued liabilities.....	-	123,489	-	-
Capital lease obligations.....	-	-	-	-
Bonds, notes payable and certificates of participation.....	-	-	-	-
School construction grants payable.....	-	-	-	-
Total liabilities.....	<u>2,736,594</u>	<u>1,726,447</u>	<u>973,736</u>	<u>382,342</u>
Equity (deficit) and other credits:				
Investment in general fixed assets.....	-	-	-	-
Contributed capital.....	-	-	-	-
Retained earnings:				
Reserved for investment programs.....	-	-	-	-
Reserved for bond retirement.....	-	-	-	-
Reserved for central artery workers compensation.....	-	-	-	169,561
Unreserved.....	-	-	-	(243,498)
Fund balances (deficit):				
Reserved for continuing appropriations.....	184,143	68,323	-	-
Reserved for tax reduction.....	7,203	-	-	-
Reserved for Commonwealth stabilization.....	1,608,382	-	-	-
Reserved for employees' pension benefits.....	-	-	-	-
Reserved for deferred compensation.....	-	-	-	-
Reserved for unemployment benefits.....	-	-	-	-
Reserved for retirement of indebtedness.....	-	726,033	-	-
Reserved for nonexpendable trusts.....	-	-	-	-
Reserved for capital projects.....	-	7,374	223,508	-
Reserved for investment pool participants.....	-	-	-	-
Restricted.....	-	-	-	-
Unexpended plant funds.....	-	-	-	-
Renewals and replacements.....	-	-	-	-
Net investment in plant.....	-	-	-	-
Unreserved and undesignated.....	(14,828)	730,835	(714,792)	-
Total equity (deficit) and other credits.....	<u>1,784,900</u>	<u>1,532,565</u>	<u>(491,284)</u>	<u>(73,937)</u>
Total liabilities, equity and other credits.....	<u>\$ 4,521,494</u>	<u>\$ 3,259,012</u>	<u>\$ 482,452</u>	<u>\$ 308,405</u>

See notes to general purpose financial statements.

Government							
Fiduciary Fund Types		University and College Fund Type	Account Groups		Totals (Memorandum Only)		Component Units
Trust and Agency	University and Colleges	General Fixed Assets	General Long-term Obligations	2000	1999		
\$ 4,002,518	\$ 206,481	\$ -	\$ -	\$ 8,234,968	\$ 6,946,016	\$ 1,203,021	
-	-	-	-	76,033	75,165	-	
2,050,556	153,210	-	-	2,203,766	1,929,634	-	
31,280,296	595,820	-	-	31,876,116	27,330,172	800,319	
-	-	-	-	266,552	282,287	1,007,199	
3,129,533	-	-	-	3,129,533	2,480,398	-	
1,406,527	-	-	-	1,406,527	1,415,716	-	
2,121,947	-	-	-	2,143,227	1,965,432	5,441	
217,526	-	-	-	2,059,740	1,914,732	-	
1,214	19,946	-	-	1,035,215	920,372	122,887	
4,437	51,796	-	-	56,233	55,269	1,734,666	
457,135	184,882	-	-	893,838	907,994	125,599	
-	-	-	-	5,261	239,632	17,178	
-	-	-	-	-	-	400,904	
-	106,481	-	-	1,120,239	3,815,851	-	
-	-	-	-	29,251	15,634	-	
-	12,131	-	-	37,300	36,734	42,291	
-	2,704,153	3,917,730	-	6,621,883	6,355,315	8,691,232	
11,357	27,281	-	-	38,638	23,157	122,340	
-	-	-	76,033	76,033	461,157	-	
-	-	-	17,394,780	17,394,780	15,596,903	-	
<u>\$ 44,683,046</u>	<u>\$ 4,062,181</u>	<u>\$ 3,917,730</u>	<u>\$ 17,470,813</u>	<u>\$ 78,705,133</u>	<u>\$ 72,767,570</u>	<u>\$ 14,273,077</u>	
\$ 1,203,553	\$ 88,655	\$ -	\$ -	\$ 3,378,932	\$ 2,890,572	\$ 96,907	
290	80,125	-	-	207,141	119,222	41,528	
813	114,832	-	146,473	482,972	435,749	9,081	
12,246	-	-	-	1,076,959	1,028,949	-	
26,476	-	-	-	26,476	25,260	145	
-	-	-	-	-	-	129,251	
-	135,890	-	-	1,120,239	3,815,851	-	
-	-	-	-	400,904	415,751	-	
-	-	-	-	22,106	17,571	24	
9,122	19,846	-	-	403,785	260,996	105,025	
1,406,527	-	-	6,409	1,412,936	1,418,932	-	
2,369,700	4,202	-	-	2,373,902	2,183,623	5,441	
-	-	-	134,800	549,237	521,062	77,559	
-	14,316	-	-	14,316	11,037	-	
8,721	77,043	-	-	209,253	213,618	300,490	
-	75,031	-	53,459	128,490	158,877	543,257	
-	507,904	-	12,383,101	12,891,005	12,083,744	7,850,986	
-	-	-	4,746,571	4,746,571	3,962,903	-	
<u>5,037,448</u>	<u>1,117,844</u>	<u>-</u>	<u>17,470,813</u>	<u>29,445,224</u>	<u>29,563,717</u>	<u>9,159,694</u>	
-	-	3,917,730	-	3,917,730	3,823,678	-	
-	-	-	-	-	-	4,448,246	
-	-	-	-	-	-	428,715	
-	-	-	-	-	-	10,142	
-	-	-	-	169,561	161,156	-	
-	-	-	-	(243,498)	(248,176)	134,095	
-	-	-	-	252,466	212,166	-	
-	-	-	-	7,203	6,818	-	
-	-	-	-	1,608,382	1,388,523	-	
31,579,452	-	-	-	31,579,452	27,112,399	-	
3,133,670	-	-	-	3,133,670	2,480,398	-	
2,241,376	-	-	-	2,241,376	2,070,466	-	
-	39,405	-	-	765,438	490,270	-	
5,834	-	-	-	5,834	5,835	-	
-	-	-	-	230,882	468,469	-	
2,400,474	-	-	-	2,400,474	2,100,546	-	
-	262,370	-	-	262,370	243,687	-	
-	67,676	-	-	67,676	60,692	-	
-	34,486	-	-	34,486	34,867	-	
-	2,349,008	-	-	2,349,008	2,217,129	-	
284,792	191,392	-	-	477,399	574,930	92,185	
<u>39,645,598</u>	<u>2,944,337</u>	<u>3,917,730</u>	<u>-</u>	<u>49,259,909</u>	<u>43,203,853</u>	<u>5,113,383</u>	
<u>\$ 44,683,046</u>	<u>\$ 4,062,181</u>	<u>\$ 3,917,730</u>	<u>\$ 17,470,813</u>	<u>\$ 78,705,133</u>	<u>\$ 72,767,570</u>	<u>\$ 14,273,077</u>	

All Governmental Fund Types, Expendable Trust Funds and Discretely Presented Component Units
Combined Statement Of Revenues, Expenditures And Changes In Fund Balances

Fiscal Year Ended June 30, 2000
(Amounts in thousands)

	Primary		
	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Revenues:			
Taxes.....	\$ 9,343,264	\$ 6,352,218	\$ -
Assessments.....	73,061	389,415	-
Federal grants and reimbursements.....	2,915,672	3,143,371	2,216
Departmental.....	546,620	4,715,446	96
Deferred compensation contributions.....	-	-	-
Miscellaneous.....	228,663	421,123	63,523
Total revenues.....	13,107,280	15,021,573	65,835
Other financing sources:			
Proceeds of general obligation bonds.....	-	-	1,761,621
Proceeds of grant anticipation notes.....	-	-	-
Proceeds of refunding bonds.....	-	-	-
Proceeds of capital leases.....	8,851	-	-
Transfers in from primary government.....	-	-	-
Transfers from component units.....	5,515	-	100,000
Operating transfers in.....	1,009,667	5,110,785	1,983,262
Total other financing sources.....	1,024,033	5,110,785	3,844,883
Total revenues and other financing sources.....	14,131,313	20,132,358	3,910,718
Expenditures:			
Current:			
Legislature.....	51,443	-	-
Judiciary.....	543,996	276	-
Inspector General.....	2,461	-	-
Governor and Lieutenant Governor.....	5,563	50	-
Secretary of the Commonwealth.....	40,859	727	-
Treasurer and Receiver-General.....	79,755	3,402,952	-
Auditor of the Commonwealth.....	14,538	738	-
Attorney General.....	26,369	8,090	-
Ethics Commission.....	722	726	-
District Attorney.....	64,958	11,895	-
Office of Campaign and Political Finance.....	451	452	-
Sheriff's Departments.....	175,848	2,288	-
Disabled Persons Protection Commission.....	1,584	-	-
Board of Library Commissioners.....	4,395	5,624	-
Comptroller.....	7,742	-	-
Administration and finance.....	892,306	299,843	-
Environmental affairs.....	67,727	173,063	-
Communities and development.....	97,672	307,792	-
Health and human services.....	3,325,401	1,998,123	-
Transportation and construction.....	48,189	180,062	-
Education.....	182,634	1,170,233	-
Higher education.....	107,746	3,095	-
Public safety.....	465,058	413,903	-
Economic development.....	11,285	26,926	-
Elder affairs.....	177,073	39,476	-
Consumer affairs.....	40,391	29,737	-
Labor.....	38,901	148,778	-
Medicaid.....	3,902,274	478,416	-
Pension.....	143,454	254,752	-
Deferred compensation.....	-	-	-
Direct local aid.....	16,130	4,701,347	-
Capital outlay:			
Local aid.....	-	-	46,613
Capital acquisition and construction.....	-	-	2,468,790
Debt service:			
Principal retirement.....	411,742	259,722	-
Interest and fiscal charges.....	244,053	321,498	-
Total expenditures.....	11,192,720	14,240,584	2,515,403
Other financing uses:			
Payments to refunded bond escrow agent.....	-	-	-
Operating transfers out.....	3,904,647	2,450,440	1,644,854
Transfers of appropriations.....	928,355	2,162	-
Transfers of bond proceeds.....	-	-	62,360
Transfers to component units.....	636,826	101,037	342,171
Total other financing uses.....	5,469,828	2,553,639	2,049,385
Total expenditures and other financing uses.....	16,662,548	16,794,223	4,564,788
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(2,531,235)	3,338,135	(654,070)
Fund balance (deficits) at beginning of year.....	4,316,135	(1,805,570)	162,786
Fund balance (deficits) at end of year.....	\$ 1,784,900	\$ 1,532,565	\$ (491,284)

See notes to general purpose financial statements.

Fiduciary Fund Type	Government		Component Unit
	Totals (Memorandum Only)		Massachusetts Technology Park Corporation
	2000	1999	
Expendable Trust			
\$ 863,086	\$ 16,558,568	\$ 15,166,732	\$ -
86	462,562	546,477	-
31,396	6,092,655	5,697,229	-
17,158	5,279,320	4,870,105	50,168
756,596	756,596	567,569	-
300,250	1,013,559	736,347	3,571
1,968,572	30,163,260	27,584,459	53,739
-	1,761,621	1,014,803	-
-	-	319,434	-
-	-	498,793	-
-	8,851	9,392	-
-	-	-	1,200
-	105,515	1,056,412	847
20,529	8,124,243	4,562,080	-
20,529	10,000,230	7,460,914	2,047
1,989,101	40,163,490	35,045,373	55,786
-	51,443	51,371	-
241	544,513	511,130	-
-	2,461	2,231	-
-	5,613	5,410	-
59	41,645	33,106	-
1,274	3,483,981	2,783,978	-
241	15,517	14,336	-
1,635	36,094	51,054	-
-	1,448	1,385	-
3,463	80,316	75,739	-
-	903	2,498	-
9	178,145	134,390	-
-	1,584	1,504	-
-	10,019	9,806	-
-	7,742	7,518	-
5,334	1,197,483	1,061,234	-
12,295	253,085	238,216	-
1,898	407,362	357,698	-
20,948	5,344,472	5,178,659	-
559	228,810	138,385	-
4,149	1,357,016	1,265,698	-
153	110,994	97,413	-
2,169	881,130	863,239	-
366	38,577	57,607	5,956
35	216,584	196,848	-
13,848	83,976	75,486	-
898,235	1,085,914	1,050,539	-
-	4,380,690	3,828,653	-
-	398,206	324,247	-
103,324	103,324	93,626	-
-	4,717,477	4,405,439	-
-	46,613	73,485	-
-	2,468,790	2,601,933	-
-	671,464	658,557	-
-	565,551	553,685	-
1,070,235	29,018,942	26,806,103	5,956
-	-	498,793	-
66,050	8,065,991	4,499,734	-
-	930,517	862,021	-
-	62,360	58,681	-
-	1,080,034	841,144	-
66,050	10,138,902	6,760,373	-
1,136,285	39,157,844	33,566,476	5,956
852,816	1,005,646	1,478,897	49,830
4,807,022	7,480,373	6,001,476	42,355
\$ 5,659,838	\$ 8,486,019	\$ 7,480,373	\$ 92,185

General And Budgeted Special Revenue Funds
Combined Schedule Of Revenues, Expenditures And Changes In Fund Balances -
Statutory Basis - Budget And Actual

Fiscal Year Ended June 30, 200
(Amounts in thousands)

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes.....	\$ 8,905,200	\$ 9,341,792	\$ 436,592
Assessments.....	-	76,109	76,109
Federal grants and reimbursements.....	2,713,100	2,807,999	94,899
Departmental.....	870,200	596,844	(273,356)
Miscellaneous.....	-	145,136	145,136
Total revenues.....	<u>12,488,500</u>	<u>12,967,880</u>	<u>479,380</u>
Other financing sources			
Transfer for MBTA contract assistance.....	-	154,430	154,430
MBTA forward funding transfer.....	-	612,750	612,750
Operating transfers in.....	295,800	420,372	124,572
Stabilization transfer.....	-	-	-
Fund deficit elimination.....	-	-	-
Federal reimbursement transfer in.....	-	-	-
Total other financing sources.....	<u>295,800</u>	<u>1,187,552</u>	<u>891,752</u>
Total revenues and other financing sources.....	<u>12,784,300</u>	<u>14,155,432</u>	<u>1,371,132</u>
Expenditures:			
Legislature.....	76,422	51,932	24,490
Judiciary.....	545,742	534,691	11,051
Inspector General.....	2,435	2,429	6
Governor and Lieutenant Governor.....	6,115	5,514	601
Secretary of the Commonwealth.....	41,533	40,419	1,114
Treasurer and Receiver-General.....	148,937	107,457	41,480
Auditor of the Commonwealth.....	14,182	14,141	41
Attorney General.....	29,322	26,048	3,274
Ethics Commission.....	749	711	38
District Attorney.....	64,609	64,046	563
Office of Campaign and Political Finance.....	445	443	2
Sheriff's Departments.....	177,931	172,162	5,769
Disabled Persons Protection Commission.....	1,600	1,558	42
Board of Library Commissioners.....	4,395	4,395	-
Comptroller.....	7,175	7,148	27
Administration and finance.....	1,011,123	914,861	96,262
Environmental affairs.....	82,297	65,716	16,581
Communities and development.....	117,523	99,686	17,837
Health and human services.....	3,375,187	3,283,867	91,320
Transportation and construction.....	993,863	991,819	2,044
Education.....	19,037	17,116	1,921
Higher education.....	989,555	976,409	13,146
Public safety.....	469,383	450,518	18,865
Economic development.....	13,055	11,247	1,808
Elder affairs.....	185,029	176,981	8,048
Consumer affairs.....	41,900	39,840	2,060
Labor.....	49,637	43,854	5,783
Direct local aid.....	1,480	1,372	108
Medicaid.....	3,857,248	3,850,824	6,424
Pension.....	382,389	381,509	880
Debt service:			
Principal retirement.....	414,832	411,742	3,090
Interest and fiscal charges.....	246,852	244,053	2,799
Total expenditures.....	<u>13,371,982</u>	<u>12,994,508</u>	<u>377,474</u>
Other financing uses			
Fringe benefit cost assessment.....	-	-	-
Transfer for MBTA contract assistanc.....	-	-	-
Operating transfers out.....	505,273	831,854	(326,581)
Stabilization transfer.....	-	68,923	(68,923)
Fund deficit elimination.....	-	2,979,782	(2,979,782)
Total other financing uses.....	<u>505,273</u>	<u>3,880,559</u>	<u>(3,375,286)</u>
Total expenditures and other financing uses.....	<u>13,877,255</u>	<u>16,875,067</u>	<u>(2,997,812)</u>
Excess (deficiency) of revenues and other financing source over expenditures and other financing uses.....	(1,092,955)	(2,719,635)	(1,626,680)
Fund balances (deficits) at beginning of year.....	2,977,098	2,977,098	-
Fund balances (deficits) at end of year.....	<u>\$ 1,884,143</u>	<u>\$ 257,463</u>	<u>\$ (1,626,680)</u>

Budgeted Special Revenue Fund:			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 5,881,800	\$ 6,346,824	\$ 465,024	\$ 14,787,000	\$ 15,688,616	\$ 901,616
23,426	32,965	9,539	23,426	109,074	85,648
883,000	837,551	(45,449)	3,596,100	3,645,550	49,450
492,371	499,544	7,173	1,362,571	1,096,388	(266,183)
90,903	124,743	33,840	90,903	269,879	178,976
<u>7,371,500</u>	<u>7,841,627</u>	<u>470,127</u>	<u>19,860,000</u>	<u>20,809,507</u>	<u>949,507</u>
-	-	-	-	154,430	154,430
-	-	-	-	612,750	612,750
828,156	1,126,959	298,803	1,123,956	1,547,331	423,375
-	114,871	114,871	-	114,871	114,871
-	2,979,782	2,979,782	-	2,979,782	2,979,782
-	2,431	2,431	-	2,431	2,431
<u>828,156</u>	<u>4,224,043</u>	<u>3,395,887</u>	<u>1,123,956</u>	<u>5,411,595</u>	<u>4,287,639</u>
<u>8,199,656</u>	<u>12,065,670</u>	<u>3,866,014</u>	<u>20,983,956</u>	<u>26,221,102</u>	<u>5,237,146</u>
-	-	-	76,422	51,932	24,490
13,154	13,154	-	558,896	547,845	11,051
-	-	-	2,435	2,429	6
-	-	-	6,115	5,514	601
125	125	-	41,658	40,544	1,114
8,494	8,024	470	157,431	115,481	41,950
736	733	3	14,918	14,874	44
2,024	1,959	65	31,346	28,007	3,339
752	714	38	1,501	1,425	76
8,236	8,105	131	72,845	72,151	694
446	444	2	891	887	4
1,759	507	1,252	179,690	172,669	7,021
-	-	-	1,600	1,558	42
2,866	2,866	-	7,261	7,261	-
471	470	1	7,646	7,618	28
375,066	321,649	53,417	1,386,189	1,236,510	149,679
160,641	152,641	8,000	242,938	218,357	24,581
39,048	38,412	636	156,571	138,098	18,473
767,961	690,026	77,935	4,143,148	3,973,893	169,255
373,370	368,254	5,116	1,367,233	1,360,073	7,160
358,253	340,060	18,193	377,290	357,176	20,114
19,672	19,623	49	1,009,227	996,032	13,195
380,003	374,270	5,733	849,386	824,788	24,598
48,430	24,204	24,226	61,485	35,451	26,034
13,199	12,779	420	198,228	189,760	8,468
7,468	6,453	1,015	49,368	46,293	3,075
26,612	11,746	14,866	76,249	55,600	20,649
4,685,009	4,672,570	12,439	4,686,489	4,673,942	12,547
467,345	419,166	48,179	4,324,593	4,269,990	54,603
604,985	604,794	191	987,374	986,303	1,071
261,226	259,261	1,965	676,058	671,003	5,055
280,333	278,273	2,060	527,185	522,326	4,859
<u>8,907,684</u>	<u>8,631,282</u>	<u>276,402</u>	<u>22,279,666</u>	<u>21,625,790</u>	<u>653,876</u>
-	23,916	(23,916)	-	23,916	(23,916)
154,430	154,430	-	154,430	154,430	-
317,479	317,479	-	822,752	1,149,333	(326,581)
-	45,948	(45,948)	-	114,871	(114,871)
-	-	-	-	2,979,782	(2,979,782)
<u>471,909</u>	<u>541,773</u>	<u>(69,864)</u>	<u>977,182</u>	<u>4,422,332</u>	<u>(3,445,150)</u>
<u>9,379,593</u>	<u>9,173,055</u>	<u>206,538</u>	<u>23,256,848</u>	<u>26,048,122</u>	<u>(2,791,274)</u>
(1,179,937)	2,892,615	4,072,552	(2,272,892)	172,980	2,445,872
(864,637)	(864,637)	-	2,112,461	2,112,461	-
<u>\$ (2,044,574)</u>	<u>\$ 2,027,978</u>	<u>\$ 2,469,561</u>	<u>\$ (160,431)</u>	<u>\$ 2,285,441</u>	<u>\$ 2,445,872</u>

Internal Service Funds, Nonexpendable Trust Funds And Discretely Presented Component Units
Combined Statement Of Revenues, Expenses, Changes In Fund Equity And Contributed Capital

Fiscal Year Ended June 30, 2000
(Amounts in thousands)

	Primary Government				
	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)		Component Units
	Internal Service Funds	Nonexpendable Trust Funds	2000	1999	
Operating revenues:					
Charges for services.....	\$ -	\$ -	\$ -	\$ -	\$ 550,207
Donations.....	-	-	-	-	1,749
Premiums.....	741,544	-	741,544	751,839	47,958
Total operating revenues.....	741,544	-	741,544	751,839	599,914
Operating expenses:					
Claims and judgments expense.....	744,290	-	744,290	750,885	-
Cost of services and administration.....	-	1	1	-	1,140,124
Depreciation.....	-	-	-	-	305,745
Total operating expenses.....	744,290	1	744,291	750,885	1,445,869
Operating income (loss).....	(2,746)	(1)	(2,747)	954	(845,955)
Nonoperating revenues (expenses)					
Operating grants.....	-	-	-	-	116,544
Interest income.....	15,829	-	15,829	14,963	143,163
Interest expense.....	-	-	-	-	(397,961)
Other income.....	-	-	-	-	20,498
Impact of forward funding legislation.....	-	-	-	-	(99,420)
Other expenses.....	-	-	-	-	(19,477)
Nonoperating revenues (expenses), net.....	15,829	-	15,829	14,963	(236,653)
Income (loss) before operating transfers.....	13,083	(1)	13,082	15,917	(1,082,608)
Transfers in (out):					
Transfers out to component units.....	-	-	-	-	(847)
Transfers in from primary government.....	-	-	-	-	1,047,887
Transfers out to primary government.....	-	-	-	-	(5,515)
Transfers in (out), net.....	-	-	-	-	1,041,525
Net income (loss).....	13,083	(1)	13,082	15,917	(41,083)
Add: Depreciation of fixed assets acquired from contributed capital.....	-	-	-	-	138,733
Increase (decrease) in retained earnings/fund balances.....	13,083	(1)	13,082	15,917	97,650
Retained earnings/fund balances (deficits) at beginning of year.....	(87,020)	5,835	(81,185)	(97,102)	475,302
Retained earnings/fund balances (deficits) at end of year.....	\$ (73,937)	\$ 5,834	\$ (68,103)	\$ (81,185)	\$ 572,952
Contributed capital at beginning of year.....					\$ 4,263,082
Add: Capital contributions.....					323,897
Less: Depreciation of fixed assets acquired from contributed capital.....					(138,733)
Contributed capital at end of year.....					\$ 4,448,246

See notes to general purpose financial statement

Internal Service Funds, Nonexpendable Trust Funds And Discretely Presented Component Unit
Combined Statement Of Cash Flow:

Fiscal Year Ended June 30, 2001
(Amounts in thousands)

	Primary Government				Component Units
	Proprietary Fund Type	Fiduciary Fund Type	Totals		
	Internal Service Funds	Nonexpendable Trust Funds	(Memorandum Only)		
		2000	1999		
Cash flows from operating activities					
Operating income (loss).....	\$ (2,746)	\$ (1)	\$ (2,747)	\$ 954	\$ (845,955)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation and amortization.....	-	-	-	-	305,745
Other nonoperating revenues.....	-	-	-	-	20,498
Other nonoperating expenses.....	-	-	-	-	(19,477)
Net change in Incurred but not reported (IBNR) items.....	30,142	-	30,142	-	-
Impact of forward funding Legislation.....	-	-	-	-	(99,420)
Change in assets and liabilities:					
Assets held in trust.....	(2,694)	-	(2,694)	(2,055)	-
Due from federal government.....	-	-	-	-	(63,800)
Loans.....	-	-	-	-	(359,970)
Other receivables.....	-	-	-	-	(41,358)
Due from cities and towns.....	-	-	-	-	(1,514)
Due from primary government.....	-	-	-	-	(61)
Due from other funds.....	3,613	-	3,613	(1,897)	-
Inventory.....	-	-	-	-	541
Restricted and other assets.....	-	-	-	-	5,370
Accounts payable.....	405	-	405	-	5,348
Accrued payroll.....	-	-	-	-	5,877
Compensated absences.....	-	-	-	-	894
Deferred revenue.....	-	-	-	-	34,468
Claims and judgments.....	-	-	-	(3,383)	(14,400)
Other accrued liabilities.....	-	-	-	-	31,302
Due to cities and towns.....	-	-	-	-	(10)
Due to primary government.....	-	-	-	-	113,617
Total adjustments.....	31,466	-	31,466	(7,335)	(76,350)
Net cash provided by (used for) operating activities.....	28,720	(1)	28,719	(6,381)	(922,305)
Cash flows from noncapital financing activities					
Operating grants.....	-	-	-	-	116,544
Transfers out to component units.....	-	-	-	-	(847)
Transfers in from primary government.....	-	-	-	-	1,047,887
Transfers out to primary government.....	-	-	-	-	(5,515)
Net cash provided by (used for) noncapital financing activities.....	-	-	-	-	1,158,069
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets.....	-	-	-	-	(1,021,933)
Proceeds from the issuance of bonds and notes.....	-	-	-	-	2,165,401
Interest on bonds and notes.....	-	-	-	-	(397,961)
Capital contributions.....	-	-	-	-	323,897
Principal payments on bonds and notes.....	-	-	-	-	(962,809)
Proceeds from sale of equipment.....	-	-	-	-	14,492
Net cash provided by (used for) capital and related financing activities.....	-	-	-	-	121,087
Cash flows from investing activities:					
Purchases of investments.....	(44,549)	-	(44,549)	(8,582)	(4,530,028)
Sales and maturities of investments.....	-	-	-	-	4,097,701
Interest income.....	15,829	-	15,829	14,963	143,163
Net cash provided by (used for) investing activities.....	(28,720)	-	(28,720)	6,381	(289,164)
Net increase (decrease) in cash and cash equivalents.....	-	(1)	(1)	-	67,687
Cash and cash equivalents at beginning of year	-	5,835	5,835	5,835	1,045,748
Cash and cash equivalents at end of year.....	\$ -	\$ 5,834	\$ 5,834	\$ 5,835	\$ 1,113,435
Reconciliation to Combined Balance Sheet					
Cash and cash equivalents at end of year.....	\$ -	\$ 5,834	\$ 5,834	\$ 5,835	\$ 1,113,435
Cash and cash equivalents at end of year, Component Units Governmental Funds.....	-	-	-	-	89,586
Cash and cash equivalents at end of year Pension, Expendable and External Investment Trusts and Agency.....	-	3,996,684	3,996,684	3,265,167	-
Cash and cash equivalents per the Combined Balance Sheet.....	\$ -	\$ 4,002,518	\$ 4,002,518	\$ 3,271,002	\$ 1,203,021

See notes to general purpose financial statements

Pension Trust Funds
Statement Of Changes in Net Assets Available For Pension Benefits

Fiscal Year Ended June 30, 2000
(Amounts in thousands)

	2000	1999
Additions:		
Employer contributions.....	\$ 923,993	\$ 883,902
Employee contributions.....	705,539	637,037
Total contributions.....	<u>1,629,532</u>	<u>1,520,939</u>
Net investment income:		
Net appreciation in fair value of investments.....	3,532,073	2,320,758
Interest.....	479,945	417,744
Dividends.....	238,365	211,536
Real estate operating income, net.....	118,530	84,284
Alternative investments.....	5,641	6,484
Other.....	6,240	5,092
Total investment income.....	<u>4,380,794</u>	<u>3,045,898</u>
Less: investment expense.....	<u>65,990</u>	<u>49,698</u>
Net investment income.....	<u>4,314,804</u>	<u>2,996,200</u>
Total additions.....	<u>5,944,336</u>	<u>4,517,139</u>
Deductions:		
Administration.....	12,133	8,217
Retirement benefits and refunds.....	1,465,150	1,356,540
Total deductions.....	<u>1,477,283</u>	<u>1,364,757</u>
Net increase.....	4,467,053	3,152,382
Net assets available for pension benefits at beginning of year (fund balance reserved for employees' pension benefits).....	<u>27,112,399</u>	<u>23,960,017</u>
Net assets available for pension benefits at end of year (fund balance reserved for employees' pension benefits).....	<u>\$ 31,579,452</u>	<u>\$ 27,112,399</u>

See notes to general purpose financial statements.

External Investment Trust Fund
Statement of Changes in Net Assets Held in Trust For Pool Participants

Fiscal Year Ended June 30, 2000
(Amounts in thousands)

	2000	1999
Additions:		
Proceeds from sale of units.....	\$ 5,331,223	\$ 4,289,702
Units issued in reinvestment of distributions from net investment income....	95,064	75,556
Total contributions.....	5,426,287	4,365,258
Net investment income:		
Interest.....	111,673	85,002
Total investment income.....	111,673	85,002
Less: management fees.....	3,775	3,180
Net investment income.....	107,898	81,822
Total additions.....	5,534,185	4,447,080
Deductions:		
Cost of units redeemed.....	5,126,359	3,886,768
Distributions to unit holders from net interest income.....	107,898	81,822
Total deductions.....	5,234,257	3,968,590
Net increase	299,928	478,490
Net assets held in trust for pool participants at beginning of year (fund balance reserved for investment pool participants).....	2,100,546	1,622,056
Net assets held in trust for pool participants at end of year (fund balance reserved for investment pool participants).....	\$ 2,400,474	\$ 2,100,546

See notes to general purpose financial statements.

University And College Fund Type
Combined Statement Of Changes In Fund Balances

Fiscal Year Ended June 30, 2000
(Amounts in thousands)

	Current Funds		Loan Funds
	Unrestricted	Restricted	
Revenues and other additions:			
Unrestricted current funds revenues.....	\$ 978,093	\$ -	\$ -
Federal appropriations.....	-	6,146	118
Federal grants and contracts.....	-	251,963	817
State grants and contracts.....	-	78,622	44
Local grants and contracts.....	-	4,202	-
Private gifts, grants and contracts.....	-	84,581	29
Investment income	-	123	67
Endowment income.....	-	354	-
Net realized/unrealized gain (loss) on investments.....	-	(132)	(11)
Interest on loans receivable.....	-	-	914
Reimbursed loan cancellations.....	-	-	894
Other income.....	-	3,222	215
Expended for plant facilities.....	-	-	-
Retirement of indebtedness.....	-	-	-
Other additions.....	-	56	11
Total revenue and other additions.....	<u>978,093</u>	<u>429,137</u>	<u>3,098</u>
Expenditures and other deductions:			
Educational and general expenditures.....	1,483,978	406,839	-
Auxiliary enterprises expenditures.....	190,227	-	-
Indirect costs recovered.....	-	50,000	-
Independent operations.....	19,939	-	-
Refunded to grantors and donors.....	-	1,141	91
Loan cancellations and write-offs.....	-	-	822
Administrative and collection costs.....	-	-	843
Retirement of indebtedness.....	-	-	-
Interest on indebtedness.....	-	-	-
Expended for plant facilities.....	-	-	-
Depreciation and amortization.....	-	-	-
Disposal of plant facilities.....	-	-	-
Other deductions.....	-	-	-
Total expenditures and other deductions.....	<u>1,694,144</u>	<u>457,980</u>	<u>1,756</u>
Mandatory transfers:			
Principal and interest.....	(35,641)	(254)	-
Renewals and replacements.....	(271)	(253)	-
Student loan fund matching.....	(1,746)	1,640	106
Operating transfers out.....	(58,311)	138	-
Nonmandatory transfers:			
Transfers of appropriation.....	897,760	32,757	-
Transfers of bond proceeds.....	-	12,482	-
Unexpended plant funds.....	(29,851)	-	-
Renewals and replacements.....	(33,983)	(16,650)	-
Other nonmandatory transfers.....	2,775	(1,610)	114
Total transfers.....	<u>740,732</u>	<u>28,250</u>	<u>220</u>
Net increase (decrease) for the year.....	24,681	(593)	1,562
Loss from discontinued operations.....	(15,105)	-	-
Net increase (decrease) after discontinued operations.....	9,576	(593)	1,562
Fund balances at beginning of year.....	144,765	57,723	55,605
Fund balances at end of year.....	<u>\$ 154,341</u>	<u>\$ 57,130</u>	<u>\$ 57,167</u>

See notes to general purpose financial statements.

Endowment and Similar Funds	Plant Funds	Totals (Memorandum Only)	
		2000	1999
\$ -	\$ -	\$ 978,093	\$ 922,258
-	-	6,264	5,920
-	350	253,130	238,335
-	16,423	95,089	83,298
-	-	4,202	3,120
24,722	762	110,094	101,096
56	10,055	10,301	6,092
2,799	22	3,175	1,624
(3,842)	(355)	(4,340)	5,087
-	-	914	1,091
-	-	894	40
37	1,325	4,799	4,439
-	142,735	142,735	111,795
-	22,589	22,589	20,925
521	2,907	3,495	1,652
<u>24,293</u>	<u>196,813</u>	<u>1,631,434</u>	<u>1,506,772</u>
-	-	1,890,817	1,759,122
-	-	190,227	184,175
-	-	50,000	44,702
-	-	19,939	17,933
-	-	1,232	554
-	-	822	1,063
-	2,103	2,946	2,970
-	20,963	20,963	20,220
-	22,764	22,764	19,740
-	114,368	114,368	109,737
-	996	996	279
-	45,429	45,429	44,578
5,034	9,122	14,156	13,046
<u>5,034</u>	<u>215,745</u>	<u>2,374,659</u>	<u>2,218,119</u>
-	35,895	-	-
-	524	-	-
-	-	-	-
(79)	-	(58,252)	(62,346)
-	-	930,517	862,021
-	49,878	62,360	58,681
-	29,851	-	-
-	50,633	-	-
(2,204)	925	-	-
<u>(2,283)</u>	<u>167,706</u>	<u>934,625</u>	<u>858,356</u>
16,976	148,774	191,400	147,009
-	-	(15,105)	-
16,976	148,774	176,295	147,009
168,148	2,341,801	2,768,042	2,621,033
<u>\$ 185,124</u>	<u>\$ 2,490,575</u>	<u>\$ 2,944,337</u>	<u>\$ 2,768,042</u>

University And College Fund Type
Combined Statement Of Current Funds Revenues, Expenditures, And Other Changes

Fiscal Year Ended June 30, 2000
(Amounts in thousands)

	Current Funds		Totals (Memorandum Only)	
	Unrestricted	Restricted	2000	1999
	Revenues and other additions			
Tuition and fees.....	\$ 501,692	\$ 685	\$ 502,377	\$ 491,824
Federal appropriations.....	-	6,015	6,015	5,666
Federal grants and contracts.....	-	206,393	206,393	192,035
State grants and contracts.....	1,835	75,444	77,279	64,964
Local grants and contracts.....	-	8,339	8,339	6,730
Private gifts, grants and contracts.....	17,815	67,302	85,117	74,197
Endowment income.....	397	1,249	1,646	2,176
Sales and service, educational.....	16,445	-	16,445	14,521
Sales and service, auxiliary enterprises.....	221,805	-	221,805	210,235
Sales and service, independent operations.....	25,867	-	25,867	24,517
Sales and service, public services.....	71,127	-	71,127	47,750
Recovery of indirect costs.....	50,000	-	50,000	44,702
Other investment income.....	27,740	116	27,856	22,085
Other.....	43,370	1,426	44,796	52,854
Total revenues and other additions.....	<u>978,093</u>	<u>366,969</u>	<u>1,345,062</u>	<u>1,254,256</u>
Expenditures:				
Instruction.....	604,189	58,145	662,334	618,528
Research.....	55,140	135,209	190,349	167,801
Public service.....	58,861	48,006	106,867	90,000
Academic support.....	159,355	25,991	185,346	172,850
Student services.....	149,138	14,079	163,217	153,104
Institutional support.....	234,201	4,535	238,736	225,569
Operation and maintenance of plant.....	166,136	3,931	170,067	164,206
Scholarships and fellowships.....	62,358	116,411	178,769	166,533
Auxiliary enterprises.....	184,827	-	184,827	184,175
Independent operations.....	19,939	532	20,471	18,460
Total expenditures.....	<u>1,694,144</u>	<u>406,839</u>	<u>2,100,983</u>	<u>1,961,226</u>
Transfers and other changes				
Mandatory transfers:				
Principal and interest.....	(35,641)	(254)	(35,895)	(34,483)
Renewals and replacements.....	(271)	(253)	(524)	(114)
Student loan fund matching.....	(1,746)	1,640	(106)	(196)
Operating transfers out.....	(58,311)	138	(58,173)	(62,346)
Nonmandatory transfers				
Transfers of appropriation.....	897,760	32,757	930,517	862,021
Transfers of bond proceeds.....	-	12,482	12,482	21,948
Unexpended plant funds.....	(29,851)	-	(29,851)	(18,136)
Renewals and replacements.....	(33,983)	(16,650)	(50,633)	(54,498)
Other nonmandatory transfers.....	2,775	(1,610)	1,165	(6,474)
Refunds to grantors and donors.....	-	(1,141)	(1,141)	(433)
Excess (deficiency) of restricted receipts over transfers to revenue.....	-	12,168	12,168	12,332
Total transfers and other changes.....	<u>740,732</u>	<u>39,277</u>	<u>780,009</u>	<u>719,621</u>
Total increase (decrease) in fund balances.....	24,681	(593)	24,088	12,651
Loss from discontinued operations.....	<u>(15,105)</u>	<u>-</u>	<u>(15,105)</u>	<u>-</u>
Net increase (decrease) after discontinued operations.....	<u>\$ 9,576</u>	<u>\$ (593)</u>	<u>\$ 8,983</u>	<u>\$ 12,651</u>

See notes to general purpose financial statements.



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Discretely Presented Component Units
All Governmental Fund Type
Combining Balance Sheet

June 30, 2000
(Amounts in thousands)

	Massachusetts Bay Transportation Authority	Massachusetts Turnpike Authority	Regional Transit Authorities
ASSETS			
Cash and short-term investments.....	\$ 627,110	\$ 16,401	\$ 13,071
Investments.....	-	-	18
Restricted investments.....	134,157	869,313	-
Assets held in trust.....	-	-	-
Receivables, net of allowance for uncollectibles:			
Due from federal government.....	-	-	12,432
Loans.....	-	-	-
Other receivables.....	22,194	18,026	11,357
Due from cities and towns.....	-	-	16,189
Due from primary government.....	319,554	-	50,827
Inventory.....	41,628	-	384
Fixed assets.....	6,169,443	2,035,168	198,896
Other assets.....	102,435	6,317	1,769
Total assets.....	<u>\$ 7,416,521</u>	<u>\$ 2,945,225</u>	<u>\$ 304,943</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable.....	\$ 49,677	\$ 6,176	\$ 13,305
Accrued payroll.....	38,687	1,784	382
Compensated absences.....	-	7,843	735
Due to cities and towns.....	-	-	145
Due to primary government.....	-	100,000	-
Due to federal government.....	-	-	24
Deferred revenue.....	30,812	19,753	138
Agency liabilities.....	-	-	-
Claims and judgments.....	74,858	-	2,701
Other accrued liabilities.....	75,788	39,171	3,757
Capital lease obligations.....	539,092	-	4,105
Bonds, notes payable and certificates of participation.....	3,737,475	2,426,628	81,770
Total liabilities.....	<u>4,546,389</u>	<u>2,601,355</u>	<u>107,062</u>
Fund equity:			
Contributed capital.....	2,967,790	-	191,551
Retained earnings (deficits)			
Reserved for investment programs.....	-	343,870	-
Reserved for bond retirement.....	-	-	1,730
Unreserved.....	(97,658)	-	4,600
Fund balance:			
Unreserved.....	-	-	-
Total fund equity.....	<u>2,870,132</u>	<u>343,870</u>	<u>197,881</u>
Total liabilities and fund equity.....	<u>\$ 7,416,521</u>	<u>\$ 2,945,225</u>	<u>\$ 304,943</u>

See notes to general purpose financial statements

Massachusetts Water Pollution Abatement Trust	Massachusetts Development Finance Agency	Massachusetts Convention Center Authority	Massachusetts Technology Park Corporation	Economic Development Authorities	Total
\$ 225,720	\$ 134,012	\$ 18,501	\$ 93,837	\$ 74,369	\$ 1,203,021
726,487	48,311	-	-	25,503	800,319
-	-	1,061	-	2,668	1,007,199
-	5,441	-	-	-	5,441
101,741	-	-	-	8,714	122,887
1,462,562	79,218	-	-	192,886	1,734,666
37,250	23,738	1,081	4,452	7,501	125,599
-	-	-	-	989	17,178
-	-	28,443	60	2,020	400,904
-	-	-	-	279	42,291
-	37,932	227,065	14,460	8,268	8,691,232
1,417	267	1,217	6,733	2,185	122,340
<u>\$ 2,555,177</u>	<u>\$ 328,919</u>	<u>\$ 277,368</u>	<u>\$ 119,542</u>	<u>\$ 325,382</u>	<u>\$ 14,273,077</u>
\$ -	\$ 5,641	\$ 8,443	\$ 1,189	\$ 12,476	\$ 96,907
-	-	-	-	675	41,528
-	186	-	-	317	9,081
-	-	-	-	-	145
-	29,250	-	-	1	129,251
-	-	-	-	-	24
1,417	4,144	789	6,600	41,372	105,025
-	5,441	-	-	-	5,441
-	-	-	-	-	77,559
131,608	51	37,385	549	12,181	300,490
-	52	-	-	8	543,257
1,396,737	12,467	71,787	-	124,122	7,850,986
<u>1,529,762</u>	<u>57,232</u>	<u>118,404</u>	<u>8,338</u>	<u>191,152</u>	<u>9,159,694</u>
903,256	218,482	148,109	2,667	16,391	4,448,246
-	-	-	1,500	83,345	428,715
-	-	-	-	8,412	10,142
122,159	53,205	10,855	14,852	26,082	134,095
-	-	-	92,185	-	92,185
<u>1,025,415</u>	<u>271,687</u>	<u>158,964</u>	<u>111,204</u>	<u>134,230</u>	<u>5,113,383</u>
<u>\$ 2,555,177</u>	<u>\$ 328,919</u>	<u>\$ 277,368</u>	<u>\$ 119,542</u>	<u>\$ 325,382</u>	<u>\$ 14,273,077</u>

Discretely Presented Component Units
Proprietary Fund Type
Combining Statement Of Revenues, Expenses, Changes In
Retained Earnings And Changes In Contributed Capital

Fiscal Year Ended June 30, 2000
(Amounts in thousands)

	Massachusetts Bay Transportation Authority	Massachusetts Turnpike Authority	Regional Transit Authorities
Operating revenues:			
Charges for services.....	\$ 259,792	\$ 179,913	\$ 68,712
Donations.....	-	-	-
Other.....	-	24,342	855
Total operating revenues.....	<u>259,792</u>	<u>204,255</u>	<u>69,567</u>
Operating expenses:			
Cost of services and administration.....	715,762	110,858	143,195
Depreciation.....	226,472	46,805	18,227
Total operating expenses.....	<u>942,234</u>	<u>157,663</u>	<u>161,422</u>
Operating income (loss).....	<u>(682,442)</u>	<u>46,592</u>	<u>(91,855)</u>
Nonoperating revenues (expenses):			
Operating grants.....	6,868	-	31,210
Interest income.....	-	34,152	820
Interest expense.....	(196,885)	(112,635)	(3,391)
Other income.....	6,964	-	151
Impact of forward funding legislation.....	(99,420)	-	-
Other expenses.....	(154)	-	(3,444)
Nonoperating revenues (expenses), net.....	<u>(282,627)</u>	<u>(78,483)</u>	<u>25,346</u>
Income (loss) before transfers	<u>(965,069)</u>	<u>(31,891)</u>	<u>(66,509)</u>
Transfers:			
Transfers out to component units.....	-	-	-
Transfers in from primary government.....	917,342	-	49,434
Transfers out to primary government.....	-	-	-
Total transfers.....	<u>917,342</u>	<u>-</u>	<u>49,434</u>
Net income (loss).....	<u>(47,727)</u>	<u>(31,891)</u>	<u>(17,075)</u>
Add: Depreciation of fixed assets.....	113,161	-	18,158
Increase (decrease) in retained earnings.....	65,434	(31,891)	1,083
Retained earnings (deficits) at beginning of year.....	<u>(163,092)</u>	<u>375,761</u>	<u>5,247</u>
Retained earnings (deficits) at end of year.....	<u>\$ (97,658)</u>	<u>\$ 343,870</u>	<u>\$ 6,330</u>
Contributed capital at beginning of year.....	\$ 2,988,060	\$ -	\$ 176,929
Add: Capital contributions, net.....	92,891	-	32,780
Less: Depreciation of fixed assets	(113,161)	-	(18,158)
Contributed capital at end of year.....	<u>\$ 2,967,790</u>	<u>\$ -</u>	<u>\$ 191,551</u>

See notes to general purpose financial statements

Massachusetts Water Pollution Abatement Trust	Massachusetts Development Finance Agency	Massachusetts Convention Center Authority	Massachusetts Technology Park Corporation	Economic Development Authorities	Total
\$ -	\$ 8,633	\$ 18,113	\$ -	\$ 15,044	\$ 550,207
-	-	-	-	1,749	1,749
3,144	9,261	126	1,033	9,197	47,958
3,144	17,894	18,239	1,033	25,990	599,914
21,635	23,038	24,769	244	100,623	1,140,124
-	4,284	8,426	776	755	305,745
21,635	27,322	33,195	1,020	101,378	1,445,869
(18,491)	(9,428)	(14,956)	13	(75,388)	(845,955)
3,846	2,692	-	-	71,928	116,544
94,217	9,130	675	251	3,918	143,163
(64,583)	(6,070)	(6,600)	-	(7,797)	(397,961)
-	7,717	55	-	5,611	20,498
-	-	-	-	-	(99,420)
-	-	(156)	(7)	(15,716)	(19,477)
33,480	13,469	(6,026)	244	57,944	(236,653)
14,989	4,041	(20,982)	257	(17,444)	(1,082,608)
-	-	-	(847)	-	(847)
8,144	13,282	21,377	-	38,308	1,047,887
-	-	(5,514)	-	(1)	(5,515)
8,144	13,282	15,863	(847)	38,307	1,041,525
23,133	17,323	(5,119)	(590)	20,863	(41,083)
-	-	7,414	-	-	138,733
23,133	17,323	2,295	(590)	20,863	97,650
99,026	35,882	8,560	16,942	96,976	475,302
\$ 122,159	\$ 53,205	\$ 10,855	\$ 16,352	\$ 117,839	\$ 572,952
\$ 751,972	\$ 215,674	\$ 112,341	2,665	\$ 15,441	\$ 4,263,082
151,284	2,808	43,182	2	950	323,897
-	-	(7,414)	-	-	(138,733)
\$ 903,256	\$ 218,482	\$ 148,109	\$ 2,667	\$ 16,391	\$ 4,448,246

Discretely Presented Component Units

Proprietary Fund Type Combining Statement Of Cash Flows

Fiscal Year Ended June 30, 200C
(Amounts in thousands)

	Massachusetts Bay Transportation Authority	Massachusetts Turnpike Authority	Regional Transit Authorities
Cash flows from operating activities:			
Operating income (loss).....	\$ (682,442)	\$ 46,592	\$ (91,855)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization.....	226,472	46,805	18,227
Other nonoperating revenues.....	6,964	-	151
Other nonoperating expenses.....	(154)	-	(3,444)
Impact of forward funding Legislation.....	(99,420)	-	-
Change in assets and liabilities:			
Due from federal government.....	-	-	(6,033)
Loans.....	-	-	-
Other receivables.....	(2,082)	(8,961)	(309)
Due from cities and towns.....	-	-	(1,036)
Due from primary government.....	(23,431)	-	(4,688)
Inventory.....	(484)	1,158	(45)
Restricted and other assets.....	4,338	(816)	84
Accounts payable.....	5,277	(1,471)	(1,477)
Accrued payroll.....	5,640	549	6
Compensated absences.....	-	743	17
Deferred revenue.....	1,945	17,249	(267)
Claims and judgments.....	(15,431)	-	(476)
Other accrued liabilities.....	3,669	(37,423)	290
Due to cities and towns.....	-	-	(10)
Due to primary government.....	-	100,000	-
Total adjustments.....	<u>113,303</u>	<u>117,833</u>	<u>990</u>
Net cash provided by (used for) operating activities.....	<u>(569,139)</u>	<u>164,425</u>	<u>(90,865)</u>
Cash flows from noncapital financing activities			
Operating grants.....	6,868	-	31,210
Transfers out to component units.....	-	-	-
Transfers in from primary government.....	917,342	-	49,434
Transfers out to primary government.....	-	-	-
Net cash provided by (used for) noncapital financing activities.....	<u>924,210</u>	<u>-</u>	<u>80,644</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets.....	(325,838)	(607,220)	(30,436)
Proceeds from the issuance of bonds and notes.....	592,772	783,290	76,920
Interest on bonds and notes.....	(196,885)	(112,635)	(3,391)
Capital contributions.....	92,891	-	32,780
Principal payments on bonds and notes.....	(408,259)	(80,235)	(72,504)
Proceeds from sale of equipment.....	-	-	-
Net cash provided by (used for) capital and related financing activities.....	<u>(245,319)</u>	<u>(16,800)</u>	<u>3,369</u>
Cash flows from investing activities			
Purchases of investments.....	(134,157)	(3,250,998)	(18)
Sales and maturities of investments.....	130,518	3,070,137	31
Interest income.....	-	34,152	820
Net cash provided by (used for) investing activities.....	<u>(3,639)</u>	<u>(146,709)</u>	<u>833</u>
Net increase (decrease) in cash and cash equivalents.....	106,113	916	(6,019)
Cash and cash equivalents at beginning of year (as restated).....	520,997	15,485	19,090
Cash and cash equivalents at end of year.....	<u>\$ 627,110</u>	<u>\$ 16,401</u>	<u>\$ 13,071</u>

See notes to general purpose financial statements.

Massachusetts Water Pollution Abatement Trust	Massachusetts Development Finance Agency	Massachusetts Convention Center Authority	Massachusetts Technology Park Corporation	Economic Development Authorities	Total
\$ (18,491)	\$ (9,428)	\$ (14,956)	\$ 13	\$ (75,388)	\$ (845,955)
-	4,284	8,426	776	755	305,745
-	7,717	55	-	5,611	20,498
-	-	(156)	(7)	(15,716)	(19,477)
-	-	-	-	-	(99,420)
(61,323)	-	-	-	3,556	(63,800)
(318,309)	(10,432)	-	-	(31,229)	(359,970)
(7,011)	(17,498)	(569)	154	(5,082)	(41,358)
-	-	-	-	(478)	(1,514)
32,430	-	(4,072)	-	(300)	(61)
-	-	-	-	(88)	541
2,643	101	542	(24)	(1,498)	5,370
-	851	1,249	21	898	5,348
-	-	-	-	(318)	5,877
-	47	-	-	87	894
(2,623)	-	104	-	18,060	34,468
-	1,507	-	-	-	(14,400)
57,121	(79)	4,841	872	2,011	31,302
-	-	-	-	-	(10)
-	14,500	-	-	(883)	113,617
(297,072)	998	10,420	1,792	(24,614)	(76,350)
(315,563)	(8,430)	(4,536)	1,805	(100,002)	(922,305)
3,846	2,692	-	-	71,928	116,544
-	-	-	(847)	-	(847)
8,144	13,282	21,377	-	38,308	1,047,887
-	-	(5,514)	-	(1)	(5,515)
11,990	15,974	15,863	(847)	110,235	1,158,069
-	(23,488)	(32,267)	(274)	(2,410)	(1,021,933)
678,286	1,432	-	-	32,701	2,165,401
(64,583)	(6,070)	(6,600)	-	(7,797)	(397,961)
151,284	2,808	43,182	2	950	323,897
(364,436)	(2,050)	(22,631)	-	(12,694)	(962,809)
-	14,490	-	-	2	14,492
400,551	(12,878)	(18,316)	(272)	10,752	121,087
(1,092,982)	(36,017)	(809)	-	(15,047)	(4,530,028)
867,570	19,334	5,884	-	4,227	4,097,701
94,217	9,130	675	251	3,918	143,163
(131,195)	(7,553)	5,750	251	(6,902)	(289,164)
(34,217)	(12,887)	(1,239)	937	14,083	67,687
259,937	146,899	19,740	3,314	60,286	1,045,748
\$ 225,720	\$ 134,012	\$ 18,501	\$ 4,251	\$ 74,369	\$ 1,113,435



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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity –

The Commonwealth is comprised of three branches: the Executive Branch, with the Governor as the chief executive officer; the Legislative Branch, consisting of a Senate of 40 members and a House of Representatives of 160 members; and the Judicial Branch made up of the Supreme Judicial Court, the Appeals Court and the Trial Court. In addition, the Legislature has established 56 independent authorities and agencies. Below the level of state government are county governments and 351 cities and towns exercising the functions of local governments. In fiscal year 2000, one county and two county registry of deeds were abolished and absorbed by the state government. During fiscal year 1999, two counties were abolished and absorbed by the Commonwealth.

For financial reporting purposes, the Commonwealth has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Commonwealth has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Commonwealth is such that exclusion would cause the Commonwealth's financial statements to be misleading or incomplete. As required by GAAP, these financial statements present the Commonwealth of Massachusetts (the primary government) and its component units. The Commonwealth has included 34 entities as component units in the reporting entity because of the significance of their operational and/or financial relationships with the Commonwealth.

Blended Component Units – Blended component units are entities which are legally separate from the Commonwealth, but are so related to the Commonwealth that they are, in substance, the same as the Commonwealth or entities providing services entirely or almost entirely to the Commonwealth. The following Component Units are blended within the Primary Government:

(1) The Pension Reserves Investment Trust Fund (PRIT) was created in 1984, through General Laws Chapter 661 of the Acts of 1983 as amended by the Acts of 1987. PRIT is the investment portfolio for the assets of the Pension Trust Funds. PRIT is managed by the Pension Reserves Investment Management (PRIM) Board.

In addition, the following entities are blended into the discretely presented university and college fund type:

(2) The Massachusetts State College Building Authority provides dormitories, dining commons and other facilities primarily for use by students and staff of certain state colleges of the Commonwealth. The building authority is governed by a board comprised of members appointed by the Governor.

(3) The University of Massachusetts Building Authority provides dormitories, dining commons and other buildings and structures for the use of the University of Massachusetts and its students and staff; it is governed by a nine-member board appointed by the Governor.

(4) The University of Massachusetts Foundation, Inc. fosters and promotes the growth, progress and general welfare of the University of Massachusetts. It is governed by a twenty-seven member board of directors nominated by the President of the University of Massachusetts and approved by the board. The President, the five campuses' Chancellors and the Treasurer of the University are ex-officio members.

(5) The Worcester City Campus Corporation, doing business as UMass Health System including Worcester Foundation for Biomedical Research, Inc, a subsidiary, is a not-for-profit organization founded for the purpose of fostering and promoting growth, progress and the general welfare of the University. The University of Massachusetts, acting through its Board of Trustees, is the sole corporate member of the UMass Health System, which is governed by a nine-member board of directors.

(6) The University of Massachusetts Dartmouth Foundation, Inc., incorporated as a charitable corporation under Massachusetts General Laws, renders financial assistance to educational programs of the University. It is governed by a twenty-five member board.

Discrete Component Units – Discrete component units are entities which are legally separate but are financially

accountable to the Commonwealth, or whose relationships with the Commonwealth are such that exclusion would cause the Commonwealth's financial statements to be misleading or incomplete. The Component Units column of the combined financial statements include the financial data of the following entities:

- (1) The Massachusetts Bay Transportation Authority and Rail Connections Inc. (MBTA) operates mass transit facilities within the Greater Boston metropolitan area, which consists of 78 cities and towns. The MBTA is overseen by a seven-member board of directors of which five are appointed by the Governor. Through June 30, 2000 the Commonwealth guaranteed the debt of the MBTA and funded deficiencies in the net cost of service.
- (2) The Massachusetts Turnpike Authority (MTA) operates the Massachusetts Turnpike and the Sumner - Callahan - Williams Tunnels. The MTA is governed by three members each appointed by the Governor. The Commonwealth guarantees debt of the MTA. The MTA is legally required to use the calendar year for their fiscal reporting cycle.
- (3) The Regional Transit Authorities (RTAs) provide transportation to areas not serviced by the MBTA. The RTAs are fiscally dependent on the Commonwealth as evidenced by the need for approval by the Secretary of the Executive Office of Transportation and Construction before a RTA can issue bonded debt. In addition, the Commonwealth subsidizes a minimum of 50% of the net cost of service for the RTAs. There are 15 RTAs 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 Authority
 - Greenfield-Montague Transportation Area
 - Lowell Regional Transit Authority
 - Martha's Vineyard Transit Authority
 - Merrimack Valley Regional Transit Authority
 - Montachusett Regional Transit Authority
 - Nantucket Regional Transit Authority
 - Pioneer Valley Transit Authority
 - Southeastern Regional Transit Authority
 - Worcester Regional Transit Authority
- (4) The Massachusetts Water Pollution Abatement Trust (MWPAT) provides a combination of federal and Commonwealth funds for water pollution abatement projects. MWPAT is governed by a three member board of directors that includes the State Treasurer, Commissioner of the Department of Environmental Protection and the Secretary of the Executive Office for Administration and Finance.
- (5) The Massachusetts Convention Center Authority (MCCA) manages the operation of the John B. Hynes Veterans Memorial Convention Center, the Boston Common Parking Garage and the Springfield Convention Center. The MCCA also manages Springfield Symphony Hall. The MCCA is governed by a thirteen-member board of directors, which includes nine members appointed by the Governor. The Commonwealth provides grants to fund annual debt service of the bonds issued and subsidies to fund annual operating deficits.
- (6) The Massachusetts Development Finance Agency (MDFA) aids public and private agencies in the conversion and redevelopment of surplus Commonwealth and federal property, as well as blighted, decadent or substandard property for the purpose of stimulating economic development and to provide housing to low and moderate income persons. The MDFA is governed by a board of directors comprised of eleven members including the Commissioner of Administration, the Director of Communities and Development and nine appointments made by the Governor. The MDFA is authorized to issue up to \$50,000,000 of general obligation bonds and the Commonwealth also provides subsidy assistance. The MDFA also requires Commonwealth approval to issue bonded debt.
- (7) The Massachusetts Technology Park Corporation (MTPC) manages the expansion of industrial and commercial activity and employment opportunities in the Commonwealth. It provides support to firms to maintain, expand and locate their business activities within the Commonwealth thereby creating and retaining more rewarding employment opportunities for citizens of the Commonwealth. MTPC also manages a segregated trust fund. The purpose of the trust fund is to generate the maximum economic and environmental benefits over time from renewable energy to the ratepayers of the Commonwealth by promoting the increased availability, use, and affordability of renewable energy and related enterprises, institutions, and projects.

MTPC is governed by a board of directors comprised of twenty-three members including the Director of Economic Affairs, the Secretary for Administration and Finance, the Chancellor of the Board of Regents and twenty appointments made by the Governor. The Commonwealth provides funds to MTPC to support economic development programs administered by the Organization.

Economic Development Authorities –

- (8) The Massachusetts Community Development Finance Corporation (MCDFC) provides community development in economically depressed areas in Massachusetts. The MCDFC is governed by a board of directors comprised of nine members, including the Director of Economic Development, Director of Communities and Development, the Secretary for Administration and Finance and six appointments made by the Governor. The Commonwealth owns all of the common stock of the corporation.
- (9) Corporation for Business, Work and Learning (CBWL) provides services that promote business modernization, economic growth and opportunities for gainful and fulfilling employment. CBWL is governed by a nineteen-member board of Directors, which includes the Director of Economic Development and the Director of the Department of Labor and Workforce Development. The entity is funded with Commonwealth grants.
- (10) The Massachusetts International Trade Council, Inc. (MITC) stimulates export development through export assistance programs and the promotion of foreign investment in Massachusetts industries. The entity is funded with Commonwealth grants. The Governor appoints the two-member board.
- (11) The Community Economic Development Assistance Corporation (CEDAC) provides development assistance to nonprofit corporations to expand the supply of affordable housing and to foster the revitalization of economically distressed areas. The Governor appoints the nine-member board of directors. The Commonwealth can impose its will on the entity as the Commonwealth approves the loans issued by CEDAC, thereby, controlling the level of services, projects, and activities the entity provides.
- (12) The Massachusetts Corporation for Education Telecommunications (MCET) operates a statewide telecommunication network for the Commonwealth's public and private sector to improve the quality of education. MCET is

governed by a board of directors comprised of eighteen members of which twelve are appointed by the Governor. The Corporation receives grants from the Commonwealth to fund its programs.

- (13) The Massachusetts Housing Partnership (MHP) addresses local needs for affordable housing and neighborhood development through group effort of the public and private sectors and state and local government. The entity is governed by a seven-member board of directors of which two members are appointed by the Governor, one member is the Secretary for Administration and Finance and one is the Director of Communities and Development. The Commonwealth provides funding to MHP.
- (14) The Commonwealth Zoological Corporation, doing business as Zoo New England, manages Franklin Park Zoo and the Walter D. Stone Memorial Zoo. The Corporation's eleven-member board is appointed by the Governor. The Commonwealth subsidizes a substantial portion of the operations of the zoos.

Availability of Financial Information for Component Units and Individual Institutions of Higher Education -

Complete financial statements of the individual component units can be obtained directly from their respective administrative offices.

Discretely presented component units' condensed financial statements are included in the component unit columns of the general purpose financial statements.

The following component units were audited by Deloitte & Touche LLP:

Discretely Presented:

Massachusetts Technology Park Corporation
75 North Drive
Westborough, MA 01581

Massachusetts Corporation for Education Telecommunications
1 Kendall Square
Building 1500
Cambridge, MA 02139

The following discretely presented component units were audited by auditors other than Deloitte & Touche LLP:

Berkshire Regional Transit Authority
67 Downing Industrial Park
Pittsfield, MA 01201

Brockton Area Transit Authority
70 School Street
Brockton, MA 02401

Cape Ann Transportation Authority
P. O. Box 511
Gloucester, MA 01931

Cape Cod Regional Transit Authority
585 Main Street, P. O. Box 2006
Dennis, MA 02638

Community Economic Development
Assistance Corporation
18 Tremont Street
Suite 1020
Boston, MA 02108

Commonwealth Zoological Corporation
1 Franklin Park
Boston, MA 02121

Corporation for Business, Work and Learning
The Schrafft Center
529 Main Street
Boston, MA 02129

Franklin Regional Transit Authority
474 Main Street
Greenfield, MA 01301

Greater Attleboro/Taunton Regional Authority
7 Mill Street
Attleboro, MA 02703

Greenfield-Montague Transportation Area
382 Deerfield Street
Greenfield, MA 01301

Lowell Regional Transit Authority
145 Thorndike Street
Lowell, MA 01852

Martha's Vineyard Transit Authority
P. O. Box 5099
Edgartown, MA 02539

Massachusetts Bay Transportation Authority and Rail
Connections Inc.
Ten Park Plaza
Boston, MA 02116

Massachusetts Community Development Finance Corporation
10 Post Office Square, Suite 1090
Boston, MA 02109

Massachusetts Convention Center Authority
900 Boylston Street
Boston, MA 02115

Massachusetts Development Finance Agency
75 Federal Street
Boston, MA 02110

Massachusetts Housing Partnership
2 Oliver Street
Boston, MA 02109

Massachusetts International Trade Council, Inc.
10 Park Plaza, Suite 3720
Boston, MA 02116

Massachusetts Turnpike Authority
Ten Park Plaza, Suite 4160
Boston, MA 02116

Massachusetts Water Pollution Abatement Trust
C/O Office of the State Treasurer
One Ashburton Place, 12th Floor
Boston, MA 02108

Merrimack Valley Regional Transit Authority
85 Railroad Avenue
Bradford, MA 01835

Montachusett Regional Transit Authority
Rear 1427 Water Street
Fitchburg, MA 01420

Nantucket Regional Transit Authority
16 Broad Street
Nantucket, MA 02554

Pioneer Valley Transit Authority
2808 Main Street
Springfield, MA 01107

Southeastern Regional Transit Authority
25 North Sixth Avenue
New Bedford, MA 02740

Worcester Regional Transit Authority
287 Grove Street
Worcester, MA 01602

**The following blended component units have been audited
by firms other than Deloitte & Touche LLP:**

Included in the Pension Trust Funds:

Pension Reserve Investment Trust Fund
125 Summer Street, 10th Floor
Boston, MA 02110

Included in the University and College Fund Type:

Massachusetts State College Building Authority
75 Park Plaza, P.O. Box 5
Boston, MA 02116

University of Massachusetts Building Authority
100 Venture Way, 2nd Floor
Hadley, MA 01035

University of Massachusetts Dartmouth
Foundation, Inc.
Old Westport Road
North Dartmouth, MA 02747

University of Massachusetts Foundation, Inc.
One Beacon Street, 26th Floor
Boston, MA 02108

Worcester City Campus Corporation (UMass Health System)
University of Massachusetts Worcester
55 Lake Avenue North
Worcester, MA 01655

**The following institutions of higher education were audited
by firms other than Deloitte & Touche LLP:**

Berkshire Community College
1350 West Street
Pittsfield, MA 01201

Bridgewater State College
131 Grove Street
Bridgewater, MA 02324

Bristol Community College
777 Elsbree Street
Fall River, MA 02720

Bunker Hill Community College
New Rutherford Avenue
Charlestown, MA 02129

Cape Cod Community College
2240 Iyanough Road
West Barnstable, MA 02668

Fitchburg State College
160 Pearl Street
Fitchburg, MA 01420

Framingham State College
100 State Street
Framingham, MA 01701

Greenfield Community College
One College Drive
Greenfield, MA 01301

Holyoke Community College
303 Homestead Avenue
Holyoke, MA 01040

Massachusetts College of Art
621 Huntington Avenue
Boston, MA 02115

Massachusetts College of Liberal Arts
375 Church Street,
North Adams, MA 01247

Massachusetts Maritime Academy
101 Academy Drive
Buzzards Bay, MA 02532

Massasoit Community College
One Massasoit Boulevard
Brockton, MA 02402

Middlesex Community College
33 Kearney Square
Lowell, MA 01852

Mount Wachusett Community College
444 Green Street
Gardner, MA 01440

North Shore Community College
One Ferncroft Road
Danvers, MA 01923

Northern Essex Community College
100 Elliot Street
Haverhill, MA 01830

Quinsigamond Community College
670 West Boylston Street
Worcester, MA 01606

Roxbury Community College
1234 Columbus Avenue
Roxbury Crossing, MA 02120

Salem State College
352 Lafayette Street
Salem, MA 01970

Springfield Technical Community College
One Armory Square, P. O. Box 9000
Springfield, MA 01101

University of Massachusetts
100 Venture Way, 2nd Floor
Hadley, MA 01035

Westfield State College
577 Western Avenue
Westfield, MA 01086

Worcester State College
486 Chandler Street
Worcester, MA 01602

**The following institution of higher education did not have
an audit performed:**

Massachusetts Bay Community College
50 Oakland Avenue
Wellesley, MA 02181

The following External Investment Trust was audited by a firm other than Deloitte & Touche, LLP:

Massachusetts Municipal Depository Trust
Office of the State Treasurer
One Ashburton Place, 12th Floor
Boston, MA 02108

The following Expendable Trust was audited by Deloitte & Touche, LLP:

Commonwealth of Massachusetts Deferred Compensation Plan
C/O Office of the State Treasurer
One Ashburton Place, 12th Floor
Boston, MA 02108

The following are “related organizations” under GASB Statement No. 14, “*The Financial Reporting Entity*”: Massachusetts Port Authority, Massachusetts Housing Finance Agency, Massachusetts Health and Educational Facilities Authority and Massachusetts Technology Development Corporation. The Commonwealth is responsible for appointing a voting majority of the members of each entity’s board, but the Commonwealth’s accountability does not extend beyond the appointments.

b. Fund Accounting –

The Commonwealth reports its financial position and results of operations in funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Transactions between funds within a fund type, if any, have not been eliminated.

Account groups are accounting entities used to provide accountability for the Commonwealth’s general fixed assets and general long-term obligations. They are not considered funds because they do not report expendable available financial resources and related liabilities.

The Commonwealth has established the following fund categories (further divided by fund types), and account groups:

Governmental Funds – account for the general governmental activities of the Commonwealth.

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

Special Revenue Funds account for specific revenue sources, other than expendable trusts or major capital

financing, that have been segregated according to state finance law to support specific governmental activities.

Capital Projects Funds account for financial resources used to acquire or construct major capital assets and to finance local capital projects. These resources are derived primarily from proceeds of general and special obligation bonds and federal reimbursements.

Proprietary Funds – include Internal Service Funds which account for the financing of services provided by one department or agency to other departments or agencies or to other governmental units.

Fiduciary Funds – account for assets held by the Commonwealth in a trustee capacity, or as an agent for individuals, private organizations, other governmental units, and/or other funds.

Expendable Trust Funds account for trusts whose principal and income may be expended for their designated purpose.

Nonexpendable Trust Funds account for trusts whose principal cannot be spent.

Pension Trust Funds account for net assets held in trust for the State Employees’ and Teachers’ Retirement Systems and assets held in trust for the cities and towns.

External Investment Trust Fund accounts for the portion of pooled cash held under the custodianship of the Commonwealth for the benefit of cities, towns and other political subdivisions of the Commonwealth.

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

University and College Funds – account for the activities specific to the operation of the Commonwealth’s public institutions of higher education, including its medical school.

Current Funds are comprised of unrestricted funds which may be used at the discretion of the individual institution’s governing body and restricted funds which must be utilized for specific purposes established by others.

Loan Funds account for resources available to make loans to students, faculty and staff.

Endowment and Similar Funds are comparable to trust funds, and they must be administered according to the terms of specific agreements.

Plant Funds account for resources that have been or will be invested to acquire or repair fixed assets or for the related debt service.

Account Groups – establish control and accountability over the Commonwealth’s general fixed assets and general long-term obligations.

The General Fixed Assets Account Group accounts for general fixed assets and capital leases of the Commonwealth, excluding the fixed assets of the Proprietary Funds, University and College Fund and the discretely presented Component Units.

The General Long-term Obligations Account Group accounts for long-term bonds and notes issued by the Commonwealth, school construction grants, capital leases, compensated absences, and other long-term obligations, excluding the liabilities of the University and College Funds, the discretely presented Component Units and the Proprietary Funds.

Component Units – account for the activity of the entities that are separate from the primary government but are financially accountable to the Commonwealth. The Component Units are discretely presented in the general purpose financial statements.

c. Measurement Focus and Basis of Accounting –

Governmental and Expendable Trust Funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. The discretely presented component unit MTPC is accounted for on the current financial resources and modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. “Available” means expected to be collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include income, sales and use, corporation and other taxes, federal grants, federal reimbursements and other reimbursements for use of materials and services. Revenues from other financing sources are recognized when received. Expenditures are recorded in the period in which the related fund liability is incurred. Principal and interest on general long-term obligations are recorded as fund liabilities when due.

Proprietary Funds, Nonexpendable Trust, External Investment Trust and Pension Trust Funds and discretely presented Component Units, except for MTPC governmental activities, are reported using a flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This measurement focus emphasizes the determination of net income. For all proprietary funds and component units that use proprietary fund accounting, the Commonwealth applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Agency Fund assets and liabilities are reported using the modified accrual basis of accounting. They are custodial in nature and do not measure results of operations or have a measurement focus.

University and College Fund activities are reported using the accrual basis of accounting, except that depreciation is recorded only for those plant fund assets related to the foundations.

Statutory (budgetary) Accounting – The Commonwealth’s books and records and other official reports are maintained on the basis of accounting used in the preparation of the Commonwealth’s legally adopted annual budget (statutory basis). The statutory basis emphasizes accountability and the budgetary control of appropriations, but is not intended to present the Commonwealth’s financial condition and results of operations in conformity with GAAP.

Under the statutory basis, revenues are generally recognized when the cash deposit is received. However, revenues receivable for federal grants and reimbursements are recognized when related expenditures are incurred. Amounts due from certain political subdivisions of the Commonwealth are recognized when considered measurable and available at year end. Deeds excise taxes are recognized at the time of collection by the counties and the Commonwealth.

Statutory expenditures generally are recorded when the related cash disbursement occurs. At year end, payroll is accrued and payables are recognized, to the extent of approved encumbrances, for goods or services received by June 30. Costs incurred under the federally-sponsored Medicaid program, amounts required to settle claims and judgments against the Commonwealth, and certain other liabilities are not recognized until they are encumbered

or otherwise processed for payment. All encumbrances that do not relate to specific payables lapse at year end.

The Commonwealth has separately published its audited "Statutory Basis Financial Report" for the fiscal year June 30, 2000, dated October 24, 2000.

d. Cash and Short-Term Investments and Investments -

The Commonwealth follows the practice of pooling cash and cash equivalents for some of its Governmental and Fiduciary Funds. Cash equivalents consist of short-term investments with an original maturity of three months or less and are stated at cost or amortized cost, which approximates fair value. Interest earned on pooled cash is allocated to the General Fund, Expendable Trust Funds and to certain Special Revenue Funds when so directed by law. All Commonwealth, Component Unit, Pension and Deferred Compensation Plan investments are carried at fair value, determined by current market rates and quotations.

The Pension Trust Funds, with investments totaling approximately \$31,280,296,000, at fair value, are permitted to make investments in equity securities, fixed income securities, real estate and other alternative investments. For investments traded in an active market, the fair value of the investment will be its market price. The Pension Trust Funds include investments in real estate, venture capital funds, real estate funds, limited partnerships, futures pools, international hedge pools, commodities pools, balanced pools, leveraged buyouts, private placements and other alternative investments. The structure, risk profile, return potential and marketability differ from traditional equity and fixed income investments. Concentrations of credit risk exist if a number of companies in which the Fund has invested, are engaged in similar activities and have similar economic characteristics that could cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. To mitigate the exposure to concentrations of risk, the Pension Trust Funds invest in a variety of industries located in diverse geographic areas. As of June 30, 2000, the estimated fair value, determined by management with input from the investment managers, of these real estate and alternative investments was approximately \$3,417,147,000 in the Pension Trust Funds, representing 7.6%, of the total assets of the Fiduciary Fund Type.

The Commonwealth maintains a short-term investment pool established by the State Treasurer on June 8, 1977 through a Declaration of Trust. The investments are carried at amortized cost, which approximates fair value.

The primary government's and component unit's share are reported as short-term investments within their respective reporting categories. The various local governments and other political subdivisions share of net asset is approximately \$2,400,474,000 is reported as an External Investment Trust within the Fiduciary Fund Type.

Included in the discretely presented Component Units is approximately \$800,319,000 in investments, whose valuation was determined by management. In making its valuations, management considered the cost of investments, current and past operating results, current economic conditions and their effect on the borrowers, estimated realizable values of collateral, and other factors pertinent to the valuation of investments. There is no public market for most of the investments. Management, in making its evaluation, has in many instances relied on financial data and on estimates by management of the companies they have invested in as to the effect of future developments.

Investments of the University of Massachusetts (UMass) are stated at fair value. Annuity contracts represent guaranteed investment contracts and are carried at present value. Investments of the Commonwealth's Employees Deferred Compensation Plan are carried at fair value.

e. Securities Lending Program -

The Pension Trust Funds participate in securities lending programs. Under these programs, the Trusts receive a fee for allowing brokerage firms to borrow certain securities for a predetermined period of time, securing such loans with cash or collateral typically equaling 102% to 105% of the market value of the security borrowed. At June 30, 2000, the market value of the securities on loan from PRIT was approximately \$1,260,000,000. The value of the collateral held by PRIT amounted to approximately \$1,365,000,000 at June 30, 2000. The PRIT trust securities on loan were collateralized at all times by U.S. Treasury securities of at least 100% of the value of the loaned securities. The collateral securities cannot be pledged or sold by PRIT unless the borrower defaults. The securities lending agents indemnify PRIT in the event that the agents fail to return the securities lent or if the collateral is inadequate to replace the securities lent. PRIT does not believe it has credit risk exposure to the borrower because the amounts PRIT owes the borrower exceeds the amounts the borrower owes PRIT. The securities on loan are included in investments at fair value as of June 30, 2000 in the combined balance sheet.

f. Receivables –

Receivables are stated net of estimated allowances for uncollectible accounts. Reimbursements due to the Commonwealth for its expenditures on federally-funded reimbursement and grant programs are reported as “Due from federal government.” The receivables in the University and College Fund and Component Units column are amounts that have arisen in the normal course of operations.

g. Due From Cities and Towns -

Represents reimbursement due to the Commonwealth for its expenditures on certain programs for the benefit of cities and towns.

h. Inventories and Other Assets -

Inventories included in the Governmental Fund Types represent food stamps on hand and are stated at face value.

The costs of materials and supplies are recorded as expenditures in Governmental Funds when purchased.

Inventories included within the University and College Fund Type and the Component Unit column are stated at the lower of cost (using the first-in, first-out method), or market (on the purchase or consumption method).

i. Fixed Assets -

For Governmental Funds, general fixed asset acquisitions are recorded as expenditures in the acquiring fund and capitalized in the General Fixed Assets Account Group in the year purchased. General fixed assets are recorded at historical cost, or at estimated historical cost if actual historical cost is not available. Donated fixed assets are recorded at the estimated fair market value at the date of the donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized.

The Commonwealth capitalizes all land except land associated with infrastructure. It capitalizes buildings, equipment, and computer software with costs in excess of \$15,000 at the date of acquisition and with expected useful lives of greater than one year. Interest incurred during construction is not material and it is not capitalized. Public domain general fixed assets and infrastructure (roads, bridges, tunnels, dams, water and sewer systems, etc.) are not capitalized. No depreciation is provided on general fixed assets.

Fixed assets of the University and College Fund are recorded at cost when purchased or constructed. Major construction projects financed through the issuance of Commonwealth bonds are not recognized as additions to investment in plant until completed. All land and library collections are capitalized. The University of Massachusetts and state colleges capitalize all other fixed assets with costs in excess of \$1,000. The community colleges capitalize all other fixed assets with costs in excess of \$15,000 consistent with the Commonwealth’s fixed asset policy. No provision for depreciation is recognized except for depreciation recorded on the University of Massachusetts Foundation, Inc. and the University of Massachusetts Dartmouth Foundation, Inc. fixed assets, which are depreciated on a straight-line basis over the estimated useful lives of the assets.

Fixed assets of the Component Units are capitalized upon purchase and depreciated on a straight-line basis over the estimated useful lives of the assets. Interest incurred during construction is capitalized.

The estimated useful lives of fixed assets are as follows:

Structures and improvements.....	3 - 60 years
Equipment, furniture, fixtures and vehicles.....	3 - 25 years

j. Interfund/Intrafund Transactions -

During the course of its operations, the Commonwealth records transactions between funds and/or between departments. Transactions of a buyer/seller nature between departments within a fund are not eliminated from the individual fund statements. Receivables and payables resulting from transactions between funds are classified as “Due from other funds” or “Due to other funds” on the balance sheet.

Receivables and payables resulting from transactions between Component Units and the primary government are classified as “Due to/from primary government” or “Due to/from component units.”

k. Fringe Benefit Cost Recovery -

The Commonwealth appropriates and pays the fringe benefit costs of its employees and retirees through the General Fund. These fringe benefits include the costs of employees’ group health insurance, pensions, unemployment compensation and other costs necessary to support the workforce. As directed by Massachusetts General Laws, these costs are assessed to other funds based on payroll costs, net of credits for direct payments. Since fringe benefit costs are not separately appropriated or otherwise provided for in these funds, the required assessment creates an unfavorable budget variance in the

budgeted funds. The employees' group health insurance and worker's compensation activity are accounted for through the Internal Service Funds.

l. School Construction Grants Payable -

The Commonwealth, through legislation, is committed to reimburse certain cities, towns and regional school districts for a portion of their debt service costs for school construction and renovation. The amounts expected to be liquidated with available financial resources are reported as expenditures in fund liabilities. The long-term portion of this liability is recorded in the General Long-Term Obligations Account Group.

m. Compensated Absences -

For Governmental Fund and Expendable Trust Funds, vested or accumulated vacation and sick leave expected to be liquidated with expendable available financial resources are reported as expenditures and fund liabilities. Amounts that are not expected to be liquidated within a year are reported in the General Long-Term Obligations Account Group.

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements and state laws. Upon retirement, termination or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rate of pay.

In the University and College Funds and the discretely presented Component Units, employees' accumulated vacation and sick leave are recorded as an expense and liability as the benefits accrue.

n. Lottery Revenue and Prizes -

Ticket revenues and prizes awarded by the Massachusetts Lottery Commission are recognized as drawings are held. For certain prizes payable in installments, the Commonwealth purchases annuities and principal-only and interest-only treasury strips in the Commonwealth's name, which are recorded as annuity contracts and prizes payable in the Agency Funds. The Commonwealth retains the risk related to such annuities.

o. Risk Financing -

The Commonwealth does not insure for employees workers' compensation, casualty, theft, tort claims and other losses. Such losses, including estimates of amounts incurred but not reported, are included as accrued liabilities in the accompanying financial statements when the loss is incurred. For employee's workers' compensation, the Commonwealth assumes the full risk

of claims filed under a program managed by the Human Resources Division. For personal injury or property damages, Massachusetts General Laws limit the risk assumed by the Commonwealth to \$100,000 per occurrence, in most circumstances. The Group Insurance Commission administers health care and other insurance for the Commonwealth's employees and retirees. The Internal Service Funds account for workers' compensation and group insurance risk financing activities.

p. Fund Balances -

The Commonwealth reports fund balances as reserved where legally restricted for a specific future use. Otherwise, these balances are considered unreserved.

Fund balances have been reserved as follows:

“Reserved for continuing appropriations” – identifies unexpended amounts in appropriations which the Legislature has specifically authorized to be carried into the next fiscal year.

“Reserved for tax reduction” – identifies the amount set aside according to Section 6 of Chapter 29B of the General Laws.

“Reserved for Commonwealth stabilization” – identifies amounts set aside according to Section 5C of Chapter 29, Chapter 87 and 236, Section 79 of the Acts of 2000.

“Reserved for employees' pension benefits” – identifies the net assets of the Commonwealth's public employee retirement systems which cannot be used for any other purpose.

“Reserved for deferred compensation” – identifies amounts held for employees payment of deferred compensation in accordance with Internal Revenue Service Code Section 457.

“Reserved for unemployment benefits” – identifies amounts reserved for payment of unemployment compensation.

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

“Reserved for nonexpendable trusts” – identifies amounts being held by the Commonwealth on behalf of third parties for which only the interest can be expended.

“Reserved for capital projects” – identifies amounts reserved for capital projects.

“Reserved for investment pool participants” – accounts for assets held for governmental entities and other local governmental and political subdivisions, in an external investment trust.

q. Total Columns – Memorandum Only –

Total columns on the combined financial statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present consolidated financial position, results of operations or cash flows. Interfund eliminations have not been made in the aggregation of this data.

r. Reclassifications -

For the fiscal year ended June 30, 2000, certain reclassifications have been made to the 1999 balances to conform to the presentation used in 2000. Certain amounts in the separately issued Component Units financial statements have been reclassified to conform to the accounting classifications used by the Commonwealth.

2. BUDGETARY CONTROL

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

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

In addition, Massachusetts General Laws authorize the Secretary for Administration and Finance, with the approval of the Governor, upon determination that

available revenues will be insufficient to meet authorized expenditures, to withhold allotments of appropriated funds which effectively reduce the account’s expenditure budget.

The majority of the Commonwealth’s appropriations are non-continuing accounts which lapse at the end of each fiscal year. Others are continuing accounts for which the Legislature has authorized that an unspent balance from the prior fiscal year be carried forward and made available for spending in the current fiscal year. In addition, the Legislature may direct that certain revenues be retained and made available for spending within an appropriation account. The allocation of fringe benefits and other costs which are mandated by state finance law are not itemized in the appropriations process or separately budgeted.

The original fiscal year 2000 appropriations act was Chapter 127, Acts of 1999. This appropriation act authorized \$19,931,438,000 in direct appropriations. In addition, the act contained \$902,377,000 in authorizations to retain and expend certain non-tax revenues, of which \$884,250,000 were estimated to be collected and expended. The act also included \$112,994,000 in interagency chargebacks. Chapter 127 included estimates of \$14,787,000,000 in tax revenues and approximately \$6,107,752,000 in non-tax revenues. With these revenues (exclusive of chargebacks) projected to total approximately \$20,894,752,000 and with unreserved balances of approximately \$386,893,000 carried forward from the fiscal year 1999, the budget as presented in this original appropriation act was considered to be in balance.

During fiscal year 2000, the Legislature also passed and the Governor signed, with some modification through veto, Chapters 101, 175, 176 and 177 of the Acts of 1999 and Chapters 1, 34, 82 and 111 of the Acts of 2000, which included numerous supplemental budgetary appropriations. These supplements added \$117,000 of retained revenues and \$429,292,000 in direct appropriations.

Subsequent to June 30, 2000, the Legislature passed and the Governor signed Chapters 150 and 236 of the Acts of 2000, which included \$92,950,000 in retained revenues and \$255,779,000 in additional supplemental direct appropriations. The cumulative fiscal year 2000 appropriations, retained revenues and interagency chargebacks totals \$21,725,000,000. Appropriations continued from fiscal year 1999 totaled approximately \$212,166,000 and certain interfund transfers directed by statute totaled approximately \$1,343,425,000.

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

Generally, expenditures may not exceed the level of spending authorized for an appropriation account. However, the Commonwealth is statutorily required to pay debt service, regardless of whether such amounts are appropriated. In addition, certain interfund assessments to allocate fringe benefits and other costs which are mandated by state finance law are not itemized in the appropriation process or separately budgeted.

Line item appropriations are enacted for the General Fund and certain Special Revenue Fund activities. For these funds, a Combined Schedule of Revenues, Expenditures and Changes in Fund Balances – Statutory Basis – Budget and Actual - General and Budgeted Special Revenue Funds is included. The Budgeted Special Revenue Funds include the Highway, Local Aid, Commonwealth Stabilization, Administrative Control, Environmental, and Other budgeted funds.

The Office of the Comptroller (Comptroller) has the responsibility to ensure that budgetary control is maintained on an individual line item appropriation account basis. Budgetary control is exercised through the State accounting system, Massachusetts Management Accounting and Reporting System (MMARS). Encumbrances and expenditures are not allowed to exceed the appropriation accounts' spending authorization.

A MMARS report is used by management and the Comptroller to monitor spending against budget. This report provides information at the individual line item appropriation account level, which is the legal level of budgetary control. For financial reporting, the Commonwealth groups these appropriation accounts by character and secretariat to conform to its organizational structure.

A reconciliation of the statutory basis budgeted funds to the GAAP basis General and Special Revenue funds presented in the financial statements is as follows (amounts in thousands):

	General Fund	Special Revenue
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (Statutory basis).....	\$ (2,719,635)	\$ 2,892,615
Entity differences:		
Excess of revenues and other financing sources over expenditures and other financing uses for Non-budgeted Special Revenue Funds.....	-	186,708
Perspective differences:		
Certain activities treated as Special Revenue Funds for statutory purposes are accounted for in the General Fund for GAAP.....	24,859	(24,859)
Basis of accounting differences:		
Net change in taxes receivable.....	93,098	54,560
Net change in due from federal government.....	85,073	47,013
Net change in other receivables and other assets.....	(155,229)	1,328
Net change in tax refunds and abatements payable.....	(27,986)	(20,179)
Net change in accounts payable and other liabilities.....	168,585	200,949
Excess change of revenues and other financing sources over expenditures and other financing uses (GAAP basis).....	<u>\$ (2,531,235)</u>	<u>\$ 3,338,135</u>

3. DEPOSITS AND INVESTMENTS

Cash and Short-term Investments –The Commonwealth maintains a cash and short-term investment pool, which is utilized by the Governmental and Fiduciary Fund types.

Primary Government -

As of June 30, 2000, the carrying amount of the Primary Government’s total cash and cash equivalents was \$1,343,418,000 and the corresponding bank balance was \$1,041,195,000. Bank deposits in the amount of \$7,456,000 were insured by the Federal Deposit Insurance Corporation, \$41,499,000 were collateralized in the name of the Commonwealth and \$992,240,000 were uninsured and uncollateralized.

Component Units -

As of June 30, 2000, the carrying amount of the discretely presented Component Unit’s total cash and cash equivalents was \$1,197,616,000 and the corresponding bank balances were \$950,048,000. Bank deposits of \$144,656,000 were insured by the Federal Deposit Insurance Corporation, \$739,000 were collateralized in the name of the respective component units, and \$804,653,000 were uninsured and uncollateralized.

Investments – The investments are reported at fair value in the financial statements. The deposits and

investments of the Component Units and the University and College Funds and the investments of the Pension Trust Funds are held separately from those of other Commonwealth funds, with the exception of their investments in MMDT.

Statutes authorize the Primary Government to invest in obligations of the U.S. Treasury, authorized bonds of all states, bankers' acceptances, certificates of deposit, commercial paper rated within the three highest classifications established by Standard & Poor's Corporation and Moody's Commercial Paper Record and repurchase agreements that any of these obligations secure. The Pension Trust Funds are permitted to make investments in equity securities, fixed income securities, real estate and other alternative investments. In the following table, these alternative investments, venture capital and futures pools are classified as other investments. The investment policies of the Component Units are the same as the Primary Government's, except that they permit investment in equity securities.

Short-term investments and investments are classified as to collateral risk into the following three categories:

Category 1: Insured or registered, or securities held by the Commonwealth or its agent in the Commonwealth's name.

Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Commonwealth's name.

Category 3: Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Commonwealth's name.

Primary Government – Investments of the Primary Government at June 30, 2000, are as follows (amounts in thousands):

	Category 1	Category 2	Category 3	Total
Investment				
Repurchase agreements.....	\$ 369,211	\$ 1,915	\$ 763	\$ 371,889
U.S. Treasury obligations.....	967,726	5,572	56,648	1,029,946
Commercial paper.....	4,831,655	-	358	4,832,013
Government obligations.....	3,484,540	42,424	-	3,526,964
Equity securities.....	19,923,116	587	22,397	19,946,100
Fixed income securities.....	4,234,681	-	212,289	4,446,970
Asset backed investments.....	1,021	-	861	1,882
Notes.....	428,084	-	-	428,084
Other.....	9	4,637	3,447	8,093
	<u>\$ 34,240,043</u>	<u>\$ 55,135</u>	<u>\$ 296,763</u>	34,591,941
Money market investments.....				952,585
Mutual fund investments.....				41,315
Annuity contracts.....				1,406,527
Real estate.....				1,595,131
Assets held in trust.....				2,143,227
Deposits with U.S. Treasury.....				2,050,556
Certificates of Deposits.....				258,291
Other.....				1,824,198
Total.....				<u>\$ 44,863,771</u>

Following is a reconciliation of investments as summarized on page 67 to the balance as recorded in the combined balance sheet (amounts in thousands):

Investments as summarized on page 67.....	\$ 44,863,771
Less:	
Short-term investments reported in the combined balance sheet as cash and short-term investments.....	6,967,583
Restricted investments reported separately in the combined balance sheet.....	266,552
Assets held in trust reported separately in the combined balance sheet.....	2,143,227
Annuity contracts reported separately in the combined balance sheet.....	1,406,527
Deposits reported separately in the combined balance sheet.....	<u>2,203,766</u>
Investments as reported on the combined balance sheet.....	<u>\$ 31,876,116</u>

Following is a reconciliation of the balance of cash and short-term investments at June 30, 2000 (amounts in thousands):

Carrying amount of cash and cash equivalents.....	\$ 1,343,418
Cash with fiscal agent.....	(76,033)
Short-term investments.....	<u>6,967,583</u>
Cash and short-term investments as reported on the combined balance sheet.....	<u>\$ 8,234,968</u>

Financial Investments with Off-Balance Sheet Risk – Certain investments of the Commonwealth may involve a degree of risk not accounted for on the respective financial statements. A description of such “off-balance sheet risks” is as follows.

i) Forward Currency Contracts – The Pension Trust Funds enter into forward currency contracts to hedge the exposure to changes in foreign currency exchange rates on foreign portfolio holdings. The market value of the contract will fluctuate with changes in currency exchange rates.

The contract is marked-to-market daily and the change in market value is recorded by the fund as an unrealized gain or loss by the Pension Trust Fund.

When the contract is closed, the Pension Trust Funds record a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. The maximum potential loss from such contract is the aggregate face value in U.S. dollars at the time the contract was opened.

ii) Futures Contracts – The Pension Trust Funds may purchase and sell financial futures contracts to hedge against changes in the values of securities the fund owes or expects to purchase. Upon entering such contracts, they must pledge to the broker an amount of cash or securities equal to the minimum “initial margin” requirements of the futures.

The potential risk is that the change in the value of futures contracts primarily corresponds with the value of underlying instruments which may not correspond to the change in value of the hedged instruments. In addition, there is a risk that PRIT may not be able to close out its futures positions due to a nonliquid secondary market. Risks may arise from the potential inability of a counterparty to meet the terms of a contract and from unanticipated movements in the value of a foreign currency relative to the U.S. dollar. The Pension Trust Funds may also invest in financial futures contracts for nonhedging purposes.

Payments are made or received by the Pension Trust Funds each day, depending on the daily fluctuations in the value of the underlying security, and are recorded as unrealized gains or losses. When the contracts are closed, the Pension Trust Funds recognize a gain or loss. The notional value of the futures contracts at June 30, 2000 for the Pension Trust Funds was approximately \$226,395,000 resulting with an unrealized gain of approximately \$4,140,000.

iii) Options – PRIT is also engaged in selling or “writing” options. The Pension Trust Funds, as writers of options, may have no control over whether the underlying securities may be sold (call) or purchased (put) and, as a result, bears the market risk of an unfavorable change in the price of the security underlying the written option. As of June 30, 2000, there were no material options outstanding.

Component Units – Investments of the discretely presented Component Units at June 30, 2000 are as follows (amounts in thousands):

	Category 1	Category 2	Category 3	Total
Investment				
Repurchase agreements.....	\$ 1,078	\$ 132,791	\$ 2,624	\$ 136,493
U.S. Treasury obligations.....	2,050	-	312	2,362
Commercial paper.....	118,048	-	321	118,369
Government obligations.....	133,234	600,461	48,438	782,133
Equity securities.....	-	-	1,654	1,654
Fixed income securities.....	-	-	516	516
Notes.....	11,911	-	6,906	18,817
Other.....	-	-	7,460	7,460
	<u>\$ 266,321</u>	<u>\$ 733,252</u>	<u>\$ 68,231</u>	1,067,804
Assets held in trust.....				5,441
Guaranteed investment contracts.....				728,498
Certificate of deposits.....				<u>16,621</u>
Total.....				<u>\$ 1,818,364</u>

Following is a reconciliation of investments summarized above to the balance as recorded in the combined balance sheet (amounts in thousands):

Investments as summarized above.....	\$ 1,818,364
Less:	
Short-term investments reported in the combined balance sheet as cash and short-term investments.....	5,405
Restricted investments reported separately in the combined balance sheet.....	1,007,199
Assets held in trust reported separately in the combined balance sheet.....	<u>5,441</u>
Investments as reported in the combined balance sheet.....	<u>\$ 800,319</u>

Following is a reconciliation of the balance of cash and short-term investments at June 30, 2000 (amounts in thousands):

Carrying amount of cash and cash equivalents.....	\$ 1,197,616
Short-term investments reported as cash and cash equivalents.....	<u>5,405</u>
Cash and cash equivalents as reported in the combined balance sheet.....	<u>\$ 1,203,021</u>

4. RECEIVABLES

Taxes, federal reimbursements, loans and other receivables are presented in the various funds as follows (amounts in thousands):

Primary Government –

	Taxes	Due from Federal Government	Loans	Other	Allowance for Uncollectibles	Net Receivable
General Fund.....	\$ 1,265,139	\$ 497,972	\$ -	\$ 661,316	\$ (745,735)	\$ 1,678,692
Special Revenue Funds.....	885,348	521,478	-	173,648	(151,129)	1,429,345
Capital Projects Funds.....	-	-	-	76	(23)	53
Trust and Agency Funds.....	308,216	3,843	4,437	1,075,051	(711,235)	680,312
University and College Fund.....	-	19,946	59,346	210,745	(33,413)	256,624
Subtotal.....	2,458,703	1,043,239	63,783	2,120,836	<u>\$(1,641,535)</u>	4,045,026
Less allowance for uncollectibles	<u>(398,963)</u>	<u>(8,024)</u>	<u>(7,550)</u>	<u>(1,226,998)</u>		
Net receivable.....	<u>\$ 2,059,740</u>	<u>\$ 1,035,215</u>	<u>\$ 56,233</u>	<u>\$ 893,838</u>		<u>\$ 4,045,026</u>

Component Units –

	Due from Federal Government	Loans	Other	Allowance for Uncollectibles	Net Receivable
MBTA.....	\$ -	\$ -	\$ 22,194	\$ -	\$ 22,194
MTA.....	-	-	18,026	-	18,026
Regional Transit Authorities.....	12,432	-	11,707	(350)	23,789
MWPAT.....	101,741	1,462,562	37,250	-	1,601,553
MDFA.....	-	92,850	24,112	(14,006)	102,956
MCCA.....	-	-	1,132	(51)	1,081
MTPC.....	-	-	4,452	-	4,452
Economic Development.....	8,714	197,578	7,501	(4,692)	209,101
Subtotal.....	122,887	1,752,990	126,374	<u>\$ (19,099)</u>	1,983,152
Less allowance for uncollectibles	<u>-</u>	<u>(18,324)</u>	<u>(775)</u>		
Net receivable.....	<u>\$ 122,887</u>	<u>\$ 1,734,666</u>	<u>\$ 125,599</u>		<u>\$ 1,983,152</u>

5. RECEIVABLES AND PAYABLES BETWEEN FUNDS AND COMPONENT UNITS

Receivables and payables between funds and component units reflected as due to/from primary government/component units in the combined balance sheet at June 30, 2000 are summarized as follows (amounts in thousands):

<i>Primary Government:</i>	Due from	Due to	<i>Component Units:</i>	Due from	Due to
General Fund:			General Fund:		
Special Revenue Funds:			MBTA.....	\$ -	\$ 159,554
Federal Grants.....	\$ 54,134	\$ -	RTAS.....	-	20,331
Highway.....	-	-	MDFA.....	29,250	-
Local Aid.....	-	-	MCCA.....	-	28,443
Environmental.....	31,626	-	MTPC.....	-	60
			Economic Development Authorities.....	1	1,234
Capital Projects Funds:			Subtotal.....	<u>29,251</u>	<u>209,622</u>
General.....	-	66,266	Special Revenue Funds:		
Capital Investment Trust.....	-	15,580	RTAS.....	-	30,496
Boston Convention and Exhibition.....	23,149	-	Economic Development Authorities.....	-	16
Capital Improvement & Investment Trust.....	-	221,429	Subtotal.....	<u>-</u>	<u>30,512</u>
Capital Expenditure Reserve.....	27,323	-	Capital Projects Funds:		
Highway.....	352,666	-	MBTA.....	-	160,000
Federal Highway.....	-	82,305	Economic Development Authorities.....	-	770
Government Land Bank.....	9,380	-	Subtotal.....	<u>-</u>	<u>160,770</u>
Intercity Bus.....	3,531	-	Subtotal - Primary Government.....	<u>29,251</u>	<u>400,904</u>
Local Aid.....	-	12,126	MBTA:		
Other.....	-	-	General Fund.....	159,554	-
University and College Fund:			Capital Projects Funds:		
Current - Unrestricted.....	8,836	-	Highway.....	160,000	-
Subtotal.....	<u>510,645</u>	<u>397,706</u>	Subtotal.....	<u>319,554</u>	<u>-</u>
Special Revenue Funds:			RTAs:		
General Fund.....	-	85,760	General Fund.....	20,331	-
Special Revenue Funds:			Special Revenue Funds:		
Highway.....	-	141	Highway.....	10,165	-
Capital Projects Funds:			Local Aid.....	20,331	-
Federal Highway Construction.....	-	84,693	Subtotal.....	<u>50,827</u>	<u>-</u>
Other.....	141	-	MDFA:		
Subtotal.....	<u>141</u>	<u>170,594</u>	General Fund.....	-	29,250
Capital Projects Funds:			Subtotal.....	<u>-</u>	<u>29,250</u>
General Fund.....	397,706	416,049	MCCA:		
Special Revenue Funds:			General Fund.....	28,443	-
Other.....	84,693	-	Subtotal.....	<u>28,443</u>	<u>-</u>
Subtotal.....	<u>482,399</u>	<u>416,049</u>	MTPC:		
Internal Service Funds:			General Fund.....	60	-
University and College Funds:			Subtotal.....	<u>60</u>	<u>-</u>
Current - unrestricted.....	20,573	-	Economic Development Authorities:		
Subtotal.....	<u>20,573</u>	<u>-</u>	General Fund.....	1,234	1
University and College Fund:			Special Revenue Funds:		
General Fund.....	-	8,836	Local Aid.....	16	-
Internal Services Funds:			Capital Projects Funds:		
Employees Workers' Compensation.....	-	20,573	Capital Improvements and		
University and College Fund:			Investment Trust.....	770	-
Current - unrestricted.....	82,978	54,896	Subtotal.....	<u>2,020</u>	<u>1</u>
Current - restricted.....	891	48,445	Subtotal Component Units.....	<u>400,904</u>	<u>29,251</u>
Loan.....	158	-	Total Component Units.....	<u>\$ 430,155</u>	<u>\$ 430,155</u>
Endowment.....	20,792	-	MTA:		
Plant.....	1,662	3,140	Capital Projects Funds:		
Subtotal.....	<u>106,481</u>	<u>135,890</u>	Capital Expenditures Reserve (1).....	100,000	-
Total Primary Government.....	<u>\$ 1,120,239</u>	<u>\$ 1,120,239</u>		<u>\$ 530,155</u>	<u>\$ 530,155</u>

(1) Difference of \$100 million between the Primary Government and Component is due to MTA having a fiscal year ending December 31, 1999.

6. FIXED ASSETS

Primary Government-

General Fixed Asset Account Group – Changes in general fixed assets by category at June 30, 2000 are as follows (amounts in thousands):

	Balance at July 1, 1999	Additions	Retirements	Balance at June 30, 2000
Land.....	\$ 559,122	\$ 21,054	\$ 180	\$ 579,996
Buildings.....	2,555,047	489,732	396,581	2,648,198
Machinery and equipment.....	629,651	70,674	44,119	656,206
Construction in progress.....	79,858	232,556	279,084	33,330
Totals at historical cost.....	<u>\$3,823,678</u>	<u>\$ 814,016</u>	<u>\$ 719,964</u>	<u>\$ 3,917,730</u>

University and College Fund Type – Fixed assets consist of the following at June 30, 2000 (amounts in thousands):

	Amount
Land.....	\$ 49,111
Buildings.....	1,945,789
Machinery and equipment.....	646,116
Construction in progress.....	<u>67,183</u>
	2,708,199
Less accumulated depreciation.....	<u>(4,046)</u>
Total.....	<u>\$ 2,704,153</u>

Component Units – Fixed assets consist of the following at June 30, 2000 (amounts in thousands):

	Amount
Land and improvements.....	\$ 277,428
Infrastructure.....	1,377,083
Structures and improvements.....	6,724,166
Equipment, furniture, fixtures and vehicles.....	<u>2,022,964</u>
Total.....	10,401,641
Less accumulated depreciation.....	<u>(2,987,564)</u>
Net fixed assets.....	7,414,077
Construction in progress.....	<u>1,277,155</u>
Total.....	<u>\$ 8,691,232</u>

7. SHORT-TERM FINANCING AND CREDIT AGREEMENTS

Primary Government -

The Massachusetts General Laws authorize the Treasurer to issue temporary notes in anticipation of revenue or bond financing. When this short-term debt does not meet long-term refinancing criteria, it is classified among fund liabilities.

General Fund – The Commonwealth was authorized by General Laws to issue short-term notes to finance working capital advances to the MBTA. The Commonwealth retired these notes through subsequent appropriations and assessments to cities and towns. There were no such notes outstanding at June 30, 2000.

The balance of revenue anticipation notes (RANs) fluctuates during the fiscal year but must be retired prior to June 30. During fiscal year 2000, there were no RANs issued or outstanding.

Capital Projects Funds – The Commonwealth may issue bond anticipation notes (BANs) to temporarily finance its capital projects. On December 22, 1999, the Commonwealth issued \$175,000,000 in commercial paper in anticipation of issuance of long-term debt. The proceeds of the issuance were deposited in the Capital Projects Funds. On February 29, 2000, as part of a long-term debt issuance, the Commonwealth retired this commercial paper from the bond proceeds and paid an additional \$1,301,000 in interest costs. No commercial paper or other BANs were outstanding at June 30, 2000.

On September 7, 2000, the Commonwealth sold General Obligation Bond Notes, Series 2000 A, in the aggregate principal amount of \$400,000,000 with an interest rate of 5%. The notes mature on September 6, 2001. The notes are issued as BANs to finance costs associated with the development of convention centers in Boston and Worcester. The notes may also be used to pay other capital costs of the Commonwealth.

On September 27, 2000, the Commonwealth issued \$220,000,000 in commercial paper in anticipation of the \$577,605,000 in Grant Anticipation Notes (GANS) that were sold on November 15, 2000.

Letter-of-Credit Agreements – During fiscal year 2000, the Commonwealth maintained letter-of-credit agreements with a bank in order to provide credit and liquidity support for its commercial paper program. The letters of credit were available to secure up to

\$200,000,000 of Commonwealth commercial paper plus interest thereon. Advances were available, subject to certain limitations and bearing interest at the bank rate as defined, in anticipation of revenue or bond proceeds and repayable by the following June 30, subject to extension in certain circumstances, at the Commonwealth's option. No such advances were drawn during fiscal year ended 2000, or subsequent thereto. The existing letter of credit expired on October 31, 2000. The average costs are approximately .09 % on both unutilized and utilized amounts.

Line-of-Credit Agreement – During fiscal year 2000, the Commonwealth maintained a line-of-credit agreements to provide liquidity support for commercial paper notes. On September 28, 1999, the Commonwealth entered into line-of-credit agreements with two banks to provide a total of \$400,000,000 in liquidity support for the Commonwealth's commercial paper program. These agreements expire in September of 2001 and 2002, respectively. The costs of these facilities average approximately .08% on unutilized amounts and .095 % on utilized amounts.

Component Units -

MBTA short-term notes payable outstanding at June 30, 2000 totaled \$160,000,000, due September 1, 2000 with an interest rate of 4.25%. These notes were paid by the Commonwealth as part of the forward funding.

The RTAs had \$78,053,000 short-term notes payable outstanding at June 30, 2000. All the notes mature during fiscal year 2001 and have interest rates ranging from 3.70% to 5.25%.

Subsequent to June 30, 2000, the RTAs rolled over \$44,853,000 of revenue anticipation notes with interest rates ranging from 3.75% to 5.00% due in fiscal year 2001.

8. LONG-TERM DEBT

Under the Constitution of the Commonwealth of Massachusetts, the Commonwealth may borrow money (a) for defense, (b) in anticipation of receipts from taxes or other financing sources, any such loan to be paid out of the revenue of the year in which the loan is made, or (c) by a two-thirds vote of the members of each house of the Legislature present and voting thereon. The Constitution further provides that borrowed money shall not be expended for any other purpose than that for which it was borrowed or for the reduction or discharge of the principal of the loan. In addition, the

Commonwealth may give, loan or pledge its credit by a two-thirds vote of the members of each house of the Legislature present and voting thereon, but such credit may not in any manner be given or loaned in aid of any individual, private association, or corporation which is privately owned or managed.

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

As of June 30, 2000, the Commonwealth had three types of long-term debt outstanding: general obligation bonds, special obligation bonds and grant anticipation notes.

The general obligation bonds are authorized and issued primarily to provide funds for Commonwealth-owned capital projects and local government improvements. They are backed by the full faith and credit of the Commonwealth and paid from the Governmental Funds, in which debt service principal and interest payments are appropriated. Massachusetts General Laws provide for the allocation of bond proceeds to these authorizations in arrears as expenditures are made, unless the proceeds are allocated at the time of issuance.

Some Commonwealth general obligation debt is issued as college opportunity bonds (COBs) as authorized by the Massachusetts General Laws. Such bonds were issued initially in fiscal year 1996 and continued through fiscal 2000 in the amount of \$95,439,000, with maturities ranging from 2000 through 2019. COBs have an accreting interest component payable at maturity. The annual accretion rate of each COB's maturity is a variable rate equal to the change in annual Consumer Price Index (CPI) plus 2.0%. Assuming the CPI averages 3.5% during the life of the outstanding COBs the payments due at maturities of the COBs will total approximately \$165,878,000. In addition, COBs pay current interest in the amount of 0.5% per year of the initial amount still outstanding. These bonds are backed by the full faith and credit of the Commonwealth.

On August 1, 2000 the Commonwealth issued approximately \$6,626,000 in additional College Opportunity Bonds, with maturities of 2005 to 2020. The terms and conditions of these bonds are the same of those issued in fiscal years 1996 through 2000.

On October 15, 2000, the Commonwealth sold \$563,735,000 of general obligation bonds. The bond principal matures annually on October 1 2001 through 2022 at yields from 4.29% to 5.55%.

On November 15, 2000, the Commonwealth sold \$577,605,000 of GANs as part of the Central Artery / Tunnel Project. The note principal matures semiannually beginning on December 15, 2005 and June 15, 2006 through June 15, 2015 at yields from 4.64% to 5.30%.

On December 7, 2000, the Commonwealth delivered \$275,590,000 of general obligation bonds. The bonds are being issued to finance a portion of the costs of construction of the Central Artery / Tunnel Project. The bonds are variable rate demand bonds and are backed by the full faith and credit of the Commonwealth. The bonds mature on December 1, 2030. The bonds may be tendered for purchase at a purchase price equal to 100% of the principal amount, plus accrued interest on any business day to the Commonwealth's remarketing agent for the transaction, Goldman, Sachs & Co. The remarketing agent is authorized to use its best efforts to sell the repurchased bonds properly tendered for purchase. Standby Bond Purchase Agreements provide that applicable banks must purchase the Bonds tendered to the extent not remarketed, subject to certain funding conditions. The banks are not providing credit support for payment of regularly scheduled principal and interest. The banks, which are part of this agreement, are Landesbank Baden - Württemberg, acting through its New York Branch, with respect to the 2000 Series A Bonds, and The Toronto-Dominion Bank, acting through its Houston Agency, with respect to the 2000 Series B Bonds.

The bonds will bear interest rates determined by Goldman, Sachs & Co., on a daily, weekly, flexible, term or PARS mode. No daily rate on the bonds may exceed 12% per year.

On December 13, 2000, the Commonwealth delivered \$401,500,000 of auction rate securities in the form of general obligation bonds. The bonds are also being issued to finance a portion of the costs of construction of the Central Artery / Tunnel Project. The bonds interest rates will be determined initially on a weekly basis, but

may convert to other periods up to 1,092 days. The Commonwealth has the option of converting the bonds to a fixed rate. The Commonwealth has the right to redeem the bonds during any action rate period. Should the bonds be held to full maturity, final maturity on the all series will be December 1, 2030.

Chapter 38 of the Acts of 1997, Chapter 300 of the Acts of 1998 and MGL 34 Abolition of County Government abolished several Massachusetts counties on various effective dates. As part of these provisions, the Commonwealth assumed the outstanding debt of Middlesex County on July 1, 1997, and that of Hampden and Worcester Counties on July 1, 1998 and that of Essex County on July 1, 1999. The county debt assumed has become the general obligation debt of the Commonwealth. As of June 30, 2000, approximately \$2,105,000 of these obligations remains outstanding.

The Commonwealth also issues special obligation revenue bonds as authorized by the General Laws. Such bonds may be secured by all or a portion of revenues credited to the Highway Fund and are not general obligations of the Commonwealth. At June 30, 2000, the Commonwealth had outstanding approximately \$564,485,000 of such special obligation bonds, secured by a pledge of 6.86 cents of the 21.00 cents per gallon motor fuel excise tax imposed on gasoline. No new special obligation bonds were issued during the year.

The Commonwealth also issues GANS to finance current cash flow for the Central Artery/Tunnel Project in anticipation of future federal reimbursements. Sections 9 through 10D of Chapter 11 of the Acts of 1997, as amended by Chapter 121 of the Acts of 1998, authorize the Commonwealth to sell up to \$1,500,000,000 in GANS. All Federal Highway Construction reimbursements and reimbursements from the Federal Highway Construction Trust Funds are pledged to the repayment of the GANS. Up to \$900,000,000 of said notes may be paid off through the issuance of authorized general obligation bonds of the Commonwealth in the event federal financial assistance is not available. At June 30, 2000, the Commonwealth has approximately \$921,720,000 of GANS outstanding with maturity dates ranging from 2005 to 2015. These notes are secured by the pledge of Federal Highway Construction reimbursements without a general obligation pledge.

For financial reporting purposes, long-term debt is carried at its face value, which includes discount and any issuance costs financed. The outstanding amount represents the total principal to be repaid. For capital appreciation bonds, the outstanding amount represents

total principal and accredited interest to be repaid. When short-term debt has been refinanced on a long-term basis, it is reported as outstanding at its face amount.

The amount of long-term debt authorized but unissued is measured in accordance with Commonwealth statutes. Only the net proceeds of bonds (exclusive of discount and costs of issuance) are deducted from the total authorized by the Legislature.

General obligation and special obligation long-term bonds outstanding, grant anticipation notes (including discount and issuance costs), and debt authorized-unissued at June 30, 2000 are as follows (amounts in thousands):

Purpose	Outstanding Amount	Maturities	Authorized - Unissued
GANS.....	\$ 921,720	2005-2015	\$ 600,009
Capital projects:			
General	4,837,004	2000-2025	3,748,601
Highway.....	5,144,276	2000-2018	6,255,614
Local aid.....	1,403,153	2000-2017	210,136
Other.....	76,948	2000-2025	771,346
Capital projects debt.....	11,461,381		10,985,697
Total.....	\$ 12,383,101		\$ 11,585,706

Interest rates on the Commonwealth's debt outstanding at June 30, 2000 ranged from 0.10% to 8.0%.

Changes in long-term debt outstanding (including discount and issuance costs) and bonds authorized - unissued for the year ended June 30, 2000, are as follows (amounts in thousands):

	Bonds Outstanding	Authorized and Unissued
Balance July 1, 1999.....	\$ 11,808,461	\$ 12,004,017
General and special obligation bonds:		
Principal, less discount and issuance costs.....	1,761,620	(1,761,620)
Discount and issuance costs.....	(3,478)	-
County debt:		
Principal of bonds assumed.....	525	-
Defeased Debt:		
Principal on Defeased Debt.....	(247,840)	-
Discount on Defeased Debt.....	(264,723)	-
Increase in bonds authorized.....	-	4,116,541
Contributions in lieu of bonds.....	-	(5,453)
Bonds retired.....	(671,464)	-
Deauthorized.....	-	(2,562,153)
Reversions.....	-	(205,626)
Balance June 30, 2000.....	\$ 12,383,101	\$ 11,585,706

At June 30, 2000, debt service requirements to maturity for principal (including discount, capital appreciation

and issuance costs) and interest are as follows (amounts in thousands):

Fiscal year ending June 30,	Principal	Interest	Total
2001.....	\$ 734,015	\$ 605,013	\$ 1,339,028
2002.....	707,106	567,855	1,274,961
2003.....	723,861	535,463	1,259,324
2004.....	731,159	503,522	1,234,681
2005.....	742,212	470,530	1,212,742
2006 and thereafter....	8,744,748	2,583,320	11,328,068
Total.....	\$ 12,383,101	\$ 5,265,703	\$ 17,648,804

The Commonwealth issued bonds and notes under negotiated contracts and under competitive bidding contracts during fiscal year 2000. The costs for legal counsel and underwriting fees under negotiated bond sale costs were estimated at \$248,000 and \$8,872,000, respectively. In addition, the Commonwealth paid \$117,000 for disclosure counsel services.

Advance Refunding and Bonds Defeased – During fiscal year 2000, as authorized by the Massachusetts General Laws, the Commonwealth defeased certain general obligation bonds through the use of \$400,000,000 of FY99 operating surplus. The surplus funds were used to purchase U. S. Government securities which were deposited in irrevocable trusts with an escrow agent to provide for all future debt service payments of the bonds. As a result, the bonds are considered to be defeased, and the liabilities therefore have been removed from the General Long-term Obligations Account Group. Through this action, the Commonwealth decreased debt service payments by approximately \$578,922,000 over the next 9 years. At June 30, 2000, approximately \$508,450,000 of the bonds refunded remain outstanding.

At the end of fiscal year 2000, pursuant to the provisions of Chapter 87 of the Acts of 2000, the Commonwealth set aside \$650,000,000 of surplus funds in the debt defeasance fund, attributable to fiscal year 2000 and prior years, to defease additional debt of the Commonwealth. On July 28, 2000, the State Treasurer expended approximately \$182,000,000 from the Debt Defeasance Trust Fund to purchase securities and establish a sinking fund to provide for the payment of certain Commonwealth general obligation bonds maturing on August 1, 2000. On August 9, 2000, the State Treasurer expended in addition, approximately \$217,700,000 from the Debt Defeasance Trust Fund to purchase securities and establish a sinking fund to provide for the payment of additional Commonwealth general obligation bonds maturing on various dates through February 1, 2001.

The approximate principal amount of Commonwealth general obligation bonds defeased pursuant to the July 28, 2000 and August 9, 2000 transactions is \$392,300,000. The amounts that would have been expended for debt service on such bonds in fiscal 2001 (approximately \$404,000,000) will be deposited in the Central Artery and Statewide Road and Bridge Infrastructure Fund.

In prior years, the Commonwealth also defeased certain general obligation and other bonds by placing the proceeds of refunding bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the financial statements. At June 30, 2000, approximately \$2,371,261,000 of bonds outstanding from advance refunding in prior fiscal years are considered defeased.

Statutory Debt Limit –The Massachusetts General Laws establish limits on the amount of direct debt outstanding. By statutorily limiting the Commonwealth’s ability to issue direct debt, this limit provides a control on annual capital spending. The direct debt limit for fiscal year 2000 was approximately \$10,549,032,000. Outstanding debt subject to the limit at June 30, 2000 was approximately \$10,120,971,000. The limit increases 5% per year.

For purposes of determining compliance with the limit, outstanding direct debt is defined to include general obligation bonds and minibonds at the amount of their original net proceeds. It excludes bond anticipation notes and discount and issuance costs, if any, financed by these. These liabilities will be liquidated in the future from governmental funds. During the year ended June 30, 2000, the following changes occurred in liabilities reported in the General Long-term Obligations Account Group (amounts in thousands):

	Balance July 1, 1999	Bond Issuances	Bond Discount	Bond Principal Retirement	Increase*	(Decrease)**	Balance June 30, 2000
Bonds and Notes Payable:							
Long-term bonds.....	\$ 11,808,461	\$ 1,761,620	\$ (3,478)	\$ (671,464)	\$ 525	\$ (512,563)	\$ 12,383,101
Other liabilities:							
Capital leases obligations.....	77,983	-	-	-	-	(24,524)	53,459
School construction grants.....	3,962,903	-	-	-	783,668	-	4,746,571
Compensated absences.....	129,214	-	-	-	17,259	-	146,473
Claims, judgements, and other.....	76,283	-	-	-	58,517	-	134,800
Lottery prizes payable.....	3,216	-	-	-	3,193	-	6,409
Total.....	\$ 16,058,060	\$ 1,761,620	\$ (3,478)	\$ (671,464)	\$ 863,162	\$ (537,087)	\$ 17,470,813

* The increase in long-term bonds is due to the Commonwealth assuming county debt during the fiscal year

** The decrease in long-term bonds represents amounts related to defeased debt.

bonds. It also excludes special obligation bonds, grant anticipation notes, refunded bonds, and certain refunding bonds and debt issued by counties, and debt issued in conjunction with the MBTA forward funding.

The amounts excluded from the debt limit are as follows (amounts in thousands):

	Debt Outstanding
Balance, June 30, 2000.....	\$ 12,383,101
Less amounts excluded:	
Discount and issuance cost.....	(358,938)
Chapter 5 of Acts of 1992 refunding.....	(114,761)
Special obligation principal.....	(561,335)
GANS principal.....	(899,991)
County debt assumed.....	(2,105)
MBTA Forward Funding.....	(325,000)
Outstanding direct debt.....	\$ 10,120,971

General Long-Term Obligations Account Group – The Commonwealth records its liability for long-term bonds in the General Long-term Obligations Account Group. Other general long-term obligations recognized by the Commonwealth are its obligations under capital lease agreements (Note 12), school construction grants to partially reimburse cities and towns for their debt service payments on bonds issued to finance construction of local or regional schools, compensated absences, claims judgments, and lottery prizes payable (Note 1).

University and College Fund – Building authorities related to the University of Massachusetts and the state colleges have issued bonds for construction of higher education facilities and equipment. Such bonds are guaranteed by the Commonwealth in an aggregate amount not to exceed \$182,000,000. The bond agreements generally provide that revenues from student fees are pledged as collateral on the bonds and establish bond reserve funds, bond funds, and maintenance reserve funds. The University of Massachusetts and state colleges have also entered into various loan agreements as participants in the Massachusetts Health and Educational Facilities Authority’s (MHEFA) ongoing capital asset program to finance construction projects and equipment.

University and College Fund long-term debt outstanding at June 30, 2000 was as follows (amounts in thousands):

Purpose	Interest Rates	Amount	Maturity Dates
MHEFA capital asset program..	Variable	\$ 153,938	2001-2034
Building authorities and state colleges.....	3.0%-12.0%	<u>353,966</u>	2001-2025
		<u>\$ 507,904</u>	

Maturities of principal are as follows (amounts in thousands):

Fiscal Years Ending June 30,	Amount
2001.....	\$ 16,210
2002.....	15,469
2003.....	17,897
2004.....	19,809
2005	13,690
2006 and thereafter.....	<u>424,829</u>
Total.....	<u>\$ 507,904</u>

Changes in bonds outstanding reported in the University and College Fund Type are as follows (amounts in thousands):

	Amount
Balance, July 1, 1999	\$ 275,283
Principal, less issuance and discount cost.....	263,674
Bonds retired, net of amortization of discount.....	<u>(31,053)</u>
Balance, June 30, 2000.....	<u>\$ 507,904</u>

In August 1999, the Massachusetts State College Building Authority issued approximately \$83,732,000 in Project Revenue Bonds. The proceeds will be used to finance construction, repair and renovations of capital facilities at several state colleges.

Component Units – Bonds and notes outstanding at June 30, 2000 (December 31, 1999 for Massachusetts Turnpike Authority), net of unamortized discount of approximately \$169,466,000 and unamortized loss on refunding of approximately \$62,251,000, are as follows (amounts in thousands):

Purpose	Interest Rate %	Amount	Maturity Dates
MBTA:			
General transportation system.....	3.11% -7.60%	\$ 3,505,413	2007-2030
Boston Metropolitan District.....	3.46 - 5.79	33,471	2002-2025
Rail Connections, Inc.....	5.46 - 8.00	31,751	2015-2030
MTA:			
Revenue serial bonds.....	3.90 - 5.65	2,426,628	2004-2039
MWPAT:			
Serial bonds.....	2.00 - 6.375	1,396,737	2013-2029
MDEFA:			
Notes payable.....	6.11	12,467	2002
MCCA:			
Current interest serial bonds.....	4.00 - 5.45	13,573	1999-2008
Compound interest serial bonds.....	5.375 - 6.80	58,214	2000-2013
Economic Development:			
Notes payable.....	1.00 - 9.11	<u>123,939</u>	2000-2011
Total.....		<u>\$ 7,602,193</u>	

The amounts below represent the face amounts of bonds and notes outstanding and may differ from the amounts included in the combined balance sheet due to treatment of original issue discount in the general purpose financial statements. Maturities of principal are as follows (amounts in thousands):

Years Ending,	MBTA	MTA	MWPAT	MDEFA	MCCA	Economic Development	Total
2001.....	\$ 109,556	\$ -	\$ 60,455	\$ 7,751	\$ 14,234	\$ 14,578	\$ 206,574
2002.....	115,804	7,945	54,075	4,716	11,054	10,664	204,258
2003.....	124,081	12,295	56,050	-	8,399	7,528	208,353
2004.....	127,915	13,050	56,755	-	7,936	4,020	209,676
2005	132,875	39,935	57,835	-	7,548	4,147	242,340
2006 and thereafter.....	<u>3,069,721</u>	<u>2,475,803</u>	<u>1,111,567</u>	<u>-</u>	<u>23,043</u>	<u>83,002</u>	<u>6,763,136</u>
Total.....	<u>\$ 3,679,952</u>	<u>\$ 2,549,028</u>	<u>\$ 1,396,737</u>	<u>\$ 12,467</u>	<u>\$ 72,214</u>	<u>\$ 123,939</u>	<u>\$ 7,834,337</u>

During the fiscal year ended June 30, 2000 (December 31, 1999 for Massachusetts Turnpike Authority) the following changes occurred in bonds and notes payable reported in the Component Units (amounts in thousands):

	MBTA	MTA	RTAs	MWPAT	MDEA	MCCA	Economic Development	Total
Balance, July 1, 1999.....	\$ 3,133,819	\$ 1,723,573	\$ 950	\$ 1,082,887	\$ 12,972	\$ 94,418	\$ 104,215	\$ 6,152,834
Principal, less discount issuance costs.....	425,932	783,290	-	678,285	5,195	-	32,595	1,925,297
Debt retired, net of amortization of discount.....	(92,392)	(80,235)	(950)	(364,435)	(5,700)	(22,631)	(12,871)	(579,214)
Impact of forward funding.....	103,276	-	-	-	-	-	-	103,276
Balance, June 30, 2000.....	<u>\$ 3,570,635</u>	<u>\$ 2,426,628</u>	<u>\$ -</u>	<u>\$ 1,396,737</u>	<u>\$ 12,467</u>	<u>\$ 71,787</u>	<u>\$ 123,939</u>	<u>\$ 7,602,193</u>

The MBTA issued certificates of participation in the amounts of approximately \$28,565,000 on December 15, 1988 and approximately \$85,795,000 on August 30, 1990 to finance the purchase of commuter rail coaches. Under the terms of the applicable agreements, the MBTA's obligation to make the annual payments on the certificates is subject to the Commonwealth's appropriation of necessary funds in its annual budget. The certificates bear interest at rates ranging from 7.30% to 7.80% and mature as follows (amounts in thousands):

<u>Year Ending June 30,</u>	<u>Amount</u>
2001.....	\$ 1,150
2002.....	1,140
2003.....	1,140
2004.....	1,140
2005.....	1,135
2006 and thereafter.....	<u>1,135</u>
Total.....	<u>\$ 6,840</u>

In prior years, the MBTA defeased in-substance several General Transportation System Bonds by placing the proceeds of new bonds in an irrevocable trust fund to provide for future debt service payments on the old debt. Accordingly, the trust account asset and the liability for the defeased bonds are not included in the accompanying financial statements. On June 30, 2000, approximately \$1,999,075,000 of these bonds outstanding are considered defeased.

On September 9, 1999, the MWPAT raised \$217,700,000 through the issuance of tax-exempt Water Pollution Abatement Revenue Bonds. The bonds were used to finance Clean Water Program loans, forward funding for Title 5 projects, Federally Capitalized Safe Drinking Water Program, the Trust's Leveraged Bonds Purchase Program and to refinance \$75,300,000 of interim

financing outstanding to borrowers. The bonds carry interest rates ranging from 4.25% to 5.73% and mature at varying interest rates between fiscal 2001 and 2020.

On October 19, 1999, the MWPAT sold \$406,600,000 in subordinated revenue bonds for the purpose of refunding and extending the majority of the Massachusetts Water Resources Authority's debt to the Trust. Interest rates on \$262,500,000 of the new subordinated serial bonds issued, maturing from fiscal 2001 through 2020, had coupons ranging from 4.20% to 6.00%, with yields from 3.72% to 5.98%. Also \$81,100,000 of term bonds that mature in fiscal 2024 and \$63,000,000 that mature in fiscal 2030 carry yields of 6.04% and 6.06%, respectively. The bonds and financing for the Authority closed on November 3, 1999.

In October 1997, approximately \$555,909,000 of net proceeds from MTAs issuance of the 1997 Series Revenue Bonds were used to purchase U. S. Government securities which were then deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the 1993 Series A Revenue Bonds and approximately \$203,410,000 of the Guaranteed Bond Anticipation Notes. As a result, the 1993 Revenue Bonds and that portion of Guaranteed Bond Anticipation Notes are considered to be defeased and the liability for these bonds has been removed from the balance sheet. At December 31, 1999, approximately \$358,155,000 of the refunded bonds remains outstanding.

In January 1996, approximately \$56,573,000 of the net proceeds from the issuance of Guaranteed Bond Anticipation Notes was used to purchase U.S. Government securities which were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on refunded bonds. As a result, the refunded bonds were considered to be defeased and the liability has been removed from the balance

sheet. At December 31, 1999, approximately \$43,200,000 of the refunded bonds remains outstanding.

Massachusetts Bay Transportation Authority - On August 16, 2000, the Massachusetts Bay Transportation Authority issued \$184,440,000 in special obligation assessment serial bonds and \$312,205,000 in term bonds. The serial bonds mature annually from July 1, 2011 through 2021. The term bond matures July 1, 2030. Yields on the serial bonds range from 4.94% to 5.58%. The term bond bears a yield of 5.66%. The bonds are secured by the pledge of the Authority’s revenue receivable under the “forward funding” mechanism enacted by the Commonwealth during FY00. The bonds are to be used to pay for capital costs of the Authority and to fund reserves and other costs.

Route 3 North Transportation Improvements Association - On August 17, 2000, the Route 3 North Transportation Improvements Association issued \$191,615,000 in serial maturities and \$202,690,000 in term maturities of Commonwealth of Massachusetts Lease Revenue Bonds. The bonds will be used to modernize and improve U S Route 3 from Interstate 95, from Burlington to the New Hampshire state line. The bonds are a special obligation of the Route 3 North Transportation Improvements Association, a Massachusetts nonprofit corporation (the Association.) The bonds are secured by lease revenues, including payments from the Commonwealth. The bonds will bear interest semi-annually commencing December 15, 2000, but principal annually from June 15, 2004 through 2025. The term bonds are due on June 15, 2024, 2029 and 2033. Yields on the serial bonds range from 4.45% to 5.57%. The term bonds yield 5.59% to 5.66%. The Commonwealth will report the activities of the Association as a component unit in its 2001 comprehensive annual financial report.

Massachusetts Water Pollution Abatement Trust - On November 8, 2000, the Massachusetts Water Pollution Abatement Trust issued \$291,235,000 in pool program serial bonds and \$50,195,000 in term bonds. The serial bonds mature annually on August 1 from 2001 through 2020. The term bond matures on August 1, 2030. The bonds are secured by payments from the underlying loans within the program, investment earnings on certain reserves and Commonwealth contract assistance to the MWPAT. Yields on the serial bonds range from 4.2% to 5.53%. The term bond bears a yield of 5.66%. The bonds are to be used to fund safe drinking water and clean water loans to municipalities, authorities, commissions and districts in the Commonwealth.

9. INDIVIDUAL FUND DEFICITS

Certain funds within the Governmental Fund Type and Proprietary Fund Type have fund deficits at June 30, 2000 as follows (amounts in thousands):

Fund	Amount
Special Revenue:	
Environmental.....	33,998
Capital Projects:	
General Capital Projects.....	44,285
Boston Convention and Exhibition Center.....	29,802
Capital Expenditure Reserve.....	42,154
Highway.....	571,087
Federal Highway Construction.....	8
Government Land Bank.....	13,880
Intercity Bus.....	3,531
Local Aid.....	10,045
Internal Service Funds:	
Employees Workers' Compensation.....	(234,845)
Employees Group Health Insurance	(9,698)

The Environmental Fund has incurred a deficit primarily due to increased state funding for clean up of hazardous waste for the Environmental Permitting and Compliance Fund. The revenues allocated to this fund have not been sufficient to support the increased spending. The Commonwealth will budget in future years the allocation of revenue to support the increased spending authority.

Deficits in the Capital Projects Funds reflect the time lag between capital expenditures and the receipt or allocation of proceeds from the sale of related bonds and the amortization of the net cost of forward funding the MBTA.

The deficit in the Internal Service Fund reflects the accruals for workers’ compensation and group insurance claims of \$244,543,000. Funding of these deficits is dependent upon legislative actions to develop an actuarial funding plan.

10. RETIREMENT SYSTEMS

Primary Government – The Commonwealth is statutorily responsible for the pension benefits for Commonwealth employees (members of the State Employees’ Retirement System) and for teachers of the cities, towns, regional school districts throughout the Commonwealth and Quincy College (members of the Teachers’ Retirement System, except for teachers in the Boston public schools, who are members of the State-Boston Retirement System but whose pensions are also the responsibility of the Commonwealth).

The members of the retirement systems do not participate in the Social Security System. The Commonwealth has assumed responsibility for payment of cost-of-living adjustments (COLA) for the separate (non-teacher) retirement systems of its cities, towns and counties, granted in fiscal year 1997 and prior. The Commonwealth is statutorily required to have an actuarial valuation once every three years and every two years on a GAAP basis.

Certain Commonwealth employees and current retirees employed prior to the establishment of the State Employees' Retirement System are covered on a "pay-as-you-go" basis. During the year ended June 30, 2000, the Commonwealth's pension expenditure included payments totaling \$18,362,444 to current retirees employed prior to the establishment of the current plans and the non-contributory plans.

In addition, the Commonwealth maintains investments in the Pension Reserve Investment Trust (PRIT) on behalf of retirement systems of cities, towns and other political subdivisions of the Commonwealth. Investments of approximately \$2,100,546 at June 30, 2000 belonging to the retirements systems of these local governments and other political subdivisions are reported as part of the pension trust funds of the Commonwealth within the Fiduciary Fund Type and represent less than 7% of the total assets held by PRIT.

Plan Descriptions –

State Employees' Retirement System (SERS) is a single employer defined benefit public employee retirement system (PERS), covering substantially all employees of the Commonwealth and certain employees of the independent authorities and agencies, including the state police officers at the Massachusetts Port Authority and the Massachusetts Turnpike Authority. The SERS is administered by the Commonwealth and is part of the reporting entity and does not issue a stand alone financial report.

Teachers' Retirement System (TRS) is an agent multiple employer defined benefit PERS with participating employers. The Commonwealth is a non-employer contributor and is responsible for all contributions and future benefit requirements of the TRS. The TRS covers certified teachers in cities (except the City of Boston), towns, regional school districts and Quincy College. The TRS is administered by the Commonwealth and is part of the reporting entity and does not issue a stand-alone financial report.

State – Boston Retirement System (SBRS) is a hybrid multiple employer defined benefit PERS. SBRS provides pension benefits to all full-time employees upon commencement of employment with any of the various government agencies covered by SBRS. The Commonwealth is a non-employer contributor and is only responsible for the actual cost of pension benefits for SBRS participants who serve in the City of Boston's School Department in a teaching capacity. The cost of pension benefits of the other participants is the responsibility of the City of Boston. SBRS is not administered by the Commonwealth and is not part of the reporting entity and a stand-alone financial report is not available.

The policy for post-retirement benefit increases for all retirees of the SERS, TRS, SBRS and COLA of local governments are subject to legislative approval.

Membership – Membership in SERS, TRS and SBRS as of January 1, 2000, the date of the most recent valuation, is as follows:

	<u>SERS</u>	<u>TRS</u>	<u>SBRS</u>
Retirees and beneficiaries			
currently receiving benefits.....	43,737	31,746	2,241
Terminated employees entitled to			
benefits but not yet receiving them.....	<u>2,986</u>	*	<u>307</u>
Subtotal.....	<u>46,723</u>	<u>31,746</u>	<u>2,548</u>
Current employees:			
Vested.....	45,584	33,132	1,054
Non-vested.....	<u>39,988</u>	<u>49,110</u>	<u>4,074</u>
Subtotal.....	<u>85,572</u>	<u>82,242</u>	<u>5,128</u>
Total.....	<u>132,295</u>	<u>113,988</u>	<u>7,676</u>

* Not available

During fiscal year 1998 and 1999, the counties of Franklin, Middlesex, Worcester, Hampden and Hampshire and in fiscal year 2000 Essex County were abolished. The pension liability of all active employees who transferred to the Commonwealth was assumed by SERS.

Benefit Provisions – Massachusetts General Laws established uniform benefit and contribution requirements for all contributory PERS. These requirements provide for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, and group classification. The authority for amending these provisions is with the Legislature. Revenue is recognized when earned and

liabilities are recognized when incurred. Contributions are recognized when billed.

Retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. Average retirement benefit is approximately 80-85% pension and 15-20% annuity.

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

Funding Progress - The SERS, TRS and SBRS actuarial determined contributions were computed as part of the actuarial valuation as of January 1, 2000. The

Commonwealth has revised actuarial assumptions used in the calculation of contribution requirements and Unfunded Actuarial Liability (UAL). The Commonwealth is transitioning its UAL from a market value of assets to an actuarial valuation of assets that averages realized and unrealized asset gains and losses over 5 years. This method will relieve the potential volatility of the market value approach. In the second year of transition the Commonwealth's 2000 actuarial valuation used an actuarially determined market value of assets of 91% compared to 97% in the 1998 valuation. This change results in a \$1,800,000,000 increase in UAL. Other significant assumptions used are (a) projected salary increases of 6% per year, (b) cost of living (inflation rate) increases of 3% per year on the first \$12,000 of the retirees total allowance, and (c) interest rate credited to the annuity savings fund of 5.5% per year. These calculations use a level dollar amortization method over 20-years closed period.

The following table presents the schedule of funding progress as presented in the six most recent actuarial valuations at the date indicated (amounts in thousands):

Actuarial Valuation as of January 1	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability (UAL)	Funded Ratio %	Annual Covered Payroll *	UAL as a % of Covered Payroll
State Employers Retirement System						
2000**	\$ 13,364,000	\$ 14,138,000	\$ 773,000	94.5 %	\$ 3,472,000	22.3 %
1998**	9,914,000	11,361,000	1,447,000	87.3	3,111,000	46.5
1996	7,366,000	9,441,000	2,075,000	78.0	2,989,000	69.4
1995	5,879,000	8,602,000	2,723,000	68.3	2,992,000	91.0
1993	5,071,000	8,738,000	3,667,000	58.0	2,919,000	125.6
1992	4,699,000	7,303,000	2,604,000	64.3	2,638,000	98.7
Teachers Retirement System						
2000**	13,681,000	16,420,000	2,739,000	83.3	3,704,000	73.9
1998**	10,170,000	13,095,000	2,925,000	77.7	3,175,000	92.1
1996	7,553,000	10,252,000	2,699,000	73.7	2,810,000	96.0
1995	6,014,000	9,712,000	3,698,000	61.9	2,667,000	138.7
1993	5,142,000	8,921,000	3,779,000	57.6	2,428,000	155.6
1992	4,784,000	8,706,000	3,922,000	55.0	2,032,000	193.0
State - Boston Retirement System						
2000**	860,000	1,381,000	521,000	62.3	285,000	182.8
1998**	699,000	1,219,000	520,000	57.3	285,000	182.5
1996	549,000	1,025,000	476,000	53.6	274,000	173.7
1995	438,000	833,000	395,000	52.6	232,000	170.3
1993	370,000	743,000	373,000	49.8	206,000	181.1
1992	342,000	759,000	417,000	45.1	184,000	226.6

* - The covered payroll amounts approximate the employer payroll.

** - Revised actuarial assumptions

Pension Actuarial Valuation - While completing the January 1, 1998 Commonwealth actuarial valuation report, the Public Employee Retirement Administration Commission (PERAC) entered into an agreement to lease a new actuarial valuation system. The new system replaced a system that had been in place since the mid-1980's. During the testing and implementation of the new system, the January 1, 1998 valuation was rerun using the new software. The new system calculated an actuarial accrued liability of \$28.6 billion as of January 1,

1998 that was 7% or \$2.0 billion higher than originally reported. All actuarial assumptions used in the calculations were unchanged. The Commonwealth believes there are several factors that account for the variance. The first factor is the reasonable inherent risk associated with using two different software applications; certain variations in the results of an actuarial valuation are expected when changing actuarial software. The second is the high number of calculations required in a valuation of this magnitude coupled with the allocation

of plan liabilities between normal cost and accrued liability. The third factor is the old system and new system calculated retirement benefits differently as compared to ancillary benefits, which include death and disability benefits as well as benefits of employees who leave service. PERAC performed quality control checks on the data, and validated the software with six outside actuaries. All test results were within an acceptable actuarial range and the new software is being used to perform the valuation as of January 1, 2000.

The Commonwealth was financially responsible for the COLA granted to participants in the retirement systems of cities, towns and counties in fiscal year 1997 and prior fiscal years. Chapter 17 of the Acts of 1997 effective for fiscal year 1998 transferred the responsibility for funding COLAs for separate (non-teacher) retirement systems of cities and towns to the respective system. Any future COLA granted by the Legislature to employees of these plans will be the responsibility of the individual system. The individual employer governments are also responsible for the basic pension benefits. The retirement systems are not administered by the Commonwealth and are not part of the reporting entity. The actuarial accrued liability for COLA as of January 1, 2000 was \$803,000,000.

Contributions Required and Contributions Made – The retirement systems’ funding policies have been established by Chapter 32 of the Massachusetts General Laws. The Legislature has the authority to amend these policies. The annuity portion of the SERS, TRS and SBRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation – 5% for those hired before January 1, 1975, 7% for those hired from January 1, 1975, through December 31, 1983 and 8% for those hired on or after January 1, 1984, plus an additional 2% of compensation above \$30,000 per year for those hired on or after January 1, 1979. Regular employees and state police hired after June 30, 1996 are required to contribute 9% and 12% respectively of their regular compensation plus an additional 2% of compensation above \$30,000 per year. Costs of administering the plan are funded out of plan assets.

The Commonwealth’s contribution for the pension benefit portion of the retirement allowance of SERS and TRS and required payments to cover SBRS and COLA contributions were originally established on a “pay-as-you-go” basis. As a result, amounts were appropriated each year to pay current benefits, without a systematic provision to fully fund future liabilities already incurred. Beginning in fiscal year 1988, the Commonwealth enacted the Pension Reform Act of 1987 and addressed

the unfunded liability of SERS, TRS and its participation in SBRS and its COLA obligation. Chapter 32, Section 22C of General Laws enacted in 1998 calls for the payment of normal cost plus an amortization payment of UAL such that the UAL is reduced to zero by June 30, 2018.

This legislation also directs the Secretary for Administration and Finance to prepare a funding schedule to meet these requirements, and to update this funding schedule every three years on the basis of new actuarial valuation reports prepared under the Secretary’s direction. Any such schedule is subject to legislative approval. If a schedule is not so approved, payments are to be made in accordance with the most recently approved schedule. The current legislatively approved funding schedule, a valuation as of January 1, 1999, was filed by the Secretary for Administration and Finance on March 1, 2000 has been deemed approved by the Legislature. Under the current schedule the amortization payments are designed to eliminate the unfunded liability by fiscal year 2018. Based on the previous funding schedule required contributions by the Commonwealth of \$910,024,000 were made during the fiscal year ended June 30, 2000. Of this amount \$43,535,000 represents payments for COLA granted to participants in retirement systems of cities, towns and counties.

GAAP requires that pension expenditures (costs) be based on an acceptable actuarial cost method and that they be not less than:

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

The funding schedule discussed above follows an acceptable actuarial funding methodology to compute normal cost and the unfunded accrued actuarial liability.

The following table presents the schedule of employer contributions (amounts in thousands):

Fiscal Year	Annual Required Contribution (ARC)	Interest on NPO	Amortization of NPO	Pension Cost	Actual Contribution Made	Net Pension (Obligation) Asset (NPO)	% of ARC Contributed	% of Pension Cost Contributed
State Employees' Retirement System								
2000	\$ 352,084	\$ (108,400)	\$ 107,190	\$ 350,873	\$ 367,000	\$ 1,330,071	104 %	105 %
1999	319,454	(103,188)	98,556	314,822	378,000	1,313,944	118	120
1998	261,255	(83,446)	77,180	254,989	494,289	1,250,766	189	194
1997	246,037	(65,478)	41,889	222,448	463,590	1,011,466	188	208
1996	232,158	(46,918)	29,523	214,763	433,114	770,324	187	202
1995	249,640	(31,639)	19,614	237,615	417,361	551,973	167	176
1994	266,564	(18,448)	9,152	257,268	398,900	372,227	150	155
1993	243,587	(5,539)	2,694	240,742	402,100	230,595	165	167
1992	252,687	136	(65)	252,758	323,700	69,237	128	128
1991	282,682	2,335	(1,094)	283,923	311,400	(1,705)	110	110
Teachers' Retirement System								
2000	480,873	(79,487)	78,599	479,985	468,000	951,489	97	98
1999	373,777	(70,312)	67,155	370,620	481,826	963,474	129	130
1998	315,474	(59,126)	54,686	311,034	446,619	852,267	142	144
1997	245,426	(44,832)	28,681	229,275	418,519	716,682	171	183
1996	232,403	(30,311)	19,073	221,165	392,003	527,439	169	177
1995	277,343	(24,002)	14,880	268,221	342,441	356,601	123	128
1994	247,460	(15,975)	7,925	239,410	322,100	282,381	130	135
1993	225,838	(9,946)	4,837	220,729	296,100	199,691	131	134
1992	223,041	(4,996)	2,384	220,429	282,300	124,320	127	128
1991	249,436	(3,452)	1,617	247,601	266,900	62,449	107	108
State-Boston Retirement System								
2000	58,266	448	(443)	58,271	45,000	18,697	77	77
1999	53,453	(989)	944	53,409	36,000	5,426	67	67
1998	48,795	(2,114)	1,995	48,636	35,000	11,983	72	72
1997	34,621	(2,082)	1,332	33,871	35,000	25,619	101	103
1996	32,908	(1,860)	1,171	32,219	34,822	24,490	106	108
1995	28,168	(1,816)	1,126	27,478	28,000	21,887	99	102
1994	22,448	(1,216)	603	21,835	28,000	21,365	125	128
1993	20,463	(650)	316	20,129	27,200	15,200	133	135
1992	26,530	(634)	303	26,199	26,400	8,129	100	101
1991	23,149	(413)	193	22,929	25,700	7,928	111	112

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

Post-retirement Health Care and Life Insurance Benefits – In addition to providing pension benefits, under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities, and certain other governmental agencies.

Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care benefit costs which is comparable to contributions required from employees. The Commonwealth is reimbursed for the cost of benefits to retirees of the eligible authorities and non-state agencies. The Commonwealth recognizes its share of the costs of providing these benefits when paid. These payments totaled approximately \$198,746,000 for the fiscal year

ended June 30, 2000. There are approximately 45,700 participants eligible to receive benefits at June 30, 2000.

11. DEFERRED COMPENSATION PLAN

The Commonwealth offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all employees of the Commonwealth and its political subdivisions, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the employee. Participants' rights under the plan are equal to the fair value of the deferred account for each participant. All plan assets are stated at fair value. It is the opinion of the Commonwealth that it has no liability for losses under the plan, but it does have the duty of due care which would be required of an ordinary prudent investor.

Accordingly, the Plan-Trust Declaration has been prepared such that the plan's assets are held in trust, and reported as an expendable trust fund, for the exclusive benefit of participants and their beneficiaries.

The deferred compensation trust fund uses the calendar year for its fiscal reporting cycle. Certain amounts recorded as agency activity in the discretely presented components are held in trust by the Commonwealth.

The Treasurer and Receiver General (Treasurer) of the Commonwealth of Massachusetts is the plan trustee. Per statute, the Treasurer is given authority, on behalf of the Commonwealth, to contract with state employees to defer a portion of those employees' compensation, and for the purposes of funding a deferred compensation program for the said employees to invest the deferred portion of the employees' income.

12. LEASES

Primary Government –

In order to finance the acquisition of equipment, the Commonwealth has entered into various lease/purchase agreements, including tax-exempt lease/purchase (TELP) agreements which are accounted for as capital leases.

These agreements are for various terms and contain clauses indicating that their continuation is subject to appropriation by the Legislature. For fiscal year ended June 30, 2000, capital lease/purchase expenditures totaled approximately \$82,121,000.

At June 30, 2000, the Commonwealth's aggregate outstanding liability under capital leases, the present value of the net minimum lease payments, totals approximately \$53,459,000. This liability is reported in the General Long-term Obligations Account Group. Equipment acquired under capital leases included in the General Fixed Assets Account Group totaled approximately \$95,511,000.

The Commonwealth leases real property and equipment under numerous operating lease agreements with varying terms. These agreements contain provisions indicating that their continuation is subject to appropriation by the Legislature. Rental expenditures for the fiscal year ended June 30, 2000 were approximately \$127,254,000.

The following is a schedule of future minimum payments under non-cancelable leases for the Commonwealth as of June 30, 2000 (amounts in thousands):

<u>Years Ending June 30,</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
2001.....	\$ 22,851	\$ 92,489
2002.....	17,413	73,978
2003.....	11,444	62,811
2004.....	4,836	33,541
2005.....	3,134	11,028
2006 and thereafter.....	-	-
Total payments.....	59,678	<u>\$273,847</u>
Less interest.....	<u>(6,219)</u>	
Present value	<u>\$ 53,459</u>	

University and College Fund – At June 30, 2000, aggregate outstanding liability under capital leases, the present value of the net minimum lease payments, totaled approximately \$75,031,000. Equipment acquired under capital leases is included in University and College Fund fixed assets.

The University and College Fund Type leases real property and equipment under numerous operating lease agreements for varying terms. Rental expenditures for the fiscal year ended June 30, 2000 were approximately \$20,216,000.

The following schedule summarizes future minimum payments under non-cancelable leases for the University and College Fund Type (amounts in thousands):

Years Ending June 30,	Capital Leases	Operating Leases
2001.....	\$ 18,573	\$ 12,129
2002.....	15,841	10,882
2003.....	13,782	8,782
2004.....	11,201	7,815
2005.....	8,149	6,946
2006 and thereafter.....	<u>20,536</u>	<u>17,218</u>
Total payments	88,082	<u>\$ 63,772</u>
Less amount representing interest.....	<u>(13,051)</u>	
Present value of minimum lease payments.....	<u>\$ 75,031</u>	

Component Units –

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of net minimum lease payments as of June 30, 2000 (amounts in thousands):

Years Ending June 30,	MBTA	RTAs	MDEA	Economic Development Authorities
2001.....	\$ 34,234	\$ 712	\$38	\$8
2002.....	43,825	712	16	1
2003.....	46,773	712	-	-
2004.....	48,380	712	-	-
2005.....	41,140	712	-	-
2006 and thereafter.....	<u>684,537</u>	<u>1,423</u>	-	-
Total payments.....	898,889	4,983	54	9
Less amount representing interest.....	<u>(359,797)</u>	<u>(878)</u>	<u>(2)</u>	<u>(1)</u>
Present value of net minimum lease payments....	<u>\$539,092</u>	<u>\$4,105</u>	<u>\$52</u>	<u>\$8</u>

The MBTA has entered into several sale-leaseback agreements with major financial institutions, covering equipment and rolling stock, which has been accounted for as operating leases. These leases expire through fiscal year 2013. Upon termination, the MBTA may purchase the equipment and rolling stock at prices equal to the lesser of a stated percentage (40%-70%) of the lessor’s original purchase price or residual fair market value, as defined.

The MTA has operating leases for administrative office space and automatic toll collection equipment. These operating leases expire on various dates through June 2004. Lease expenses charged to the Massachusetts Turnpike and Sumner-Callahan-Williams Tunnels were approximately \$936,000 of which \$847,000 was paid to the Commonwealth for office space in a state-owned building.

The MTA leases property and air rights to others. The MTA earned approximately \$9,918,000 in rental income.

Rental income for the next five years is expected to approximate \$8,632,000 per year based on leases currently in effect.

The Economic Development Authorities and the RTAs have operating leases for office space.

The future minimum rental payments required under operating leases having initial or remaining non-cancelable lease terms in excess of one year are as follows (amounts in thousands):

Years Ending June 30,	MBTA	MTA	RTAs	MDEA	MTPC	Economic Development Authorities
2001.....	\$ 13,391	\$ 925	\$ 255	\$ 706	\$ 1,000	\$ 2,395
2002.....	13,382	925	136	723	1,000	1,895
2003.....	14,071	925	136	512	333	1,786
2004.....	13,651	925	136	-	-	1,034
2005.....	12,804	463	136	-	-	190
2006 and thereafter.....	<u>97,453</u>	-	<u>1,117</u>	-	-	-
Total payments.....	<u>\$164,752</u>	<u>\$ 4,163</u>	<u>\$ 1,916</u>	<u>\$ 1,941</u>	<u>\$ 2,333</u>	<u>\$ 7,300</u>

13. COMMITMENTS

Primary Government –

Governmental Funds – As part of the General Appropriation Act of 2000 (Chapter 127 of the Acts of 1999) the funding mechanism for the net cost of service and other costs of the Massachusetts Bay Transportation Authority (MBTA) was changed. The change was effective July 1, 2000. Under the previous funding method, used since the MBTA’s inception in the 1960’s, the MBTA’s costs were funded by the Commonwealth 18 months in arrears. Under the new funding method (Forward Funding), the MBTA’s costs will be funded on a current basis. This method apportions a “dedicated sales tax” amounting to 1% of applicable sales in the Commonwealth, directly to the MBTA. The MBTA will also continue to receive amounts assessed on the 175 cities and towns within the service area (assessments.) The assessments (\$144,579,000 in fiscal year 2000) are expected to total approximately \$144,000,000 in fiscal year 2001 and decrease each year to approximately \$136,000,000 in fiscal year 2006. After 2006, assessments will be adjusted annually by a maximum of 2.5% per year. The dedicated sales tax will be equal to the greater of the amount raised by the sales tax or \$645,000,000, (the base revenue,) subject to an adjustment for inflation, capped at 3% annually. All revenues are deposited into the Massachusetts Bay Transportation Authority State and Local Contribution Fund, a non-budgeted special revenue fund. Accordingly, under forward funding, the MBTA will no

longer receive advances from the Commonwealth for its net cost of service or other contract assistance.

Costs recognized by the Commonwealth in fiscal year 2000 related to forward funding are as follows:

Sources of Funds

G.O. Bonds Issued.....	\$325,000,000
Operating Transfers.....	10,540,000
Amount to be Amortized.....	<u>612,750,000</u>
Total Sources of Funds to the MBTA.....	<u>\$948,290,000</u>

Uses of Funds

Net Cost of Service Paid For:

Calendar Year 1999 and Before.....	\$505,750,000
1/1-6/30/00 Including Operating Interest.....	342,540,000
Working Capital.....	<u>100,000,000</u>
Total Cost of Forward Funding.....	<u>\$948,290,000</u>

The amount to be amortized above represents 18 months of net cost of service of the MBTA. The Commonwealth appropriated \$27,500,000 for FY01 to begin the amortization of the \$612,750,000. For FY02 through FY20, the Commonwealth has the option of either appropriating \$30,803,000 annually, or bonding the amounts, to a maximum remaining authorization of \$475,000,000.

Under Chapter 161B of the General Laws, the Commonwealth is obligated to provide annual subsidies to regional transit authorities for contract assistance, debt service assistance and their net cost of service deficiencies. For fiscal year 2000, these subsidies totaled approximately \$49,434,000 for the RTAs.

The net cost of service subsidy is recognized as a current liability of the Commonwealth, but is funded in arrears. At June 30, 2000, the Commonwealth has recorded the unpaid portion as a liability due to RTAs of approximately \$50,827,000.

The cities and towns served by the RTAs will be assessed their proportionate shares of the net cost of service.

The Commonwealth is also statutorily obligated to provide contract assistance for debt service obligations to the Massachusetts Convention Center Authority, the Massachusetts Development Finance Authority and the Water Pollution Abatement Trust. Such assistance totaled approximately \$71,098,000 in fiscal year 2000. For fiscal year 2001, appropriations for this purpose total approximately \$76,167,000.

At June 30, 2000, the aggregate outstanding debt for which the Commonwealth is obligated to provide contract assistance support totaled approximately \$3,893,659,000 long-term debt and \$237,012,000 of short-term debt. In addition, the Commonwealth guarantees the debt of certain local governments and public higher education building authorities. The guaranteed long-term debt outstanding at June 30, 2000 was approximately \$212,451,000.

Saltonstall Building - On July 19, 2000, after reviewing proposals received from various development teams to redevelop the Saltonstall State Office Building, the Governor filed legislation that would authorize the Massachusetts Development Finance Agency (MDFA) to undertake the redevelopment. The provisions of the Governor's bill were added to the bond authorization legislation approved August 10, 2000 relating to preservation and management of the Commonwealth's real property assets. Under the provisions relating to the Saltonstall Building, the building is to be leased by the MDFA for a lease term of up to 50 years, with extension terms permitted for an aggregate of 30 more years). The MDFA will renovate the building and lease half of it back to the Commonwealth for office space and related parking (for a comparable lease term). The remainder of the building is to be redeveloped as private office space, as well as private housing units and retail establishments.

Central Artery / Tunnel Project – This is the largest single component of the Commonwealth's capital program. During fiscal 2000, the MTA, manager of the Central Artery / Tunnel Project filed various financial plan updates with the Federal Highway Administration. As of the finance plan filed as of October 1, 2000, the current cost estimate for the project, is \$14.075 billion, which includes a maximum obligation of \$8.549 billion from the federal government. The finance plan is currently under review.

In connection with the Central Artery / Tunnel Project, on May 8, 2000, the State Treasurer's office was advised that the staff of the Securities and Exchange Commission (SEC) is conducting a formal investigation in the matter of "Certain Municipal Securities/Massachusetts Central Artery (B-1610)." This is pursuant to a formal order of private investigation issued by the SEC. The attorneys on behalf of the Commonwealth believe that the likelihood of loss by the Commonwealth is remote.

At June 30, 2000, the Commonwealth had commitments of approximately \$1,845,373,000 related to construction projects in process. The majority relate to construction

funding the Central Artery/Tunnel Project (CA/T). The CA/T Project continues to anticipate federal participation as well as payments from the MTA and the Massachusetts Port Authority (MassPort).

During fiscal year 2000, the Commonwealth received payments from the MTA and MassPort. Pursuant to three separate memoranda of understandings dated September 12, 1997 and August 13, 1998 and February 19, 1999 respectively. The MTA and MassPort made payments to the Commonwealth to finance portions of the CA/T Project in the amount of approximately \$100,000,000 and \$52,438,000 respectively.

The remaining future payments are as follows (amounts in thousands):

Fiscal Year	MTA	MassPort
2001.....	\$204,000	\$65,000
2002.....	-	-
2003.....	-	105,000
2004.....	-	50,000
2005.....	-	50,000
Total.....	<u>\$204,000</u>	<u>\$270,000</u>

The Commonwealth recognizes payments from the MTA in the period when the use of the resources is required or first permitted.

The payment of \$100,000,000 in fiscal year 2000 is presented as a "transfer in from Component Units" in the Capital Projects Fund. The MTA capitalizes the payment as an increase to its fixed assets and accordingly do not present a matching "transfer to Primary Government".

MassPort payments are treated as an exchange transaction. Revenue is recognized when payment is received or when assets have been transferred.

Pension Trust Funds – At June 30, 2000, PRIT had outstanding commitments to invest approximately \$343,357,000 in real estate, and approximately \$1,257,320,000 in alternative investments.

Component Units -

Chapter 152 of the Acts of 1997 provides \$609,400,000 for the construction of a Convention and Exhibition Center which will provide 600,000 square feet of exhibit space at a site in South Boston. The Boston Redevelopment Authority (BRA) is authorized and directed by the legislation to acquire the land, properties, and rights related to the proposed construction site. Once this is accomplished, the MCCA will oversee construction of the new facility. The MCCA will operate

the new center, along with the Hynes Convention Center, the Boston Common Garage, and the Springfield Civic Center.

As of June 30, 2000, the Massachusetts Water Pollution Abatement Trust has agreed to provide loans of \$181,000,000 to various local government units to be funded with grant awards received through June 30, 2000.

Massachusetts Housing Partnership Fund (MHP) has executed twenty-four loan agreements with eleven banks totaling approximately \$441,039,000 pursuant to the Massachusetts Nationwide Interstate Banking and Community Reinvestment Act. Related to that, MHP has funding commitments outstanding for funds not yet advanced of approximately \$35,044,000 at June 30, 2000.

The MTA entered into construction contracts for the Metropolitan Highway system and the Western Turnpike with various construction and engineering companies. Construction contracts outstanding at December 31, 1999 approximated \$6,100,000. Projected construction expenses for calendar 2000 approximate \$56,000,000.

14. TOBACCO SETTLEMENT

On November 23, 1998, the Commonwealth joined a multi-state agreement known as the Master Settlement Agreement (MSA) which resolved Massachusetts' and other states' litigation against the cigarette industry. Under the MSA, there are both "annual payments" and "initial payments." The annual payments are made to each settling state, including the Commonwealth, in perpetuity. There are five initial payments to be paid annually between 1999 and 2003. Each payment is expressed in the MSA as a "base amount," subject to adjustments, reductions or offsets that might be applicable each year under the MSA. The initial adjustment will be upward by 3% or the prior year's percentage increase in the Consumer Price Index, whichever is greater. Downward adjustments could occur based on a decrease in domestic cigarette sales volume or if funding made available to the states under qualifying federal legislation.

Massachusetts' allocable share of the base amounts payable under the MSA is 4.0389790%. The Commonwealth has estimated its allocable share of the MSA base amounts over the next 25 years to be approximately \$7.6 billion. This estimate does not, however, consider the effect of the annual adjustments, reductions or offsets for inflation and other factors

mandated by the MSA. Generally, the calculation of these adjustments requires information that is not available until the end of the calendar year prior to the year a payment is due.

On December 14, 1999, the Commonwealth received the 1999 initial payment of approximately \$99,700,000. On December 31, 1999, the Commonwealth received the 2000 initial payment of approximately \$87,000,000. In April 2000, the Commonwealth received the first annual payment of approximately \$139,000,000.

Massachusetts was also awarded \$414,000,000 from a separate Strategic Contribution Fund established under the MSA to reward a state's particular contribution to the national tobacco litigation effort. This additional amount is payable in equal annual installments during the years 2008 through 2017.

The amounts that might be payable, if any, by the Commonwealth for legal costs in relation to the tobacco litigation cannot be determined at this time. The outside attorneys for the Commonwealth were awarded approximately \$775,000,000 in fees to be paid over time by the tobacco companies and, therefore, were not to be paid out of the Commonwealth award. The outside attorneys have notified the Attorney General that they reserve their right to submit a claim to the Commonwealth for the difference between the \$775,000,000 and 25% of the Commonwealth's settlement payments.

During fiscal year 2000, the Legislature enacted two related laws to provide for disposition of the tobacco settlement payments. The new legislation created a Health Care Security Trust (Trust) into which the Commonwealth's annual tobacco settlement payments are to be deposited. The Trust was established for "the purpose of financing improved health status for all citizens of the Commonwealth." Among other things, the Trust is to be credited "any monies received by the Commonwealth pursuant to the master settlement agreement in the tobacco action, other than payments for attorney fees". The new legislation also created a separate Tobacco Settlement Fund (Fund). Prescribed amounts are transferred annually by the Comptroller from the Trust to the Fund. Amounts credited to the Fund "shall be expended, subject to appropriation, to supplement existing levels of funding for health related services and programs [including] services and programs intended to control or reduce the use of tobacco in the Commonwealth." In each fiscal year from 2000 through 2004, specific amounts are to be transferred from the Trust to the Fund. In later fiscal years, the Comptroller

is to transfer to the Fund 30% of that year's tobacco settlement payment and 30% of the earnings generated that year on Trust principal. These funds are included in the special revenue fund type.

15. CONTINGENCIES

Primary Government -

Governmental Funds – The General Fund services claims for all risks of loss for which the Commonwealth is exposed, other than workers' compensation and employee group health and life insurance, which are managed in its Internal Service Funds. A number of lawsuits are pending or threatened against the Commonwealth which arose from the ordinary course of operations. These include claims for property damage and personal injury, breaches of contract, condemnation proceedings and other alleged violations of law. For cases in which it is probable that a loss will be incurred and the amount of the potential judgment can be reasonably estimated, or a settlement or judgment has been reached but not paid, the Attorney General estimates the liability to be approximately \$32,500,000 to be paid from the General Fund. The General Fund allocates the cost of providing claims servicing and claims payment by charging a premium to each fund based on claims paid during the year.

The Commonwealth receives significant financial assistance from the federal government. Entitlement to these resources is generally conditional upon compliance with terms and conditions of the grant or reimbursement agreements and with applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all federal financial assistance is subject to financial and compliance audits. Any disallowances become liabilities of the fund which received the assistance. As of June 30, 2000, the Commonwealth estimates that liabilities, if any, which may result from such audits are not material.

The Commonwealth's abandoned property law requires deposit of certain unclaimed assets into a managed Fiduciary Fund. These unclaimed assets, less \$6,549,000 which is expected to be reclaimed and paid in fiscal year 2001, are to be remitted to the General Fund each June 30, where it is included as a transfer. Amounts remitted during fiscal year 2000 totaled approximately \$60,406,000. Since inception, approximately \$882,022,000 has been remitted. This represents a contingency, because claims for refunds can be made by the owners of the property.

Internal Service Fund - It is the policy of the Commonwealth to manage its risks internally and self-insure for claim settlements for risk of loss relating to workers' compensation for the state employees and group health insurance in its Internal Service Fund. The Internal Service Fund allocates the cost of providing claims servicing and claims payment by charging a premium to each fund based on actual claims paid during the year. All risk financing liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include amounts for claims that have been incurred but not reported. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Employees Workers' Compensation and Group Health Insurance costs for Commonwealth employees are recognized when losses are incurred. The Commonwealth's outstanding liability for such losses at June 30, 2000, including claims incurred but not reported, is estimated to be \$286,396,000.

Central Artery/Tunnel Project - The Commonwealth has assumed responsibility for providing workers' compensation and general liability insurance coverage for all contractors and subcontractors working on the Central Artery/Tunnel Project by implementing an Owner Controlled Insurance Program (OCIP). As part of its initial financial planning, Project management determined that an OCIP could provide necessary insurance coverage at a substantially lower aggregate cost than could be obtained if each contractor purchased coverage separately, because of economies of scale in the purchase of coverage from a single carrier, elimination of cross claims among contractors, and implementation of a cost-effective safety and loss control program for the entire Project.

The OCIP is presently structured as a retrospectively rated insurance program with loss retention (or deductible) levels of \$1,000,000 per claim, \$3,000,000 per occurrence for workers compensation and \$2,000,000 per claim, \$6,000,000 per occurrence for general liability coverage. The Commonwealth is responsible for loss costs up to these deductible levels.

As part of the OCIP, the Project has agreed to establish and fund a Trust, held by an independent third party Trustee, in an amount necessary to cover the Project's potential cumulative liabilities to the carrier for these loss costs, administrative expenses and certain defined contingencies under the OCIP. The OCIP is expected to

cover such costs through the construction period and through the period after the construction during which all claims will be resolved and paid, referred to as the "tail period".

The amounts payable annually to the Trust for workers' compensation coverage are based on standard premium at rates approved by the Insurance Commissioner. The Project pays general liability premiums at negotiated rates directly to the insurance carrier, which holds the premium for three years, after which the amounts may be transferred to (or from) the Trust based on loss experience for that year. In addition, the Trust earns investment income, part of which is paid to the carrier as part of its compensation and the remainder is credited to the Project and held in the Trust to cover the Project's cumulative obligations. The amount in the Trust are restricted by its terms and cannot be used for other purposes. Any amounts which remain in the Trust after all losses and other obligations of the Project are paid, will be re-paid to the Project for distribution in accordance with funding agreements with the federal government.

The Project's OCIP activity is reported as an Internal Service Fund. The "Claims and Judgement liabilities" reported therein represents the Project's liabilities as estimated by the carrier for incurred losses as of the end of the fiscal year. The Internal Service Fund also includes amounts set aside in the Trust to cover the Project's cumulative workers' compensation loss and general liability premium obligations from the inception of the OCIP (1992) through the end of the tail period.

The estimated liabilities shown in the table below represents its insurance carrier's estimate of liability based on experience to date and the cumulative maximum potential obligations, as of June 30, 2000 and through the end of the tail period respectively. (Amounts in thousands)

	Liability Recorded as of 6/30/2000	Maximum Potential Obligation As of 6/30/2000	End of Project
General Liability.....	\$37,573	\$142,228	\$240,819
Workers' Compensation Liabilities.....	<u>57,968</u>	<u>206,329</u>	<u>325,344</u>
Total.....	<u>\$95,541</u>	<u>\$348,557</u>	<u>\$566,163</u>

The liability column represents estimates of liabilities incurred based on past experience, both reported or not reported as of June 30, 2000. The maximum potential

obligation represents the carriers' estimated potential reimbursable losses and premium.

Claims and Judgements - Changes in the balance of claims and judgements liabilities for the primary government during fiscal 2000 were as follows (amounts in thousands):

	<u>2000</u>	<u>1999</u>
Liability, beginning of year.....	\$ 521,062	\$ 575,465
Current year claims and changes in estimates.....	906,126	800,173
Claims payments.....	<u>(877,951)</u>	<u>(854,576)</u>
Liability, end of year.....	<u>\$ 549,237</u>	<u>\$ 521,062</u>

Component Units - The MBTA reserves self-insurance liabilities as claims and judgements as of June 30, 2000. Changes in the self-insurance reserves in fiscal 2000 and 1999 were as follows (amounts in thousands):

	<u>2000</u>	<u>1999</u>
Liability, beginning of year.....	\$73,218	\$ 69,820
Current year claims and changes in estimates.....	69,973	75,267
Claims payments.....	<u>(82,345)</u>	<u>(71,869)</u>
Liability, end of year.....	<u>\$ 60,846</u>	<u>\$ 73,218</u>

Other Contingencies - The Massachusetts Turnpike Authority has obtained health coverage for most employees through various commercial health maintenance organizations. The health coverage for certain other employees, as well as coverage for job-related injuries to all employees, is self-insured by the Authority, with risks managed internally. At December 31, 1999, the accrual for outstanding claims under these programs, including claims incurred but not reported, was approximately \$13,000,000.

Higher Education - During fiscal year 1998, UMass Memorial Health Care, Inc., (UMass Memorial) a non-related party was created to merge all of the subsidiaries to the UMass Health System. In connection with this merger, the University of Massachusetts and UMass Memorial have entered into the following agreements:

UMass Memorial is granted the right to occupy portions of the UMass campus for a period of 99 years and UMass Memorial agrees to share responsibility for various capital and operating expenses relating to the occupied premises. UMass Memorial also agreed to contribute to capital improvements to shared facilities.

UMass Memorial agrees to make certain payments to UMass and its related organizations, including: 1) an annual fee of \$12,000,000 (plus an inflation adjustment), for 99 years as long as UMass continues to operate a medical school; 2) a percent of net operating income of UMass Memorial based upon an agreed-upon formula; and 3) a \$31,500,000 contribution plus interest by UMass Memorial to jointly fund and develop a new research facility with UMass. UMass will own and control the research facility.

UMass will lease certain employees to UMass Memorial or its affiliates during a transition period ending 2008.

Certain academic funds (net assets) held by the Clinical Division as of March 31, 1998 (Departmental Education Funds) will remain assets of UMass and will be held by UMass Memorial for UMass and allocated to each academic department. The cash will be transferred by UMass Memorial to UMass over five years. At June 30, 1999, UMass had recorded a receivable from UMass Memorial in the amount of \$22,600,000 related to these funds. At June 30, 2000 the University agreed to write-off these receivables and allow these assets to remain with UMass Memorial.

UMass is reimbursed by, and reimburses, UMass Memorial for certain services provided and purchased. For the fiscal year ended June 30, 2000, the revenues for services provided to UMass Memorial were \$118,000,000. At June 30, 2000, UMass has recorded a receivable in the amount of \$72,900,000 from UMass Memorial for costs related to shared services, leased employees, and other agreed-upon payments due to UMass. UMass has recorded a payable at June 30, 2000 of \$5,900,000 for amounts due to UMass Memorial for shared services and other agreed-upon payments due to UMass Memorial.

16. SUBSEQUENT EVENTS

State Taxes - On November 7, 2000 Massachusetts voters approved two initiative petitions that will reduce personal income taxes. One of the approved petitions sets the Part B income tax rate at 5.6% on January 1, 2001, 5.3% on January 1, 2002 and 5% on January 1, 2003 and thereafter. The Department of Revenue estimates that this change will reduce fiscal 2001 revenues by \$135 million, fiscal 2002 revenues by \$457 million and fiscal 2003 revenues by \$883 million. The annualized value of the reduction, once fully effective in fiscal 2004, is estimated to be approximately \$1.154 billion. The other approved petition provides for a

personal income tax deduction for charitable contributions, effective January 1, 2001. The petition essentially re-enacts a provision for such a deduction included in the fiscal 2001 budget. The Department of Revenue estimates the cost of the deduction to be \$70 million to \$90 million in fiscal 2001 and \$157 million to \$192 million annually thereafter. The initiative petition that would have established tax credits for amounts paid as tolls and motor vehicle excise taxes was disapproved by the voters.

Legislation approved by the Governor on July 28, 2000 as part of the fiscal 2001 budget froze the motor fuels excise tax at 21¢ per gallon of fuel, which has been the effective tax rate for many years. Under prior law, the tax per gallon was 19.1% of the weighted average selling price per gallon of fuel, but not less than 21¢.

Medicaid - On June 15, 2000 the federal Health Care Financing Administration (HCFA) sent a letter to nine states, including Massachusetts, New York and Florida, indicating that portions of their Medicaid programs might be funded with impermissible taxes on health care providers, jeopardizing federal reimbursements collected on any Medicaid program expenditures funded with such taxes. In the case of Massachusetts, the letter related to the portion of the Commonwealth's Medicaid program funded by the uncompensated care pool. (The Medicaid program is 50% funded by federal reimbursements).

On July 28, 2000 HCFA extended the deadline for the submission of DMA's waiver request from July 30, 2000 to August 31, 2000 for collections that occurred from 1993 to the present ("original tax"), and to September 30, 2000 for certain amounts collected from 1998 to the present ("new tax"). DMA filed its "original tax" submission in response to HCFA's letter on August 31, 2000 and its "new tax" submission on September 29, 2000. In addition, HCFA allowed DMA to supplement its "original tax" submission (filed August 31, 2000) so long as it did so by September 30, 2000. Accordingly, DMA filed additional documents on September 29, 2000, which supplemented its response relative to the "original tax." Officials from DMA continue to meet with the Massachusetts Congressional delegation and officials from HCFA to discuss ways to resolve this issue. Clarification of the law surrounding permissible provider taxes is a national issue and resolution could take several years.

County - Subsequent to year-end, one additional county was abolished. The county of Berkshire was transferred on July 1, 2000. The Commonwealth will include in its audited financial statements the financial activity of abolished counties in the fiscal year the actual transfers occur.



The cotton industry expanded rapidly as its costs fell and demand grew. A decision was made to build a second dam further upstream and duplicate the results that were achieved in Lowell. In 1845, Abbott Lawrence took the lead in the foundation of the Town of Lawrence, which bears the family name. This textile city became the rival of Lowell, founded a quarter of a century earlier.

The output of cotton cloth increased at a rate of about 5 percent a year from 1830 to the Civil War. Cotton cloth made in New England was sold throughout the United States. New England both imported its raw material and exported almost all its product. Less than 15 percent of the national population was in New England, while 75 percent of production was performed there.



Machinery for the mills of Lowell and Lawrence was built primarily by the Locks and Canal Company of Lowell. Although in 1838 this company earned over half of its operating profits from the sale of cotton spinning and weaving machinery, it had other sources of income as well. It owned the land on which the mills were built and received rent for them. It also had branched out into making the other dominant machine of the antebellum economy, the steam engine, and earned more revenue from this new activity than from its traditional renting activity.

After 1880 textile production expanded rapidly in Georgia, the Carolinas, and other parts of the South Atlantic. New England mills were able to remain competitive in the higher quality fabric well after they had lost the lower quality markets, New England's advantage derived both from its stock of skilled operatives and from the expertise of its mill managers. Over time the regional gap in skills and capital narrowed. Strong demand during World War I temporarily revived demand for New England textiles. But after the war, demand collapsed as a result of intensified international competition and the introduction of new synthetic fibers.

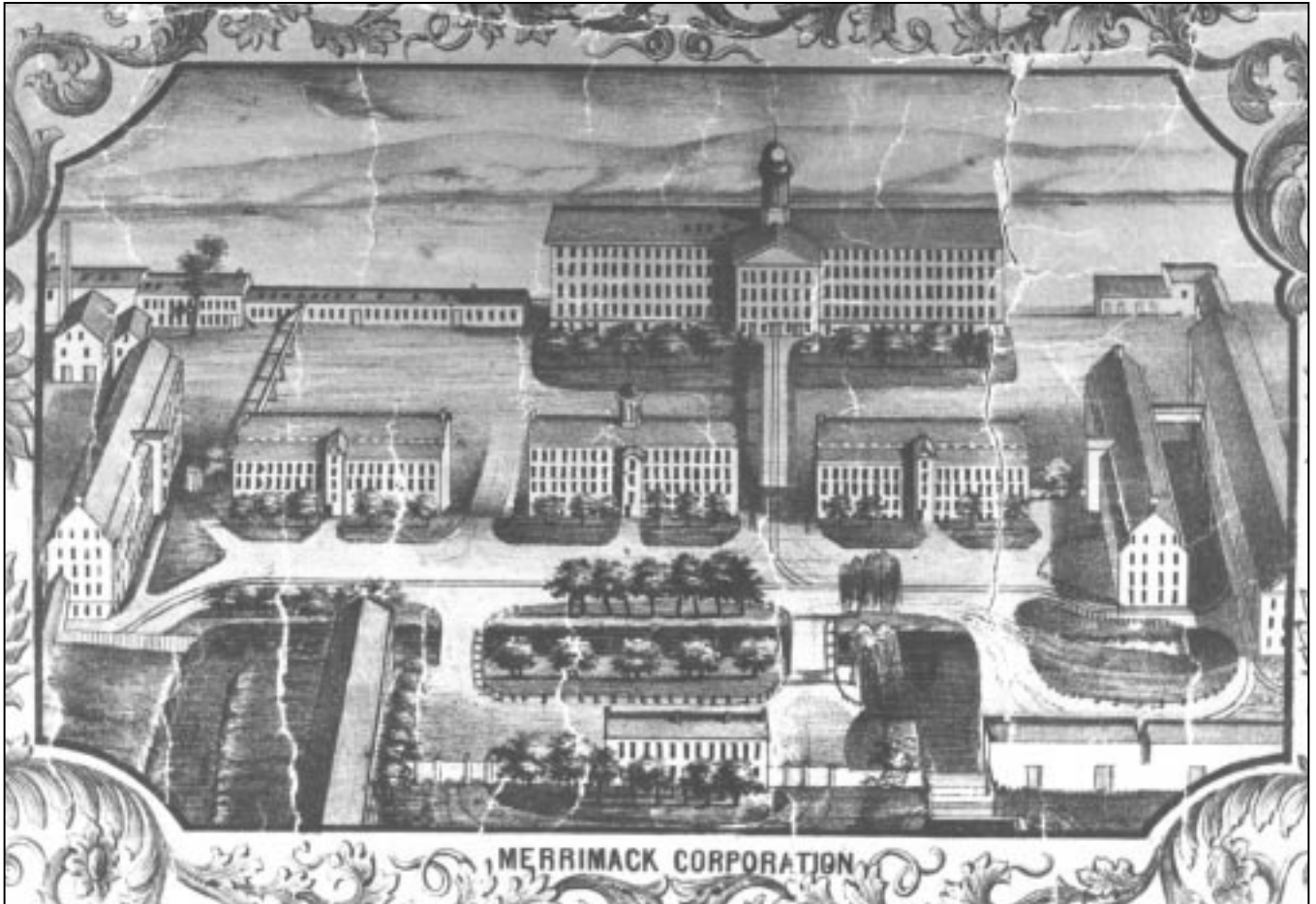
The collapse of the industry was felt most intensely in places like Lawrence, in which the industry was the dominant employer. Today Lawrence remains an urban center with 35% of its economy still manufacturing-based. Despite global trends that have seen manufacturing industries move south and overseas, the city is still a hub of textile, apparel and shoe companies. Lowell has weathered significant economic change through much of the 20th century. By the 1980's, the city was experiencing resurgence during the prevailing technological boom, as new companies began producing minicomputers, computer workstations, and plastics.

This boom, coupled with the generous spirit of the city, welcomed a wave of newcomers from Southeast Asia, which provided a ready work force in an expanding economy and today Lowell offers an environment highly favorable to both relocating and emerging businesses.

Photography and text courtesy of the Lawrence Public Library

Text from Engines of Enterprise - An Economic History of New England, Harvard University Press

Combining and Individual Fund Statements and Account Group Schedules

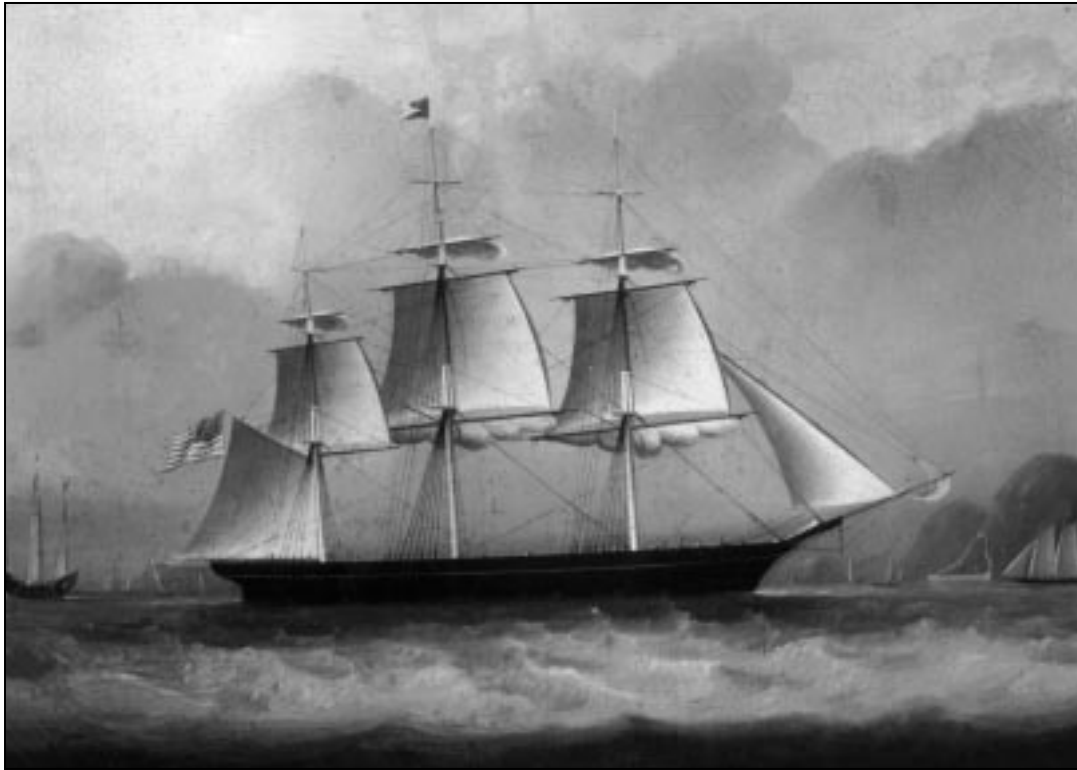


As the Industrial Revolution in the United States intensified in the first half of the 19th century, the young nation's social and economic fabric changed dramatically. Though still primarily agricultural, America was transforming itself into a nation of urban manufacturing centers. Enterprising merchants and capitalists organized corporations to develop and control the productive forces of emerging industries, while growing numbers of working people found employment as wage laborers in factories. Cotton textiles, the foundation of America's Industrial Revolution, fostered not only working-class wage labor in the mills, but also supported slave labor on the cotton plantations in the South.

Founded by Boston merchants in 1821-22, Lowell was built as a factory city along the Merrimack River to take advantage of the waterpower potential of the Pawtucket Falls; within one mile, the river plunged 32 feet. Francis Cabot Lowell, for whom the city is named, had observed British techniques for weaving textiles, and with the aid of mechanic Paul Moody produced a successful power loom. In 1814, Lowell and other investors erected a water-powered mill in Waltham, Massachusetts, which carried out all the steps of textile production- carding, spinning, and weaving. More and more mills were built in subsequent years to use the power generated by the flowing and falling water. The ability of the dam to power many mills created conditions that economists describe as economies of scale.

By 1850, Lowell had grown beyond all expectations. The city had a population of 33,000, the second largest in Massachusetts, and its ten mill complexes employed more than 10,000 women and men.

Photography and text courtesy of the Lowell National Historical Park, Lawrence Public Library
Text from *Engines of Enterprise - An Economic History of New England*, Harvard University Press



Fishing and shipbuilding were intertwined. By 1675, according to one English observer, there were thirty master shipwrights working in Massachusetts and New Hampshire ports. Along with producing a valuable export commodity, the expansion of the regional shipbuilding industry allowed New Englanders to exercise greater control over the region's commerce.

Not content with managing the fishing trade off Cape Cod, Boston and Salem merchants exercised a near monopoly on trade with fisheries near the new English colony of Newfoundland as well, where they aggressively competed with merchants from England for commercial control. New England traders supplied the fishermen with tobacco, sugar, pitch, rum, and other provisions on credit at huge markups in exchange for their future catches, then vended the fish to British and European ships that came directly to the banks in exchange for cloth, iron, and wine. The Newfoundland trade became extremely important in the eighteenth century, and it made the fortunes of many Boston merchants. Merchants on the New England coast picked up tobacco and provisions in Maryland and Virginia, and hide and turpentine off Cape Fear in North Carolina. One recent estimate suggests that the coastal trade was worth 304,000 sterling by the decade before the Revolution; others put it at over 400,000 or nearly equal to the annual value of New England's foreign trade.

Through retailing imports, New England merchants gained valuable market information that made later efforts at import substitution possible. They learned about the capacities of domestic markets; which items sold well in various markets; and the tastes of local consumers. Also, by conducting this commerce themselves, in locally made and locally owned ships, New Englanders profited not only from the sale of goods, but also from the sale of services - freight costs, insurance, interest charges on credit - that would otherwise have accrued to English shippers. These earnings from shipping, or so-called invisible exports, the value of which even the colonists themselves consistently underestimated, constituted the region's single most valuable export commodity.

The Far East trade went a long way toward resurrecting New England's maritime economy after the Revolution. In the quarter century between 1784 and 1807, maritime commerce was the breath of life for Massachusetts. Trade routes were established for silks, pepper, teas, seal skins, otter skins, sandalwood, and furs to and from Boston, the American Northwest, the Dutch East Indies, Nagasaki, Canton and India.

In 1793, the pepper trade earned Salem merchant-adventurers a 700 percent profit.

Photography of the clipper ship *Sea Serpent* courtesy of the Bostonian Society
Text from *Engines of Enterprise - An Economic History of New England*, Harvard University Press

General Fund

The General Fund is the Commonwealth's primary Governmental Fund. All governmental activities not specifically directed to another fund are accounted for in the General Fund. As a result, most budgeted operating expenditures of the Executive Secretariats, the Legislature, Constitutional Offices, and independent commissions and a portion of expenditures for the judicial system are paid from the General Fund. It similarly receives a significant portion of sales, individual income and corporate taxes, and the full amount of most other governmental taxes.

Revenues and expenditures associated with federal reimbursement-based programs are accounted for in the General Fund. These programs have various reimbursement formulas. The Commonwealth provides grants and contract assistance to several of the authorities it reports as component units. Most of these grant and contract assistance activities are recorded in the General Fund. The fund also includes financial activities related to stabilization and tax reduction.



Maritime trade brought enormous wealth to some in the city. Successful merchants such as Samuel Shrimpton, who owned Beacon Hill, built imposing, many-roomed mansions furnished with richly carved chests and bedsteads, high-backed wooden chair, silk and velvet hangings and cushions and silver plate.

China Trade punch bowl courtesy of the Peabody Essex Museum.

Text from *Engines of Enterprise- An Economic History of New England*, Harvard University Press

**General Fund
Balance Sheet**

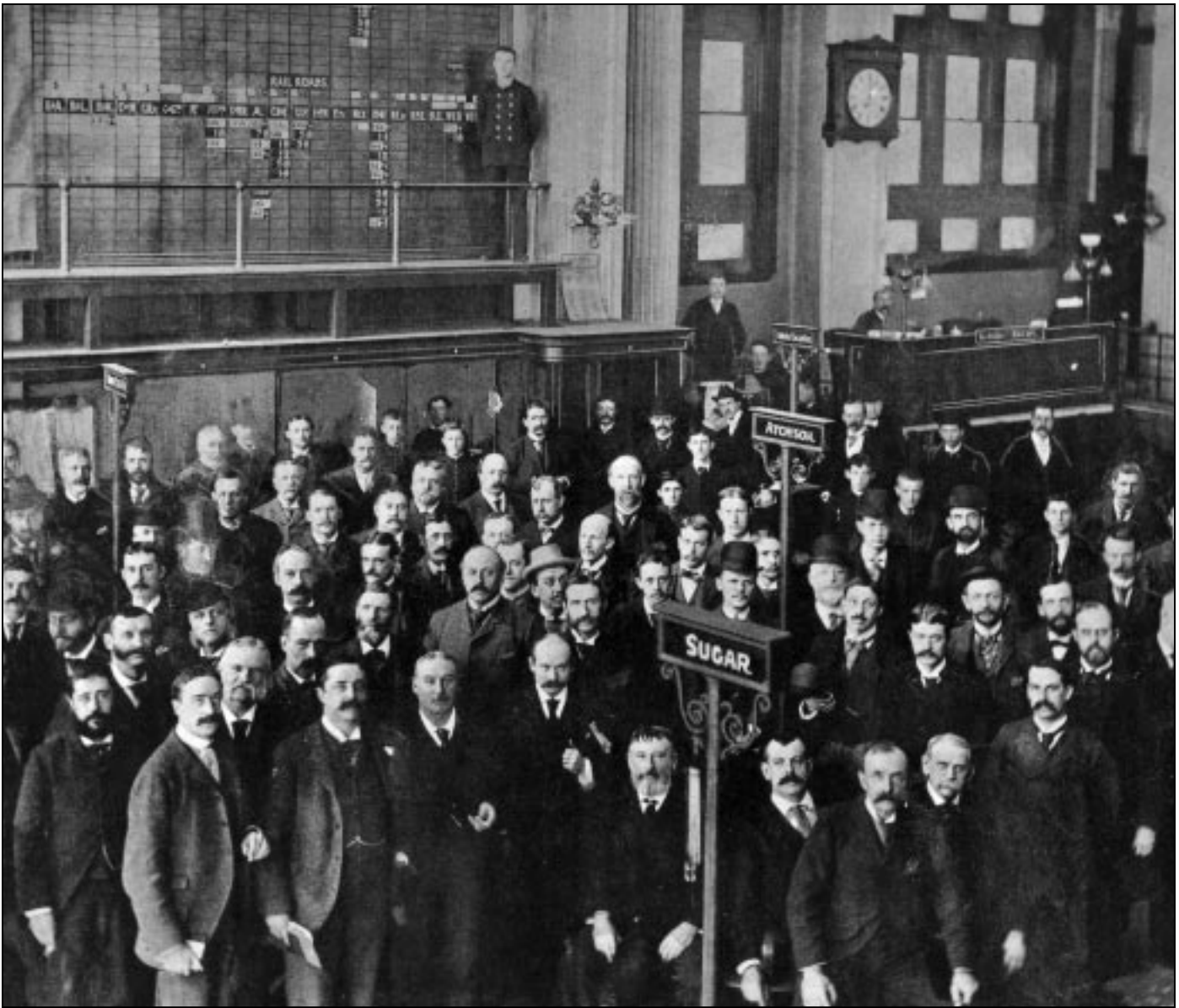
June 30, 2000
(Amounts in thousands)

ASSETS	<u>2000</u>	<u>1999</u>
Cash and short-term investments.....	\$ 2,298,140	\$ 2,344,861
Receivables, net of allowance for uncollectibles:		
Taxes.....	1,080,175	988,805
Due from federal government.....	493,430	447,964
Other receivables.....	105,087	115,347
Due from cities and towns.....	4,766	239,137
Due from other funds.....	510,645	2,887,371
Due from component units.....	29,251	15,634
	<u>4,521,494</u>	<u>7,039,119</u>
Total assets.....	<u>\$ 4,521,494</u>	<u>\$ 7,039,119</u>
 LIABILITIES AND FUND BALANCES 		
Liabilities:		
Accounts payable.....	\$ 995,210	\$ 972,902
Accrued payroll.....	87,859	34,552
Compensated absences.....	158,311	110,967
Tax refunds and abatements payable.....	638,828	610,842
Due to other funds.....	397,706	743,922
Due to component units.....	209,622	70,961
Due to federal government.....	22,082	16,452
Deferred revenue.....	194,476	129,686
Claims and judgments.....	32,500	32,700
	<u>2,736,594</u>	<u>2,722,984</u>
Total liabilities.....	<u>2,736,594</u>	<u>2,722,984</u>
Fund balance:		
Reserved for continuing appropriations.....	184,143	131,996
Reserved for tax reduction.....	7,203	6,818
Reserved for Commonwealth stabilization.....	1,608,382	1,388,523
Unreserved.....	(14,828)	2,788,798
	<u>1,784,900</u>	<u>4,316,135</u>
Total fund balance.....	<u>1,784,900</u>	<u>4,316,135</u>
Total liabilities and fund balances.....	<u>\$ 4,521,494</u>	<u>\$ 7,039,119</u>

General Fund
Statement Of Revenues, Expenditures And Changes In Fund Balances

Fiscal Year Ended June 30, 2000
(Amounts in thousands)

	2000	1999
Revenues:		
Taxes.....	\$ 9,343,264	\$ 8,550,619
Assessments.....	73,061	238,126
Federal grants and reimbursements.....	2,915,672	2,676,817
Departmental.....	546,620	524,280
Miscellaneous.....	228,663	161,503
Total revenues.....	<u>13,107,280</u>	<u>12,151,345</u>
Other financing sources:		
Proceeds of capital leases.....	8,851	9,392
Transfers from component units.....	5,515	5,412
Operating transfers in.....	1,009,667	420,594
Total other financing sources.....	<u>1,024,033</u>	<u>435,398</u>
Total revenues and other financing sources.....	<u>14,131,313</u>	<u>12,586,743</u>
Expenditures:		
Current:		
Legislature.....	51,443	51,371
Judiciary.....	543,996	69,257
Inspector General.....	2,461	2,231
Governor and Lieutenant Governor.....	5,563	5,410
Secretary of the Commonwealth.....	40,859	24,056
Treasurer and Receiver-General.....	79,755	91,199
Auditor of the Commonwealth.....	14,538	13,241
Attorney General.....	26,369	40,951
Ethics Commission.....	722	708
District Attorney.....	64,958	242
Office of Campaign and Political Finance.....	451	377
Sheriff's Departments.....	175,848	130,689
Disabled Persons Protection Commission.....	1,584	1,504
Board of Library Commissioners.....	4,395	4,395
Comptroller.....	7,742	7,518
Administration and finance.....	892,306	786,505
Environmental affairs.....	67,727	68,664
Communities and development.....	97,672	96,156
Health and human services.....	3,325,401	3,145,871
Transportation and construction.....	48,189	12,357
Education.....	182,634	188,431
Higher education.....	107,746	95,591
Public safety.....	465,058	465,860
Economic development.....	11,285	10,354
Elder affairs.....	177,073	158,619
Consumer affairs.....	40,391	38,048
Labor.....	38,901	28,146
Medicaid.....	3,902,274	3,521,250
Pension.....	143,454	83,593
Direct local aid.....	16,130	33,037
Debt service:		
Principal retirement.....	411,742	426,320
Interest and fiscal charges.....	244,053	250,958
Total expenditures.....	<u>11,192,720</u>	<u>9,852,909</u>
Other financing uses:		
Operating transfers out.....	3,904,647	476,031
Transfers of appropriations.....	928,355	860,148
Transfers to component units.....	636,826	443,276
Total other financing uses.....	<u>5,469,828</u>	<u>1,779,455</u>
Total expenditures and other financing uses.....	<u>16,662,548</u>	<u>11,632,364</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(2,531,235)	954,379
Fund balance at beginning of year.....	4,316,135	3,361,756
Fund balance at end of year.....	<u>\$ 1,784,900</u>	<u>\$ 4,316,135</u>



The roots of the Boston Stock Exchange go back to the 1830's when Bostonians were looking for new ways to invest the wealth they had earned through shipping, banking, and insurance. As New England's and the nation's industry grew, capital had to be raised to expand the region's businesses and fund larger enterprises.

To meet this need, 13 business leaders founded the Boston Stock Exchange in 1834 as the third U.S. Stock exchange, creating a meeting place for local stock brokers to trade their shares. Initially, only the stock of local banks and insurance companies were traded on the new exchange. Soon mill, railroad, utility, and canal stocks were added. In 1878, AT&T was listed just two years after Alexander Graham Bell had invented the telephone in his Boston workshop. In fact, capital raised in Boston funded many of the factories, mines, and railroads that fueled the economic expansion of the United States in the nineteenth and twentieth centuries.

Today, the Boston Stock Exchange is an integral part of Boston's financial community, which is the third largest investment management center in the world, eclipsed only by New York and London. Boston, the birthplace of the mutual fund, is now arguably the "mutual fund capital" of the world with literally trillions of dollars invested in funds managed here.

Photography courtesy of the Bostonian Society, text courtesy of the Boston Stock Exchange.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to finance specific functions or activities carried out by the Commonwealth.

Federal Grants — account for federal grant monies that are designated for specific programs, excluding federal highway construction grants, which are accounted for in the Federal Capital Projects Fund, and federal reimbursement programs such as Medicaid and AFDC which are accounted primarily for in the General Fund.

Highway — accounts for highway user taxes including the gas tax and fees; used to finance highway maintenance and safety services, and provide matching funds for federally sponsored highway projects as required.

Local Aid — accounts for the lottery operating surplus and forty percent of sales, income, corporate and a portion of other taxes which have been earmarked for distribution to cities and towns or are used to finance programs that benefit local communities and a major portion of the court systems.

Environmental — accounts for a variety of fees, fines, and other revenues which finance programs to preserve, protect and enhance the environment.

Lotteries — account for the operations of the State and Arts Lotteries, which have been established primarily to finance the Local Aid Fund.

Universal Health Care — accounts for assessments and other revenues that are dedicated to making health care and health insurance accessible and affordable to all citizens of the Commonwealth.

Oil Overcharge — accounts for the fines and penalties collected under federal regulation from certain oil companies doing business in the Commonwealth, and interest thereon, being accumulated to provide fuel assistance and weatherization for low income residents.

Other — accounts for a variety of miscellaneous taxes, assessments, federal reimbursements, fees, fines, federal grants, debt proceeds and other revenues along with long-term grant anticipation notes proceeds restricted to the financing of specific Commonwealth programs.



Before 1850, shoes and boots were primarily made in people's houses or in "ten-footers", workshops built onto them. The out-work system of boot and shoe production contrasted sharply with the factory work of cotton mills. Women worked at home making shoes but in mill towns in factories making cloth.

The Singer sewing machine was adapted to sew leather around the turn of the century, leading shoes to be produced in factories where the sewing machines were powered by steam. The boot and shoe industry increasingly provided factory employment for women. The new opportunities attached both men and women from cotton factory work.

The stitching room of Brophy Brothers in Lynn, ca. 1910 was staffed entirely by women. By this time Lynn had become the nation's leading manufacturer of women's shoes and women made up about 40% of the workforce. Stitching was one of the most skilled and best paying positions available to women.

Photograph and text courtesy the Lynn Historical Society. Text from *Engines of Enterprise- An Economic History of New England*, Harvard University Press.

Special Revenue Funds
Combining Balance Sheet

June 30, 2000
(Amounts in thousands)

	Federal Grants	Highway	Local Aid	Environmental
ASSETS				
Cash and short-term investments.....	\$ -	\$ 36,064	\$ 239,349	\$ -
Cash with fiscal agent.....	-	26,060	-	-
Receivables, net of allowance for uncollectibles:				
Taxes.....	-	47,989	684,011	691
Due from federal government.....	231,598	-	-	267
Other receivables.....	-	911	-	18,840
Due from cities and towns.....	-	-	495	-
Due from other funds.....	-	141	-	-
Inventory.....	25,169	-	-	-
Total assets.....	<u>\$ 256,767</u>	<u>\$ 111,165</u>	<u>\$ 923,855</u>	<u>\$ 19,798</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable.....	\$ 148,795	\$ 24,307	\$ 238,725	\$ 14,582
Accrued payroll.....	5,830	10,513	17,656	1,961
Compensated absences.....	14,086	22,315	6,595	5,306
Tax refunds and abatements payable.....	-	-	425,885	-
Due to other funds.....	54,134	-	-	31,626
Due to component units.....	-	10,165	20,347	-
Due to federal government.....	-	-	-	-
Deferred revenue.....	25,169	181	103,538	321
Other accrued liabilities.....	-	-	-	-
Total liabilities.....	<u>248,014</u>	<u>67,481</u>	<u>812,746</u>	<u>53,796</u>
Fund balances (deficits):				
Reserved for continuing appropriations.....	-	4,339	8,362	3,761
Reserved for retirement of indebtedness.....	-	26,060	-	-
Reserved for capital projects.....	-	-	-	-
Unreserved.....	8,753	13,285	102,747	(37,759)
Fund balances (deficits).....	<u>8,753</u>	<u>43,684</u>	<u>111,109</u>	<u>(33,998)</u>
Total liabilities and fund balances.....	<u>\$ 256,767</u>	<u>\$ 111,165</u>	<u>\$ 923,855</u>	<u>\$ 19,798</u>

Lotteries	Universal Health Care	Other	Totals	
			2000	1999
\$ 25,625	\$ 271,703	\$ 1,155,088	\$ 1,727,829	\$ 1,143,394
-	-	49,973	76,033	75,165
-	-	29,348	762,039	707,742
-	42,404	246,356	520,625	451,477
10,535	109,424	6,971	146,681	132,613
-	-	-	495	495
-	-	-	141	140
-	-	-	25,169	25,227
<u>\$ 36,160</u>	<u>\$ 423,531</u>	<u>\$ 1,487,736</u>	<u>\$ 3,259,012</u>	<u>\$ 2,536,253</u>
\$ 27,055	\$ 90,933	\$ 157,119	\$ 701,516	\$ 589,807
-	53	539	36,552	7,737
3,185	-	6,094	57,581	75,493
-	-	-	425,885	405,706
-	-	84,834	170,594	2,713,091
-	-	-	30,512	311,860
-	-	-	-	1,067
4,859	44,759	1,491	180,318	104,440
-	123,489	-	123,489	132,622
<u>35,099</u>	<u>259,234</u>	<u>250,077</u>	<u>1,726,447</u>	<u>4,341,823</u>
-	-	51,861	68,323	80,170
-	-	699,973	726,033	461,157
-	-	7,374	7,374	7,003
1,061	164,297	478,451	730,835	(2,353,900)
<u>1,061</u>	<u>164,297</u>	<u>1,237,659</u>	<u>1,532,565</u>	<u>(1,805,570)</u>
<u>\$ 36,160</u>	<u>\$ 423,531</u>	<u>\$ 1,487,736</u>	<u>\$ 3,259,012</u>	<u>\$ 2,536,253</u>

Special Revenue Funds

Combining Statement Of Revenues, Expenditures And Changes In Fund Balance

Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	Federal Grants	Highway	Local Aid	Environmental
Revenues:				
Taxes.....	\$ -	\$ 559,334	\$ 5,485,147	\$ 8,026
Assessments.....	-	10,851	-	22,240
Federal grants and reimbursements.....	1,565,341	535	-	4,595
Departmental.....	-	305,621	878	52,763
Miscellaneous.....	42	1,947	350	32,267
Total revenues.....	1,565,383	878,288	5,486,375	119,891
Other financing sources				
Proceeds of grant anticipation notes.....	-	-	-	-
Operating transfers in.....	-	446,335	3,458,050	512
Total other financing sources.....	-	446,335	3,458,050	512
Total revenues and other financing sources.....	1,565,383	1,324,623	8,944,425	120,403
Expenditures:				
Current:				
Judiciary.....	276	-	-	-
Governor and lieutenant governor.....	50	-	-	-
Secretary of the Commonwealth.....	727	-	-	-
Treasurer and Receiver-General.....	1,321	1,145	6,142	6
Auditor of the Commonwealth.....	-	-	738	-
Attorney General.....	6,073	12	823	102
Ethics Commission.....	-	-	726	-
District Attorney.....	3,606	-	-	-
Office of Campaign and Political Finance.....	-	-	452	-
Sheriff's Departments.....	1,775	271	167	-
Board of Library Commissioners.....	2,741	-	2,883	-
Administration and finance.....	5,054	6,329	142,054	21,255
Environmental affairs.....	18,686	27,255	25,835	92,933
Communities and development.....	269,799	-	35,074	-
Health and human services.....	475,659	-	1,573	-
Transportation and construction.....	8,233	170,114	566	49
Education.....	508,927	34,132	602,636	487
Higher education.....	3,095	-	-	-
Public safety.....	33,276	210,459	144,155	165
Economic development.....	3,805	-	800	-
Elder affairs.....	26,710	-	11,423	-
Consumer affairs.....	1,178	2,033	-	-
Labor.....	137,049	-	268	-
Medicaid.....	-	-	-	-
Pension.....	-	29,901	224,471	380
Direct local aid.....	-	46,514	4,654,789	44
Debt service:				
Principal retirement.....	-	198,762	60,487	-
Interest and fiscal charges.....	-	206,981	71,289	-
Total expenditures.....	1,508,040	933,908	5,987,351	115,421
Other financing uses				
Operating transfers out.....	59,681	64,561	97,150	17,030
Transfers of appropriations.....	-	-	-	1,781
Transfers to component units.....	-	20,622	64,681	-
Total other financing uses.....	59,681	85,183	161,831	18,811
Total expenditures and other financing uses.....	1,567,721	1,019,091	6,149,182	134,232
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(2,338)	305,532	2,795,243	(13,829)
Fund balances (deficits) at beginning of year.....	11,091	(261,848)	(2,684,134)	(20,169)
Fund balances (deficits) at end of year.....	\$ 8,753	\$ 43,684	\$ 111,109	\$ (33,998)

Lotteries	Universal Health Care	Other	Totals	
			2000	1999
\$ 2,104	\$ -	\$ 297,607	\$ 6,352,218	\$ 5,770,214
-	337,881	18,443	389,415	308,273
-	218,573	1,354,327	3,143,371	2,985,036
3,906,737	375,680	73,767	4,715,446	4,326,625
7,183	23,558	355,776	421,123	227,395
<u>3,916,024</u>	<u>955,692</u>	<u>2,099,920</u>	<u>15,021,573</u>	<u>13,617,543</u>
-	-	-	-	319,434
44,507	148,818	1,012,563	5,110,785	1,776,090
<u>44,507</u>	<u>148,818</u>	<u>1,012,563</u>	<u>5,110,785</u>	<u>2,095,524</u>
<u>3,960,531</u>	<u>1,104,510</u>	<u>3,112,483</u>	<u>20,132,358</u>	<u>15,713,067</u>
-	-	-	276	441,684
-	-	-	50	-
-	-	-	727	9,038
2,991,705	-	402,633	3,402,952	2,692,302
-	-	-	738	742
-	-	1,080	8,090	7,599
-	-	-	726	677
-	-	8,289	11,895	72,095
-	-	-	452	401
-	-	75	2,288	3,694
-	-	-	5,624	5,411
-	135	125,016	299,843	269,344
-	-	8,354	173,063	163,158
-	-	2,919	307,792	259,766
-	853,719	667,172	1,998,123	2,014,063
-	-	1,100	180,062	124,484
-	-	24,051	1,170,233	1,074,759
-	-	-	3,095	1,654
-	-	25,848	413,903	394,554
-	-	22,321	26,926	46,883
-	-	1,343	39,476	38,182
-	15,901	10,625	29,737	29,764
-	-	11,461	148,778	138,367
-	-	478,416	478,416	307,403
-	-	-	254,752	240,654
-	-	-	4,701,347	4,372,402
-	-	473	259,722	232,237
-	-	43,228	321,498	302,727
<u>2,991,705</u>	<u>869,755</u>	<u>1,834,404</u>	<u>14,240,584</u>	<u>13,244,044</u>
965,116	196,196	1,050,706	2,450,440	2,800,272
-	-	381	2,162	1,873
-	-	15,734	101,037	395,531
<u>965,116</u>	<u>196,196</u>	<u>1,066,821</u>	<u>2,553,639</u>	<u>3,197,676</u>
<u>3,956,821</u>	<u>1,065,951</u>	<u>2,901,225</u>	<u>16,794,223</u>	<u>16,441,720</u>
3,710	38,559	211,258	3,338,135	(728,653)
(2,649)	125,738	1,026,401	(1,805,570)	(1,076,917)
<u>\$ 1,061</u>	<u>\$ 164,297</u>	<u>\$ 1,237,659</u>	<u>\$ 1,532,565</u>	<u>\$ (1,805,570)</u>

Budgeted Special Revenue Funds
 Combining Schedule Of Revenues, Expenditures And Changes In Fund Balances
 Statutory Basis - Budget And Actual

Fiscal Year Ended June 30, 2000
 (Amounts in thousands)

	Highway			Local Aid		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes.....	\$ 546,400	\$ 558,135	\$ 11,735	\$ 5,071,900	\$ 5,493,959	\$ 422,059
Assessments.....	-	10,851	10,851	-	-	-
Federal grants and reimbursements.....	3,000	535	(2,465)	-	-	-
Departmental.....	262,100	305,616	43,516	6,300	878	(5,422)
Miscellaneous.....	-	1,947	1,947	-	350	350
Total revenues.....	811,500	877,084	65,584	5,078,200	5,495,187	416,987
Other financing sources:						
Operating transfers in.....	50,000	58,131	8,131	694,100	838,070	143,970
Stabilization transfer.....	-	-	-	-	-	-
Fund deficit elimination.....	-	388,205	388,205	-	2,591,577	2,591,577
Total other financing sources.....	50,000	446,336	396,336	694,100	3,429,647	2,735,547
Total revenues and other financing sources.....	861,500	1,323,420	461,920	5,772,300	8,924,834	3,152,534
Expenditures:						
Judiciary.....	-	-	-	-	-	-
Secretary of the Commonwealth.....	-	-	-	-	-	-
Treasurer and Receiver-General.....	1,190	1,143	47	6,453	6,125	328
Auditor of the Commonwealth.....	-	-	-	736	733	3
Attorney General.....	13	12	1	810	804	6
Ethics Commission.....	-	-	-	752	714	38
District Attorney.....	-	-	-	-	-	-
Office of Campaign & Political Finance.....	-	-	-	446	444	2
Sheriff's Departments.....	285	267	18	1,384	166	1,218
Board of Library Commissioners.....	-	-	-	2,866	2,866	-
Comptroller.....	-	-	-	-	-	-
Administration and finance.....	11,362	6,764	4,598	161,344	149,640	11,704
Environmental affairs.....	28,078	27,101	977	32,516	31,800	716
Communities and development.....	-	-	-	36,199	35,618	581
Health and human services.....	-	-	-	1,605	1,573	32
Transportation and construction.....	235,574	232,416	3,158	136,067	134,213	1,854
Education.....	-	-	-	333,587	315,963	17,624
Higher education.....	-	-	-	-	-	-
Public safety.....	214,802	210,448	4,354	145,246	144,065	1,181
Economic development.....	-	-	-	800	800	-
Elder affairs.....	-	-	-	11,580	11,423	157
Consumer affairs.....	2,389	2,066	323	-	-	-
Labor.....	-	-	-	268	268	-
Direct local aid.....	43,472	43,467	5	4,641,537	4,629,103	12,434
Medicaid.....	-	-	-	-	-	-
Pension.....	67,161	66,970	191	536,914	536,914	-
Debt service:						
Principal retirement.....	200,253	198,762	1,491	60,961	60,487	474
Interest and fiscal charges.....	208,534	206,981	1,553	71,796	71,289	507
Total expenditures.....	1,013,113	996,397	16,716	6,183,867	6,135,008	48,859
Other financing uses:						
Fringe benefit cost assessment.....	-	-	-	-	-	-
Transfer for MBTA contract assistance.....	51,477	51,477	-	102,953	102,953	-
Operating transfers out.....	64,561	64,561	-	51,202	51,202	-
Stabilization transfer.....	-	-	-	-	45,948	(45,948)
Total other financing uses.....	116,038	116,038	-	154,155	200,103	(45,948)
Total expenditures and other financing uses.....	1,129,151	1,112,435	16,716	6,338,022	6,335,111	2,911
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(267,651)	210,985	478,636	(565,724)	2,589,723	3,155,445
Fund balances (deficit) at beginning of year.....	(180,586)	(180,586)	-	(2,581,361)	(2,581,361)	-
Fund balances (deficit) at end of year.....	\$ (448,237)	\$ 30,399	\$ 478,636	\$ (3,147,085)	\$ 8,362	\$ 3,155,445

Commonwealth Stabilization			Administrative Control			Environmental		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,200	\$ 8,023	\$ (1,177)
-	-	-	-	-	-	23,426	22,114	(1,312)
-	-	-	-	22,600	22,600	3,774	5,077	1,303
-	-	-	4,793	98,658	93,865	54,327	52,150	(2,177)
68,220	79,788	11,568	-	385	385	22,683	32,267	9,584
68,220	79,788	11,568	4,793	121,643	116,850	113,410	119,631	6,221
-	25,200	25,200	-	7,837	7,837	104	512	408
-	114,871	114,871	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	140,071	140,071	-	7,837	7,837	104	512	408
68,220	219,859	151,639	4,793	129,480	124,687	113,514	120,143	6,629
-	-	-	13,154	13,154	-	-	-	-
-	-	-	125	125	-	-	-	-
-	-	-	-	-	-	6	6	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	109	98	11
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	471	470	1	-	-	-
-	-	-	102,163	85,189	16,974	25,942	21,248	4,694
-	-	-	990	950	40	97,875	91,717	6,158
-	-	-	3	3	-	-	-	-
-	-	-	24,541	23,428	1,113	-	-	-
-	-	-	486	476	10	57	49	8
-	-	-	47	47	-	-	-	-
-	-	-	17,150	17,150	-	1,805	1,776	29
-	-	-	13,165	13,099	66	164	163	1
-	-	-	-	-	-	-	-	-
-	-	-	15	15	-	-	-	-
-	-	-	17	17	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	910	910	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	172,327	154,123	18,204	126,868	115,967	10,901
-	-	-	-	1,171	(1,171)	-	12,531	(12,531)
-	-	-	169,186	169,186	-	4,504	4,504	-
-	-	-	-	-	-	-	-	-
-	-	-	169,186	170,357	(1,171)	4,504	17,035	(12,531)
-	-	-	341,513	324,480	17,033	131,372	133,002	(1,630)
68,220	219,859	151,639	(336,720)	(195,000)	141,720	(17,858)	(12,859)	4,999
1,388,523	1,388,523	-	207,395	207,395	-	(27,582)	(27,582)	-
\$ 1,456,743	\$ 1,608,382	\$ 151,639	\$ (129,325)	\$ 12,395	\$ 141,720	\$ (45,440)	\$ (40,441)	\$ 4,999

continued

Budgeted Special Revenue Funds
 Combining Schedule Of Revenues, Expenditures And Changes In Fund Balances -
 Statutory Basis - Budget And Actual

Fiscal Year Ended June 30, 2000
 (Amounts in thousands)

	Other			Totals		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes.....	\$ 254,300	\$ 286,707	\$ 32,407	\$ 5,881,800	\$ 6,346,824	\$ 465,024
Assessments.....	-	-	-	23,426	32,965	9,539
Federal grants and reimbursements.....	876,226	809,339	(66,887)	883,000	837,551	(45,449)
Departmental.....	164,851	42,242	(122,609)	492,371	499,544	7,173
Miscellaneous.....	-	10,006	10,006	90,903	124,743	33,840
Total revenues.....	1,295,377	1,148,294	(147,083)	7,371,500	7,841,627	470,127
Other financing sources:						
Operating transfers in.....	83,952	199,640	115,688	828,156	1,129,390	301,234
Stabilization transfer.....	-	-	-	-	114,871	114,871
Fund deficit elimination.....	-	-	-	-	2,979,782	2,979,782
Total other financing sources.....	83,952	199,640	115,688	828,156	4,224,043	3,395,887
Total revenues and other financing sources.....	1,379,329	1,347,934	(31,395)	8,199,656	12,065,670	3,866,014
Expenditures:						
Judiciary.....	-	-	-	13,154	13,154	-
Secretary of the Commonwealth.....	-	-	-	125	125	-
Treasurer and Receiver-General.....	845	750	95	8,494	8,024	470
Auditor of the Commonwealth.....	-	-	-	736	733	3
Attorney General.....	1,092	1,045	47	2,024	1,959	65
Ethics Commission.....	-	-	-	752	714	38
District Attorney.....	8,236	8,105	131	8,236	8,105	131
Office of Campaign & Political Finance.....	-	-	-	446	444	2
Sheriff's Departments.....	90	74	16	1,759	507	1,252
Board of Library Commissioners.....	-	-	-	2,866	2,866	-
Comptroller.....	-	-	-	471	470	1
Administration and finance.....	74,255	58,808	15,447	375,066	321,649	53,417
Environmental affairs.....	1,182	1,073	109	160,641	152,641	8,000
Communities and development.....	2,846	2,791	55	39,048	38,412	636
Health and human services.....	741,815	665,025	76,790	767,961	690,026	77,935
Transportation and construction.....	1,186	1,100	86	373,370	368,254	5,116
Education.....	24,619	24,050	569	358,253	340,060	18,193
Higher education.....	717	697	20	19,672	19,623	49
Public safety.....	6,626	6,495	131	380,003	374,270	5,733
Economic development.....	47,630	23,404	24,226	48,430	24,204	24,226
Elder affairs.....	1,619	1,356	263	13,199	12,779	420
Consumer affairs.....	5,064	4,372	692	7,468	6,453	1,015
Labor.....	26,327	11,461	14,866	26,612	11,746	14,866
Direct local aid.....	-	-	-	4,685,009	4,672,570	12,439
Medicaid.....	467,345	419,166	48,179	467,345	419,166	48,179
Pension.....	-	-	-	604,985	604,794	191
Debt service:						
Principal retirement.....	12	12	-	261,226	259,261	1,965
Interest and fiscal charges.....	3	3	-	280,333	278,273	2,060
Total expenditures.....	1,411,509	1,229,787	181,722	8,907,684	8,631,282	276,402
Other financing uses:						
Fringe benefit cost assessment.....	-	10,214	(10,214)	-	23,916	(23,916)
Transfer for MBTA contract assistance.....	-	-	-	154,430	154,430	-
Operating transfers out.....	28,026	28,026	-	317,479	317,479	-
Stabilization transfer.....	-	-	-	-	45,948	(45,948)
Total other financing uses.....	28,026	38,240	(10,214)	471,909	541,773	(69,864)
Total expenditures and other financing uses.....	1,439,535	1,268,027	171,508	9,379,593	9,173,055	206,538
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....						
	(60,206)	79,907	140,113	(1,179,937)	2,892,615	4,072,552
Fund balances (deficit) at beginning of year.....	328,974	328,974	-	(864,637)	(864,637)	-
Fund balances (deficit) at end of year.....	\$ 268,768	\$ 408,881	\$ 140,113	\$ (2,044,574)	\$ 2,027,978	\$ 4,072,552

Capital Projects Funds

Capital Projects Funds are used to account for the financial resources used to acquire or construct major capital assets and to finance local capital projects.

General - accounts for proceeds of bonds sold to fund the construction or acquisition of capital assets for general Commonwealth purposes, excluding highway construction and projects targeted for specific localities or purposes.

Capital Investment Trust Fund - accounts for a transfer from the general fund to fund appropriated items of a capital nature specified in Section 107 2E of Chapter 88 of the Acts of 1997.

Boston Convention and Exhibition Center Capital Fund - accounts for proceeds of bonds to finance the constructions of a convention center in Boston.

Capital Improvement and Investment Trust Fund - accounts for Commonwealth reimbursements to cities and towns for expenses incurred for projects for construction and reconstruction of city and town ways.

Capital Expenditure Reserve Fund - accounts for amounts paid by the Massachusetts Turnpike Authority as payment towards acquisition cost of the Central Artery/Tunnel and federal financial participation money related to amounts paid by Massachusetts Port Authority.

Highway - accounts for the proceeds of bonds sold to finance construction of state highways and to fund the Commonwealth's share of federally sponsored highway construction.

Federal Highway Construction - accounts for federal highway construction projects which, with the Commonwealth's required share of matching funds, finance interstate highways and similar projects within Massachusetts to promote a nationwide highway system.

Government Land Bank Capital Projects Fund - accounts for proceeds of bonds; used to finance the acquisition, holding, protection, maintenance, repair or use of lands and for personnel and the administrative costs of the Massachusetts Development Finance Agency.

Intercity Bus Capital Assistance Capital Projects Fund - accounts for proceeds of bonds; used for the acquisition and leasing of inter-city coaches and for planning and other relevant costs.

LOCAL AID FUNDS:

Local Aid Capital Projects Fund - accounts for the proceeds of bonds sold to finance the construction of correctional facilities, water pollution abatement projects and other local projects in specific localities of the Commonwealth. Accounts for the proceeds of bonds to finance improvements to lockup facilities, state police lock up facilities and to finance improvements to County Correctional Facilities, and other monies received by Department of Environmental Management pertaining to state parks, reservations and recreation areas outside the metropolitan parks district; used for purposes of state parks, reservations and recreation areas outside the metropolitan parks district.

Water Pollution Control Capital Projects Fund - accounts for proceeds of bonds, to finance grants to implement the Clean Water Act.

Capital Projects Funds
Combining Balance Sheet

June 30, 2000

(Amounts in thousands)

	General	Capital Investment Trust	Boston Convention and Exhibition Center	Capital Improvements and Investment Trust	Capital Expenditure Reserve
ASSETS					
Receivables, net of allowance for uncollectibles:					
Due from federal government.....	\$ -	\$ -	\$ -	\$ -	\$ -
Other receivables.....	-	-	-	-	-
Due from other funds.....	66,266	15,580	-	221,429	-
Total assets.....	<u>\$ 66,266</u>	<u>\$ 15,580</u>	<u>\$ -</u>	<u>\$ 221,429</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable.....	\$ 109,041	\$ 5,771	\$ 6,653	\$ 6,928	\$ 14,819
Accrued payroll.....	505	-	-	16	12
Compensated absences.....	1,005	-	-	16	-
Due to other funds.....	-	-	23,149	-	27,323
Due to component units.....	-	-	-	770	-
Due to federal government.....	-	-	-	-	-
Deferred revenue.....	-	-	-	-	-
Total liabilities.....	<u>110,551</u>	<u>5,771</u>	<u>29,802</u>	<u>7,730</u>	<u>42,154</u>
Fund balances (deficits):					
Reserved for capital projects.....	-	9,809	-	213,699	-
Unreserved.....	(44,285)	-	(29,802)	-	(42,154)
Fund balances (deficits).....	<u>(44,285)</u>	<u>9,809</u>	<u>(29,802)</u>	<u>213,699</u>	<u>(42,154)</u>
Total liabilities and fund balances.....	<u>\$ 66,266</u>	<u>\$ 15,580</u>	<u>\$ -</u>	<u>\$ 221,429</u>	<u>\$ -</u>

Highway	Federal Highway Construction	Government Land Bank	Intercity Bus Capital	Local Aid Capital Project	Totals	
					2000	1999
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 575
-	53	-	-	-	53	87
-	166,998	-	-	12,126	482,399	822,347
<u>\$ -</u>	<u>\$ 167,051</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,126</u>	<u>\$ 482,452</u>	<u>\$ 823,009</u>
\$ 53,275	\$ 166,531	\$ 4,500	\$ -	\$ 22,075	\$ 389,593	\$ 408,160
1,244	467	-	-	71	2,315	768
3,902	14	-	-	25	4,962	4,334
352,666	-	9,380	3,531	-	416,049	246,370
160,000	-	-	-	-	160,770	500
-	24	-	-	-	24	52
-	23	-	-	-	23	39
<u>571,087</u>	<u>167,059</u>	<u>13,880</u>	<u>3,531</u>	<u>22,171</u>	<u>973,736</u>	<u>660,223</u>
-	-	-	-	-	223,508	461,466
<u>(571,087)</u>	<u>(8)</u>	<u>(13,880)</u>	<u>(3,531)</u>	<u>(10,045)</u>	<u>(714,792)</u>	<u>(298,680)</u>
<u>(571,087)</u>	<u>(8)</u>	<u>(13,880)</u>	<u>(3,531)</u>	<u>(10,045)</u>	<u>(491,284)</u>	<u>162,786</u>
<u>\$ -</u>	<u>\$ 167,051</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,126</u>	<u>\$ 482,452</u>	<u>\$ 823,009</u>

Capital Projects Funds
 Combining Statement Of Revenues, Expenditures And Changes In Fund Balances

Fiscal Year Ended June 30, 2006
 (Amounts in thousands)

	General	Capital Investment Trust	Boston Convention and Exhibition Center	Capital Improvements and Investment Trust	Capital Expenditure Reserve
Revenues:					
Federal grants and reimbursements.....	\$ 1,958	\$ -	\$ -	\$ -	\$ -
Departmental.....	-	-	-	-	-
Miscellaneous.....	-	-	-	-	63,523
Total revenues.....	1,958	-	-	-	63,523
Other financing sources:					
Proceeds of general obligation bonds.....	409,195	-	-	-	-
Proceeds of refunding bonds.....	-	-	-	-	-
Transfers from component units.....	-	-	-	-	100,000
Operating transfers in.....	93,380	-	-	128,977	-
Total other financing sources.....	502,575	-	-	128,977	100,000
Total revenues and other financing sources.....	504,533	-	-	128,977	163,523
Expenditures:					
Capital outlay:					
Local aid.....	-	-	-	-	-
Capital acquisition and construction.....	349,983	20,144	10,802	60,502	325,246
Total expenditures.....	349,983	20,144	10,802	60,502	325,246
Other financing uses:					
Payments to refunded bond escrow agent.....	-	-	-	-	-
Operating transfers out.....	153,597	23	-	68	155,807
Transfers of bond proceeds.....	60,538	886	-	936	-
Transfers to component units.....	8,171	-	-	9,000	-
Total other financing uses.....	222,306	909	-	10,004	155,807
Total expenditures and other financing uses.....	572,289	21,053	10,802	70,506	481,053
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(67,756)	(21,053)	(10,802)	58,471	(317,530)
Fund balances (deficits) at beginning of year.....	23,471	30,862	(19,000)	155,228	275,376
Fund balances (deficits) at end of year.....	\$ (44,285)	\$ 9,809	\$ (29,802)	\$ 213,699	\$ (42,154)

Highway	Federal Highway Construction	Government Land Bank	Intercity Bus Capital	Local Aid Capital Project	Totals	
					2000	1999
\$ -	\$ 258	\$ -	\$ -	\$ -	\$ 2,216	\$ 6,667
-	96	-	-	-	96	1,222
-	-	-	-	-	63,523	41,784
-	354	-	-	-	65,835	49,673
1,259,877	-	22,620	2,466	67,463	1,761,621	1,014,803
-	-	-	-	-	-	498,793
-	-	-	-	-	100,000	1,051,000
563,200	1,196,327	-	1,378	-	1,983,262	2,358,600
1,823,077	1,196,327	22,620	3,844	67,463	3,844,883	4,923,196
1,823,077	1,196,681	22,620	3,844	67,463	3,910,718	4,972,869
-	-	-	-	46,613	46,613	73,485
475,327	1,193,910	25,501	7,375	-	2,468,790	2,601,933
475,327	1,193,910	25,501	7,375	46,613	2,515,403	2,675,418
-	-	-	-	-	-	498,793
1,332,134	2,765	-	-	460	1,644,854	1,153,179
-	-	-	-	-	62,360	58,681
325,000	-	-	-	-	342,171	2,337
1,657,134	2,765	-	-	460	2,049,385	1,712,990
2,132,461	1,196,675	25,501	7,375	47,073	4,564,788	4,388,408
(309,384)	6	(2,881)	(3,531)	20,390	(654,070)	584,461
(261,703)	(14)	(10,999)	-	(30,435)	162,786	(421,675)
\$ (571,087)	\$ (8)	\$ (13,880)	\$ (3,531)	\$ (10,045)	\$ (491,284)	\$ 162,786



Another development reshaping urban life was the introduction of the electric streetcar. Until the 1880s urban settlement had been tightly constrained by the need for face-to-face contact. Commercial, manufacturing, and residential districts coexisted in close proximity to one another, bounded by the distance a person could conveniently travel by foot within about an hour. Electric streetcars, however, tripled the distance that commuters could travel to work, and at a cheaper fare than that offered by horse-drawn carriages. The greater mobility offered by electric streetcars opened up a large peripheral area for residential settlement, allowing urban professionals and clerical workers to escape the unpleasant and crowded city center for more bucolic surroundings. With this movement, the modern suburb was born.

Automobiles also gained rapid acceptance, as Henry Ford's introduction of methods of mass production dramatically lowered their cost in the 1910s. The diffusion of automobiles greatly increased mobility and allowed the continued growth and extension of residential suburbs.

The building of Route 128, the circumferential highway around Boston that is now part of Interstate 95, also encouraged development by the growing firms in a pace the was, on the other hand, close to attractive residential locations. Industrial parks, facilitated firms' relocations to the new suburbs while preserving a relatively attractive physical environment.

Photography courtesy of the Bostonian Society

Text from *Engines of Enterprise - An Economic History of New England*, Harvard University Press.

Internal Service Funds

Internal Service Funds are used to account for the risk financing and insurance related activities of the Commonwealth.

Employees Workers' Compensation — accounts for the activities of the Commonwealth's Self Insurance Program for state employees Workers Compensation.

Central Artery Workers' Compensation — accounts for the Commonwealth Insurance Program which includes workers' compensation and general liability for all contractors and sub-contractors on the Commonwealth's Central Artery/Tunnel Project.

Employees Group Health Insurance — accounts for the Commonwealth Group Health and Life Insurance programs for Commonwealth employees and retirees.

Liability Management and Reduction Fund — accounts for chargebacks assessed to departments as premiums for the provision of insurance coverage for state agencies to cover payment of judgements, settlements and litigation costs in tort claims.



Because of the railroad, overland transportation changed more dramatically than at any previous time. It was now much faster, and almost as cheap, to move people and goods over land as over water. Railroads were extended throughout New England in the 1840's, before their expansion as a whole. Locomotive manufacturers used techniques learned in the manufacture of textile machinery and in federal armories.

Within New England, telegraph wires followed railroads. One use of the telegraph was to schedule trains so that railroads could run with only a single track of trains in both directions. "Single tracking" was a typical American innovation that saved capital costs. The New England railroad net was constructed rapidly in the 1840s, and New England was knit together at mid-century far more closely than a generation earlier.

Cotton goods, shoes, and revolvers were exported from New England by railroad, and capital was sent from New England to the West by telegraph. Railroads remained the dominant means of overland transport for another half-century.

Photography of the Boston and Lowell, courtesy of the Walker Transportation Collection at the Beverly Historical Society

Text from *Engines of Enterprise - An Economic History of New England*,
Harvard University Press

Internal Service Funds
Combining Balance Sheet

June 30, 2000
(Amounts in thousands)

	Employees Workers' Compensation	Central Artery Workers' Compensation	Employees Group Health Insurance	Liability Management and Reduction Fund	Totals	
					2000	1999
ASSETS						
Restricted investments.....	\$ -	\$ 265,102	\$ -	\$ 1,450	\$ 266,552	\$ 282,287
Assets held in trust.....	-	-	21,280	-	21,280	18,586
Due from other funds.....	20,573	-	-	-	20,573	24,186
Total assets.....	<u>\$ 20,573</u>	<u>\$ 265,102</u>	<u>\$ 21,280</u>	<u>\$ 1,450</u>	<u>\$ 308,405</u>	<u>\$ 325,059</u>
LIABILITIES AND FUND EQUITY						
Liabilities						
Accounts payable.....	-	\$ -	\$ -	\$ 405	\$ 405	\$ -
Claims and judgments.....	\$ 255,418	95,541	30,978	-	381,937	412,079
Total liabilities.....	<u>255,418</u>	<u>95,541</u>	<u>30,978</u>	<u>405</u>	<u>382,342</u>	<u>412,079</u>
Fund equity (deficit):						
Retained earnings						
Reserved for central artery workers' compensation....	-	169,561	-	-	169,561	161,156
Unreserved.....	(234,845)	-	(9,698)	1,045	(243,498)	(248,176)
Total fund equity (deficit).....	<u>(234,845)</u>	<u>169,561</u>	<u>(9,698)</u>	<u>1,045</u>	<u>(73,937)</u>	<u>(87,020)</u>
Total liabilities and fund equity.....	<u>\$ 20,573</u>	<u>\$ 265,102</u>	<u>\$ 21,280</u>	<u>\$ 1,450</u>	<u>\$ 308,405</u>	<u>\$ 325,059</u>

Internal Service Funds
Combining Statement Of Revenues, Expenses And Changes In Retained Earning

Fiscal Year Ended June 30, 2000
(Amounts in thousands)

	Employees Workers' Compensation	Central Artery Workers' Compensation	Employees Group Health Insurance	Liability Management and Reduction Fund	Totals	
					2000	1999
Operating revenues:						
Premiums.....	\$ 43,880	\$ 918	\$ 693,043	\$ 3,703	\$ 741,544	\$ 751,839
Total operating revenues.....	43,880	918	693,043	3,703	741,544	751,839
Operating expenses:						
Attorney General.....	-	-	-	41	41	-
Claims and judgments.....	47,493	33,864	690,349	2,685	774,391	754,268
Change in incurred but not reported claims.....	(2,468)	(25,590)	(2,084)	-	(30,142)	(3,383)
Net claims and judgments.....	45,025	8,274	688,265	2,726	744,290	750,885
Operating income (loss).....	(1,145)	(7,356)	4,778	977	(2,746)	954
Nonoperating revenues:						
Interest income.....	-	15,761	-	68	15,829	14,963
Total nonoperating revenues.....	-	15,761	-	68	15,829	14,963
Net income (loss).....	(1,145)	8,405	4,778	1,045	13,083	15,917
Retained earnings (deficit) at beginning of year..	(233,700)	161,156	(14,476)	-	(87,020)	(102,937)
Retained earnings (deficit) at end of year.....	\$ (234,845)	\$ 169,561	\$ (9,698)	\$ 1,045	\$ (73,937)	\$ (87,020)

Internal Service Funds
Combining Statement Of Cash Flows

Fiscal Year Ended June 30, 2000
(Amounts in thousands)

	Employees Workers' Compensation	Central Artery Workers' Compensation	Employees Group Health Insurance	Liability Management and Reduction Fund	Totals	
					2000	1999
Cash flows from operating activities						
Operating income (loss).....	\$ (1,145)	\$ (7,356)	\$ 4,778	\$ 977	\$ (2,746)	\$ 954
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Net change in Incurred but not reported (IBNR) items:	2,468	25,590	2,084		30,142	-
Change in assets and liabilities:						
Assets held in trust.....	-	-	(2,694)	-	(2,694)	(2,055)
Due from other funds.....	3,613	-	-	-	3,613	(1,897)
Accounts payable.....	-	-	-	405	405	-
Claims and judgments.....	-	-	-	-	-	(3,383)
Total adjustments.....	6,081	25,590	(610)	405	31,466	(7,335)
Net cash provided by (used for) operating activities.....	4,936	18,234	4,168	1,382	28,720	(6,381)
Cash flows from investing activities:						
Purchases of investments.....	(4,936)	(33,995)	(4,168)	(1,450)	(44,549)	(8,582)
Interest income.....	-	15,761	-	68	15,829	14,963
Net cash provided by (used for) investing activities.....	(4,936)	(18,234)	(4,168)	(1,382)	(28,720)	6,381
Net increase in cash and cash equivalents.....	-	-	-	-	-	-
Cash and cash equivalents at beginning of year.....	-	-	-	-	-	-
Cash and cash equivalents at end of year.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Commonwealth in a trustee capacity or as an agent for individuals, private organizations or other governments.

EXPENDABLE TRUST FUNDS:

Deferred Compensation Trust Fund — accounts for the net assets held in trust for employees for savings of deferred tax earnings for retirements.

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

Other Expendable Trust — accounts for various gifts, bequests, and contributions held by the Commonwealth of which both principal and interest may be expended for purposes designated by the donor.

NONEXPENDABLE TRUST FUNDS:

Nonexpendable Trust — accounts for various gifts and bequests held by the Commonwealth, of which only the income may be expended for purposes specified by the donor.

PENSION TRUST FUNDS:

Pension Trust Funds — accounts for the net assets held in trust for the State Employees' and Teachers' Retirement Systems for the payment of retirement, disability and death benefits to members of these retirement systems.

EXTERNAL INVESTMENT TRUST:

External Investment Trust — accounts for the portion of pooled cash held under the custodianship of the Commonwealth for the various local governmental units and other political sub-divisions of the state.

AGENCY FUNDS:

Central Agency Funds — account for cash and investments held or managed by the Commonwealth on behalf of others, annuity contracts held for lottery prize winners, and local option taxes collected but not yet remitted.

Court Escrow and Client Accounts — account for assets held in escrow by the Commonwealth's court system pending settlement of outstanding litigation; by the human service departments on behalf of patients, clients and inmates; and for child support payments collected or receivable and not yet remitted to custodial parents.

Statutory Bonds and Deposits — account for deposits required from insurance companies and similar organizations doing business within the Commonwealth, to protect citizens against the risk of loss due to business failure.



One of the first female entrepreneurs, Lydia Pinkham began making her vegetable compound in her kitchen for the private use of her friends. After her husband's business failed in the panic of 1873, she and her sons began marketing the tonic commercially selling it as a cure for "female complaints". Made of a variety of roots and herbs in a suspension of 19% alcohol, the vegetable compound was sold worldwide and Mrs. Pinkham became one of the 19th century's most recognizable women. The Pinkham factory in Lynn continued to produce Lydia Pinkham's Vegetable Compound until the company was sold in 1968. Today the building is home to a variety of artists and craftspeople.

Text and photography courtesy of Lynn Historical Society.

Fiduciary Fund Types
Combining Balance Sheet

June 30, 2000
(Amounts in thousands)

ASSETS	Expendable Trust Funds	Non- expendable Trust Funds	Pension Trust Funds
Cash and short-term investments.....	\$ 298,712	\$ 5,834	\$ 1,013,225
Deposits.....	2,050,556	-	-
Investments.....	-	-	31,280,296
Investments of deferred compensation plan.....	3,129,533	-	-
Annuity contracts.....	-	-	-
Assets held in trust.....	-	-	-
Receivables, net of allowance for uncollectibles:			
Taxes.....	216,279	-	-
Due from federal government.....	1,214	-	-
Loans.....	4,437	-	-
Other receivables.....	24,611	-	382,656
Other assets.....	-	-	11,357
Total assets.....	<u>\$ 5,725,342</u>	<u>\$ 5,834</u>	<u>\$ 32,687,534</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable.....	\$ 36,484	\$ -	\$ 1,108,082
Accrued payroll.....	290	-	-
Compensated absences.....	813	-	-
Tax refunds and abatements payable.....	12,246	-	-
Due to cities and towns.....	-	-	-
Due to other funds.....	-	-	-
Due to component units.....	-	-	-
Deferred revenue.....	9,122	-	-
Prizes payable.....	-	-	-
Agency liabilities.....	6,549	-	-
Other accrued liabilities.....	-	-	-
Total liabilities.....	<u>65,504</u>	<u>-</u>	<u>1,108,082</u>
Fund balances:			
Reserved for employees' pension benefits.....	-	-	31,579,452
Reserved for deferred compensation.....	3,133,670	-	-
Reserved for unemployment benefits.....	2,241,376	-	-
Reserved for nonexpendable trusts.....	-	5,834	-
Reserved for investment pool participants.....	-	-	-
Unreserved.....	284,792	-	-
Total fund balances.....	<u>5,659,838</u>	<u>5,834</u>	<u>31,579,452</u>
Total liabilities and fund balances.....	<u>\$ 5,725,342</u>	<u>\$ 5,834</u>	<u>\$ 32,687,534</u>

External Investment Trust	Agency Funds	Totals	
		2000	1999
\$ 2,403,576	\$ 281,171	\$ 4,002,518	\$ 3,271,002
-	-	2,050,556	1,884,073
-	-	31,280,296	26,884,071
-	-	3,129,533	2,480,398
-	1,406,527	1,406,527	1,415,716
-	2,121,947	2,121,947	1,946,846
-	1,247	217,526	218,185
-	-	1,214	1,299
-	-	4,437	5,005
5,619	44,249	457,135	441,691
-	-	11,357	-
<u>\$ 2,409,195</u>	<u>\$ 3,855,141</u>	<u>\$ 44,683,046</u>	<u>\$ 38,548,286</u>
\$ -	\$ 58,987	\$ 1,203,553	\$ 841,112
-	-	290	102
-	-	813	683
-	-	12,246	12,401
-	26,476	26,476	25,260
-	-	-	1,672
-	-	-	32,430
-	-	9,122	12,356
-	1,406,527	1,406,527	1,415,716
-	2,363,151	2,369,700	2,179,489
8,721	-	8,721	1,263
<u>8,721</u>	<u>3,855,141</u>	<u>5,037,448</u>	<u>4,522,484</u>
-	-	31,579,452	27,112,399
-	-	3,133,670	2,480,398
-	-	2,241,376	2,070,466
-	-	5,834	5,835
2,400,474	-	2,400,474	2,100,546
-	-	284,792	256,158
<u>2,400,474</u>	<u>-</u>	<u>39,645,598</u>	<u>34,025,802</u>
<u>\$ 2,409,195</u>	<u>\$ 3,855,141</u>	<u>\$ 44,683,046</u>	<u>\$ 38,548,286</u>

Expendable Trust Funds
Combining Balance Sheet

June 30, 2000
(Amounts in thousands)

ASSETS	Deferred	Unemployment	Other	Totals	
	Compensation Trust	Compensation	Expendable Trust	2000	1999
Cash and short-term investments.....	\$ -	\$ -	\$ 298,712	\$ 298,712	\$ 259,936
Deposits.....	-	2,050,556	-	2,050,556	1,884,073
Investments of deferred compensation plan.....	3,129,533	-	-	3,129,533	2,480,880
Receivables, net of allowance for uncollectibles					
Taxes.....	-	216,279	-	216,279	218,185
Due from federal government.....	-	-	1,214	1,214	1,299
Loans.....	-	-	4,437	4,437	5,005
Other receivables.....	4,137	8,241	12,233	24,611	23,225
Total assets.....	<u>\$ 3,133,670</u>	<u>\$ 2,275,076</u>	<u>\$ 316,596</u>	<u>\$ 5,725,342</u>	<u>\$ 4,872,603</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable.....	\$ -	\$ 12,929	\$ 23,555	\$ 36,484	\$ 35,297
Accrued payroll.....	-	-	290	290	102
Compensated absences.....	-	-	813	813	683
Tax refunds payable.....	-	12,246	-	12,246	12,401
Deferred revenue.....	-	8,525	597	9,122	12,356
Agency liabilities.....	-	-	6,549	6,549	4,742
Total liabilities.....	-	33,700	31,804	65,504	65,581
Fund balances:					
Reserved for deferred compensation.....	3,133,670	-	-	3,133,670	2,480,398
Reserved for unemployment benefits.....	-	2,241,376	-	2,241,376	2,070,466
Unreserved.....	-	-	284,792	284,792	256,158
Total fund balances.....	<u>3,133,670</u>	<u>2,241,376</u>	<u>284,792</u>	<u>5,659,838</u>	<u>4,807,022</u>
Total liabilities and fund balances.....	<u>\$ 3,133,670</u>	<u>\$ 2,275,076</u>	<u>\$ 316,596</u>	<u>\$ 5,725,342</u>	<u>\$ 4,872,603</u>

Expendable Trust Funds
Combining Statement Of Revenues, Expenditures And Changes In Fund Balances

Fiscal Year Ended June 30, 2000
(Amounts in thousands)

	Deferred	Unemployment	Other	Totals	
	Compensation		Expendable	2000	1999
	Trust	Compensation	Trust		
Revenues:					
Taxes.....	\$ -	\$ 863,086	\$ -	\$ 863,086	\$ 845,899
Assessments.....	-	-	86	86	78
Federal grants and reimbursements.....	-	17,115	14,281	31,396	28,709
Departmental.....	-	12,858	4,300	17,158	17,978
Deferred compensation.....	756,596	-	-	756,596	567,569
Miscellaneous.....	-	126,363	173,887	300,250	305,665
Total revenues.....	756,596	1,019,422	192,554	1,968,572	1,765,898
Other financing sources					
Operating transfers in.....	-	-	20,529	20,529	6,796
Total other financing sources.....	-	-	20,529	20,529	6,796
Total revenues and other financing sources....	756,596	1,019,422	213,083	1,989,101	1,772,694
Expenditures:					
Current					
Judiciary.....	-	-	241	241	189
Secretary of the Commonwealth.....	-	-	59	59	12
Treasurer and Receiver-General.....	-	-	1,274	1,274	477
Auditor of the Commonwealth.....	-	-	241	241	353
Attorney General.....	-	-	1,635	1,635	2,504
District Attorney.....	-	-	3,463	3,463	3,402
Office of campaign and political finance.....	-	-	-	-	1,720
Sheriff's department.....	-	-	9	9	7
Administration and finance.....	-	-	5,334	5,334	5,385
Environmental affairs.....	-	-	12,295	12,295	6,394
Communities and development.....	-	-	1,898	1,898	1,776
Health and human services.....	-	-	20,948	20,948	18,725
Transportation and construction.....	-	-	559	559	1,544
Education.....	-	-	4,149	4,149	2,508
Higher education.....	-	-	153	153	168
Public safety.....	-	-	2,169	2,169	2,825
Economic development.....	-	-	366	366	370
Elder affairs.....	-	-	35	35	47
Consumer affairs.....	-	-	13,848	13,848	7,674
Labor.....	-	848,512	49,723	898,235	884,026
Deferred compensation.....	103,324	-	-	103,324	93,626
Total expenditures.....	103,324	848,512	118,399	1,070,235	1,033,732
Other financing uses					
Operating transfers out.....	-	-	66,050	66,050	70,252
Total other financing uses.....	-	-	66,050	66,050	70,252
Total expenditures and other financing uses...	103,324	848,512	184,449	1,136,285	1,103,984
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	653,272	170,910	28,634	852,816	668,710
Fund balances at beginning of year	2,480,398	2,070,466	256,158	4,807,022	4,138,312
Fund balances at end of year.....	\$ 3,133,670	\$ 2,241,376	\$ 284,792	\$ 5,659,838	\$ 4,807,022

Deferred Compensation Trust Fund
 Schedule of Net Assets Available for Deferred Compensation

December 31, 1999
 (Amounts in thousands)

ASSETS	1999	1998
Investments.....	\$ 3,129,533	\$ 2,476,945
Employee contributions receivable.....	4,137	3,453
Total assets.....	<u>\$ 3,133,670</u>	<u>\$ 2,480,398</u>
LIABILITIES		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Net assets available for plan benefits (fund balance reserved for deferred compensation).....	<u>\$ 3,133,670</u>	<u>\$ 2,480,398</u>

Deferred Compensation Trust Fund
Schedule Of Changes In Net Assets Available For Deferred Compensation

Year Ended December 31, 1999
(Amounts in thousands)

	1999	1998
Additions:		
Employee contributions.....	\$ 222,024	\$ 205,444
Net increase in policyholder account value of universal life insurance contracts.....	(568)	1,757
Interest income.....	4,500	523
Mutual fund investment income.....	530,640	359,845
Total additions.....	756,596	567,569
Deductions:		
Distributions to participants.....	93,143	83,795
Administration.....	5,481	5,396
Life insurance premiums.....	4,700	4,435
Total deductions.....	103,324	93,626
Net additions.....	653,272	473,943
Net assets available for plan benefits at beginning of year (fund balance reserved for deferred compensation).....	2,480,398	2,006,455
Net assets available for plan benefits at end of year (fund balance reserved for deferred compensation).....	\$ 3,133,670	\$ 2,480,398

Pension Trust Funds
 Combining Statement of Net Assets Available for Pension Benefits

June 30, 2000
 (Amounts in thousands)

ASSETS	State	Teachers'	Totals	
	Employees'		2000	1999
	PERS		PERS	
Cash and short-term investments.....	\$ 503,239	\$ 509,986	\$ 1,013,225	\$ 639,092
Investments.....	15,316,173	15,964,123	31,280,296	26,884,071
Other receivables, net of allowance for uncollectibles...	163,078	219,578	382,656	377,950
Other assets.....	5,580	5,777	11,357	-
Total assets.....	\$15,988,070	\$16,699,464	\$ 32,687,534	\$ 27,901,113
LIABILITIES				
Accounts payable.....	\$ 545,179	\$ 562,903	\$ 1,108,082	\$ 787,042
Due to other funds.....	-	-	-	1,672
Total liabilities.....	545,179	562,903	1,108,082	788,714
Net assets available for pension benefits (fund balance reserved for employees' pension benefits).....	\$15,442,891	\$16,136,561	\$ 31,579,452	\$ 27,112,399

Pension Trust Funds

Combining Statement of Changes in Net Assets Available for Pension Benefits

Fiscal Year Ended June 30, 2000
(Amounts in thousands)

	State Employees' PERS	Teachers' PERS	Totals	
			2000	1999
Additions:				
Employer contributions.....	\$ 432,445	\$ 491,548	\$ 923,993	\$ 883,902
Employees contributions.....	355,918	349,621	705,539	637,037
Total contributions.....	788,363	841,169	1,629,532	1,520,939
Net investment income:				
Net appreciation in fair value of investments.....	1,742,959	1,789,114	3,532,073	2,320,758
Interest.....	236,837	243,108	479,945	417,744
Dividends.....	117,625	120,740	238,365	211,536
Real estate operating income, net.....	58,491	60,039	118,530	84,284
Alternative investments.....	2,784	2,857	5,641	6,484
Other.....	3,079	3,161	6,240	5,092
Total investment income.....	2,161,775	2,219,019	4,380,794	3,045,898
Less: investment expense.....	32,564	33,426	65,990	49,698
Net investment income.....	2,129,211	2,185,593	4,314,804	2,996,200
Total additions.....	2,917,574	3,026,762	5,944,336	4,517,139
Deductions:				
Administration.....	4,592	7,541	12,133	8,217
Retirement benefits and refunds.....	761,646	703,504	1,465,150	1,356,540
Total deductions.....	766,238	711,045	1,477,283	1,364,757
Net increase	2,151,336	2,315,717	4,467,053	3,152,382
Net assets available for pension benefits				
at beginning of year (fund balances reserve for employees' pension benefits).....	13,291,555	13,820,844	27,112,399	23,960,017
Net assets available for pension benefits at end of year (fund balances reserve for employees' pension benefits).....	\$ 15,442,891	\$ 16,136,561	\$ 31,579,452	\$ 27,112,399

External Investment Trust Fund
Statement of Net Assets Held in Trust For Pool Participants

June 30, 2000
(Amounts in thousands)

ASSETS	2000	1999
Cash and short-term investments.....	\$ 2,403,576	\$ 2,112,250
Other receivables.....	5,619	1,932
Total assets.....	<u>2,409,195</u>	<u>2,114,182</u>
LIABILITIES		
Liabilities:		
Accounts Payable.....	-	12,373
Other accrued liabilities.....	8,721	1,263
Total liabilities.....	<u>8,721</u>	<u>13,636</u>
Net assets held in trust for pool participants (fund balance reserved for investment pool participants).....	<u>\$ 2,400,474</u>	<u>\$ 2,100,546</u>

External Investment Trust Fund
Statement of Changes in Net Assets Held in Trust For Pool Participants

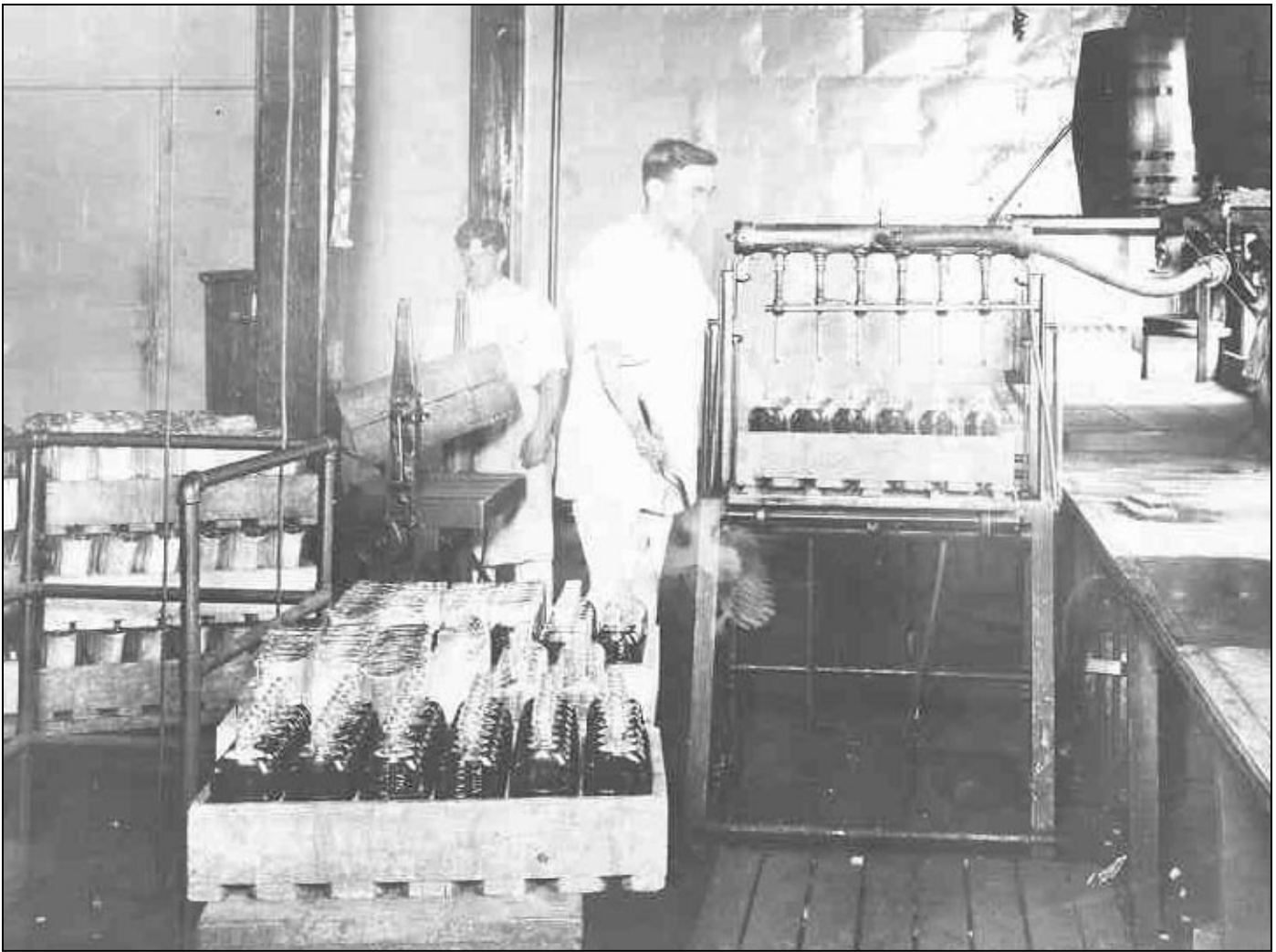
Fiscal Year Ended June 30, 2000
(Amounts in thousands)

	2000	1999
Additions:		
Proceeds from sale of units.....	\$ 5,331,223	\$ 4,289,702
Units issued in reinvestment of distributions from net investment income....	95,064	75,556
Total contributions.....	5,426,287	4,365,258
Net investment income:		
Interest.....	111,673	85,002
Total investment income.....	111,673	85,002
Less: management fees.....	3,775	3,180
Net investment income.....	107,898	81,822
Total additions.....	5,534,185	4,447,080
Deductions:		
Cost of units redeemed.....	51,263,559	3,886,768
Distributions to unit holders from net interest income.....	107,898	81,822
Total deductions.....	51,371,457	3,968,590
Net increase	299,928	478,490
Net assets held in trust for pool participants at beginning of year (fund balance reserved for investment pool participants).....	2,100,546	1,622,056
Net assets held in trust for pool participants at end of year (fund balance reserved for investment pool participants).....	\$ 2,400,474	\$ 2,100,546

Agency Funds
Combining Statement of Changes in Assets and Liabilities
Fiscal Year Ended June 30, 2000
(Amounts in thousands)

	Balance July 1, 1999	Additions	Deductions	Balance June 30, 2000
<u>Central Agency Funds</u>				
ASSETS				
Cash and short-term investments.....	\$ 175,373	\$ 3,330,909	\$ 3,295,698	\$ 210,584
Annuity contracts.....	1,415,716	189,942	199,131	1,406,527
Taxes receivable.....	2,584	1,247	2,584	1,247
Total assets.....	<u>\$ 1,593,673</u>	<u>\$ 3,522,098</u>	<u>\$ 3,497,413</u>	<u>\$ 1,618,358</u>
LIABILITIES				
Accounts payable.....	\$ 6,400	\$ 1,437,586	\$ 1,384,999	\$ 58,987
Due to cities and towns.....	25,260	276,951	275,735	26,476
Due to federal government.....	-	63	63	-
Prizes payable.....	1,415,716	189,942	199,131	1,406,527
Agency liabilities.....	113,867	1,714,623	1,702,122	126,368
Due to component units.....	32,430	-	32,430	-
Total liabilities.....	<u>\$ 1,593,673</u>	<u>\$ 3,619,165</u>	<u>\$ 3,594,480</u>	<u>\$ 1,618,358</u>
 <u>Court Escrow and Client Accounts</u>				
ASSETS				
Cash and short-term investments.....	\$ 77,948	\$ 705,216	\$ 712,663	\$ 70,501
Assets held in trust.....	35,575	34,266	24,207	45,634
Other receivables.....	36,000	44,249	36,000	44,249
Total assets.....	<u>\$ 149,523</u>	<u>\$ 783,731</u>	<u>\$ 772,870</u>	<u>\$ 160,384</u>
LIABILITIES				
Agency liabilities.....	\$ 149,523	\$ 416,919	\$ 406,058	\$ 160,384
Total liabilities.....	<u>\$ 149,523</u>	<u>\$ 416,919</u>	<u>\$ 406,058</u>	<u>\$ 160,384</u>
 <u>Statutory Bonds and Deposits</u>				
ASSETS				
Cash and short-term investments.....	\$ 86	\$ -	\$ -	\$ 86
Assets held in trust.....	1,911,271	225,136	60,094	2,076,313
Total assets.....	<u>\$ 1,911,357</u>	<u>\$ 225,136</u>	<u>\$ 60,094</u>	<u>\$ 2,076,399</u>
LIABILITIES				
Agency liabilities.....	\$ 1,911,357	\$ 225,136	\$ 60,094	\$ 2,076,399
Total liabilities.....	<u>\$ 1,911,357</u>	<u>\$ 225,136</u>	<u>\$ 60,094</u>	<u>\$ 2,076,399</u>

	Balance July 1, 1999	Additions	Deductions	Balance June 30, 2000
<u>Total Agency Funds</u>				
ASSETS				
Cash and short-term investments.....	\$ 253,407	\$ 4,036,125	\$ 4,008,361	\$ 281,171
Annuity contracts.....	1,415,716	189,942	199,131	1,406,527
Assets held in trust.....	1,946,846	259,402	84,301	2,121,947
Taxes receivable.....	2,584	1,247	2,584	1,247
Other receivables.....	36,000	44,249	36,000	44,249
Total assets.....	<u>\$ 3,654,553</u>	<u>\$ 4,530,965</u>	<u>\$ 4,330,377</u>	<u>\$ 3,855,141</u>
LIABILITIES				
Accounts payable.....	\$ 6,400	\$ 1,437,586	\$ 1,384,999	\$ 58,987
Due to cities and towns.....	25,260	276,951	275,735	26,476
Due to federal government.....	-	63	63	-
Prizes payable.....	1,415,716	189,942	199,131	1,406,527
Agency liabilities.....	2,174,747	2,356,678	2,168,274	2,363,151
Due to component units.....	32,430	-	32,430	-
Total liabilities.....	<u>\$ 3,654,553</u>	<u>\$ 4,261,220</u>	<u>\$ 4,060,632</u>	<u>\$ 3,855,141</u>



Children spent relatively little time in school during the early nineteenth century. There were thousands of schoolhouses in the countryside and even more tutorial efforts in individual houses. But learning to read and write was squeezed into a myriad other activities ranging from going to church, to farming, to doing household chores. A coalition of moral reformers reconceptualized the role of schools in the 1830s and 1840s. These reformers distinguished the role of schools from other influences. They invented public schools as a way to cope with the transformations of the era: of work from agriculture to industry, of residence from rural to urban, and of the student body from native-born to (partially) immigrant. This movement began in New England and spread to the rest of the country over the next century.

At the same time, more New Englanders were choosing to postpone their entry into the labor force until they had completed high school. Between 1910 and 1938 the high school graduation rate - the fraction of seventeen-year-olds graduating from high school each year - in New England rose from 16 percent to 60 percent. One important reason for the spectacular rise in high school enrollment and graduation rates after 1900 was a pronounced shift in curriculum. The traditional high school curriculum, which emphasized Greek, Latin, and scientific subjects, was geared primarily to preparing students for college. After 1900, however, communities across the country began to introduce alternative vocational and technical tracks in response to the growing needs of employers for workers able to "read manuals, interpret blue-prints, use complex formulas, and understand the fundamentals of geometry, chemistry, and electricity." Reflecting this shift, enrollment and graduation rates in New England and other non-southern states shot upward, attaining by 1940, levels that would remain in place into the 1960s. The increase in enrollments was especially pronounced for females, many of whom could put their investment in education to immediate use in the expanding area of clerical and office jobs.

Photography of the Lydia Pinkham factory courtesy of Lynn Historical Society
Text from *Engines of Enterprise - An Economic History of New England*, Harvard University Press

University and College Fund Type

This fund type combines, in accordance with the AICPA Audit Guide for College and Universities, the financial activity from all fund types for: the University of Massachusetts System, the State College System, and the Community College System.

University of Massachusetts System includes the campuses at Amherst, Boston, Lowell, Dartmouth and Worcester Medical School campuses, the central administration office and the UMass Building Authority. In addition, the UMass Foundation, UMass Dartmouth Foundation and the Worcester City Campus Corporation (doing business as UMass Health System) are included.

State College System includes the nine state colleges which provide four-year post-secondary education programs and the system's building authority.

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

Community College System includes the fifteen community colleges which provide two-year post secondary education programs.

Berkshire Community College
Bunker Hill Community College
Bristol Community College
Cape Cod Community College
Greenfield Community College
Holyoke Community College
Massasoit Community College
Massachusetts Bay Community College
Middlesex Community College
Mount Wachusett Community College
Northern Essex Community College
North Shore Community College
Quinsigamond Community College
Roxbury Community College
Springfield Technical Community College



The other critical contributors to New England's economic success were a great expansion of higher education and increased productivity resulting from collegiate training. The fraction of the population with a collegiate degree rose dramatically after World War II, and especially after 1970. While educational attainment rose in both New England and the nation, the increase was particularly pronounced in southern New England. The resulting concentration of highly educated people in a small geographic area has created an economy in which human capital increasingly substitutes for physical capital-and in which external economies from shared inputs and knowledge spillovers are more important than firm-level economies of scale.

Photography of Boston Latin Academy courtesy of the Bostonian Society
Text from Engines of Enterprise - An Economic History of New England, Harvard University Press

University And College Fund Type
Combining Balance Sheet

June 30, 2000
(Amounts in thousands)

ASSETS	Current Funds		Loan Funds
	Unrestricted	Restricted	
Cash and short-term investments.....	\$ 123,313	\$ 18,868	\$ 1,409
Deposits.....	-	-	-
Investments.....	237,733	44,998	3,751
Receivables, net of allowance for uncollectibles:			
Due from federal government.....	-	19,946	-
Loans.....	-	-	51,796
Other receivables.....	124,984	45,670	96
Due from other funds.....	82,978	891	158
Inventory.....	12,131	-	-
Fixed assets.....	-	-	-
Other assets.....	12,120	69	-
Total assets.....	\$ 593,259	\$ 130,442	\$ 57,210
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable.....	\$ 59,969	\$ 12,639	\$ 32
Accrued payroll.....	76,561	3,527	-
Compensated absences.....	112,956	1,876	-
Due to other funds.....	84,305	48,445	-
Deferred revenue.....	16,923	1,059	11
Agency liabilities.....	-	4,202	-
Deposits and unearned revenue.....	12,719	1,453	-
Other accrued liabilities.....	69,888	111	-
Capital lease obligations.....	-	-	-
Bonds and notes payable.....	5,597	-	-
Total liabilities.....	438,918	73,312	43
Fund balances:			
Unrestricted.....	154,341	-	-
Restricted.....	-	57,130	57,167
Unexpended plant funds.....	-	-	-
Renewals and replacements.....	-	-	-
Retirement of indebtedness.....	-	-	-
Net investment in plant.....	-	-	-
Total fund balances.....	154,341	57,130	57,167
Total liabilities and fund balances.....	\$ 593,259	\$ 130,442	\$ 57,210

Endowment and Similar Funds	Plant Funds	Totals	
		2000	1999
\$ 6,200	\$ 56,691	\$ 206,481	\$ 186,759
-	153,210	153,210	45,561
155,684	153,654	595,820	446,101
-	-	19,946	19,057
-	-	51,796	50,264
45	14,087	184,882	218,256
20,792	1,662	106,481	81,807
-	-	12,131	11,507
-	2,704,153	2,704,153	2,531,637
7,285	7,807	27,281	23,157
<u>\$ 190,006</u>	<u>\$ 3,091,264</u>	<u>\$ 4,062,181</u>	<u>\$ 3,614,106</u>
\$ 73	\$ 15,942	\$ 88,655	\$ 78,591
-	37	80,125	76,063
-	-	114,832	115,058
-	3,140	135,890	110,796
1,730	123	19,846	14,475
-	-	4,202	4,134
-	144	14,316	11,037
2,404	4,640	77,043	79,733
-	75,031	75,031	80,894
675	501,632	507,904	275,283
<u>4,882</u>	<u>600,689</u>	<u>1,117,844</u>	<u>846,064</u>
37,051	-	191,392	182,554
148,073	-	262,370	243,687
-	67,676	67,676	60,692
-	34,486	34,486	34,867
-	39,405	39,405	29,113
-	2,349,008	2,349,008	2,217,129
<u>185,124</u>	<u>2,490,575</u>	<u>2,944,337</u>	<u>2,768,042</u>
<u>\$ 190,006</u>	<u>\$ 3,091,264</u>	<u>\$ 4,062,181</u>	<u>\$ 3,614,106</u>



Whirlwind began at M.I.T. in the mid 1940's as an attempt to construct an aircraft stability control analyzer for the Navy. Project personnel soon realized a large, complicated computing device would be needed if the project was to produce a machine that simulated a multi-engine aircraft. Whirlwind actually started as an analog computer, but soon the decision was made to go digital. Eventually work on the control analyzer was halted and the staff devoted its full concentration to the computer itself.

By 1950 Whirlwind was in operation at M.I.T.'s Barta Building in Cambridge, using electrostatic storage tubes for memory. Later, magnetic core memory was developed and Whirlwind became the first computer to use the memory device that would become the primary memory for most computers until the mid 1970's.

Although a number of projects used Whirlwind, it became best known for its use with the early stages of the SAGE Air Defense System. The task of developing a computer-controlled intercept system was immense, and Whirlwind was the only existing "brain" large enough at the time to handle the job.

MIT facility and labs, some later spun off as independent nonprofit corporations, continued to engage in defense research through the post World War II era. The many scientists, engineers, and technicians who passed through their doors formed a pool of talent that supported the growth of a host of companies in electronics, computers, and other technically sophisticated industries.



Text and photography courtesy of the Massachusetts Institute of Technology Museum.

General Fixed Assets Account Group

The General Fixed Assets Account Group accounts for the land, buildings, improvements, equipment and construction in progress of the governmental funds.



In contrast to the relatively slow growth of production and employment in New England's textile and footwear industries after 1880, a number of manufacturing industries grew rapidly in the region. Among these, the machinery, instruments, and metal fabricating industries were among the most important for the region's future development. In the years after 1880, the region's machine shops generated a stream of new innovations that were crucial inputs for a diverse array of industries. The companies that emerged and grew in the years after 1880 would provide the foundation for the military and high-tech industries that were central to New England's renaissance in the post-World War II era.

The early concentration of machinery and metalworking employment in New England had encouraged the development of a large supply of skilled machinists. The presence of these skilled workers in turn sustained the competitiveness of the dense network of small machine shops in New England and passed skills on to future generations of workers. Skilled machinists moved readily between shops, honing their skills and developing new ones. Their movements facilitated the rapid diffusion of knowledge about new techniques and allowed individual shops to undertake new projects by hiring workers with the necessary skills.

Critical to New England's postwar success, was its response to the successive waves of competition that struck its key industries. Periodic challenges to major employers were followed by the emergence of replacement activities with higher skill and technology content. Aircraft engines and electronics succeeded textiles. When defense cutbacks in the early 1970s caused these industries to falter, the minicomputer and instruments industries emerged to provide a powerful impetus to growth. And when these, too, began to encounter difficulty, non-manufacturing industries such as computer services, financial services, and health care helped sustain the economy. This succession of industries has been characterized by an increasing dependence upon highly educated professionals and by-products that are increasingly less tangible.

Photography courtesy of
Lynn Historical Society
Text from *Engines of
Enterprise - An Economic
History of New England*,
Harvard University Press



Schedule Of General Fixed Assets By Source

June 30, 2000
(Amounts in thousands)

<u>GENERAL FIXED ASSETS:</u>	2000
Land.....	\$ 579,996
Buildings.....	2,648,198
Machinery and equipment.....	656,206
Construction in progress.....	33,330
Total general fixed assets.....	\$ 3,917,730
<u>INVESTMENT IN GENERAL FIXED ASSETS BY SOURCE:</u>	
Acquired on or before June 30, 1990.....	\$ 1,857,176
Acquired subsequent to June 30, 1990 from:	
General Fund.....	453,848
Special Revenue Funds.....	122,850
Capital Projects Funds.....	1,479,174
Expendable Trust Funds.....	4,682
Total investment in general fixed assets.....	\$ 3,917,730

Sources of general fixed assets acquired on or before June 30, 1990 are not available.

Schedule Of General Fixed Assets By Function

June 30, 2000
(Amounts in thousands)

Function	Land	Buildings	Machinery and Equipment	Total
Legislature.....	\$ -	\$ -	\$ 96	\$ 96
Judiciary.....	1,357	397,235	5,797	404,389
Inspector General.....	-	-	64	64
Governor and Lieutenant Governor.....	-	-	146	146
Secretary of the Commonwealth.....	15	18,202	2,120	20,337
Sheriff's department.....	3,418	216,691	5,785	225,894
Treasurer and Receiver - General.....	-	-	47,101	47,101
Auditor of the Commonwealth.....	-	-	435	435
Attorney General.....	-	-	888	888
Ethics Commission.....	-	-	71	71
District Attorney.....	-	-	2,199	2,199
Comptroller.....	-	-	199	199
Administration and finance.....	10,958	462,747	262,182	735,887
Environmental affairs.....	470,709	114,286	57,097	642,092
Communities and development.....	-	-	617	617
Health and human services.....	38,721	795,006	76,046	909,773
Transportation and construction.....	32,406	35,841	80,205	148,452
Education.....	-	-	1,827	1,827
Higher education.....	-	-	566	566
Public safety.....	22,214	607,378	97,600	727,192
Economic development.....	40	-	1,234	1,274
Elder affairs.....	-	-	136	136
Consumer affairs.....	-	-	1,539	1,539
Labor.....	158	812	12,256	13,226
Total by function.....	<u>\$ 579,996</u>	<u>\$ 2,648,198</u>	<u>\$ 656,206</u>	3,884,400
Construction in progress.....				<u>33,330</u>
Total general fixed assets.....				<u>\$ 3,917,730</u>

Schedule Of Changes In General Fixed Assets By Function

Fiscal Year Ended June 30, 2000
(Amounts in thousands)

Function and activity	General Fixed Assets July 1, 1999	Additions	Retirements	General Fixed Assets June 30, 2000
Legislature.....	\$ 96	\$ -	\$ -	\$ 96
Judiciary.....	399,287	5,102	-	404,389
Inspector General.....	64	-	-	64
Governor and Lieutenant Governor.....	146	-	-	146
Secretary of the Commonwealth.....	20,607	-	270	20,337
Sheriff's department.....	43,702	182,887	695	225,894
Treasurer and Receiver - General.....	45,491	1,610	-	47,101
Auditor of the Commonwealth.....	381	54	-	435
Attorney General.....	888	-	-	888
Ethics Commission.....	71	-	-	71
District Attorney.....	2,199	-	-	2,199
Comptroller.....	159	44	4	199
Administration and finance.....	660,742	304,722	229,577	735,887
Environmental affairs.....	620,469	22,780	1,157	642,092
Communities and development.....	617	-	-	617
Health and human services.....	1,065,133	23,469	178,829	909,773
Transportation and construction.....	141,671	16,413	9,632	148,452
Education.....	1,602	225	-	1,827
Higher education.....	431	138	3	566
Public safety.....	713,485	16,803	3,096	727,192
Economic development.....	1,234	40	-	1,274
Elder affairs.....	48	88	-	136
Consumer affairs.....	1,182	457	100	1,539
Labor.....	24,115	6,625	17,514	13,226
Total by function.....	3,743,820	581,457	440,877	3,884,400
Construction in progress.....	79,858	232,559	279,087	33,330
Total general fixed assets.....	<u>\$ 3,823,678</u>	<u>\$ 814,016</u>	<u>\$ 719,964</u>	<u>\$ 3,917,730</u>

Statistical Section



*Ten-Year Schedule of Revenues and Other Financing Sources -
All Governmental Fund Types*

*Ten-Year Schedule of Expenditures and Other Financing Uses by Secretariat -
All Governmental Fund Types*

*Ten-Year Schedule of Percentage of Annual Debt Service Expenditures
for General Bonded Debt To Total Expenditures -
All Governmental Fund Types*

*Ten-Year Schedule of Per Capita General Long-Term Bonded Debt
Component Units Revenue Bond Coverage for the Last Ten Fiscal Years*

Calculation of Transfers - Stabilization Fund

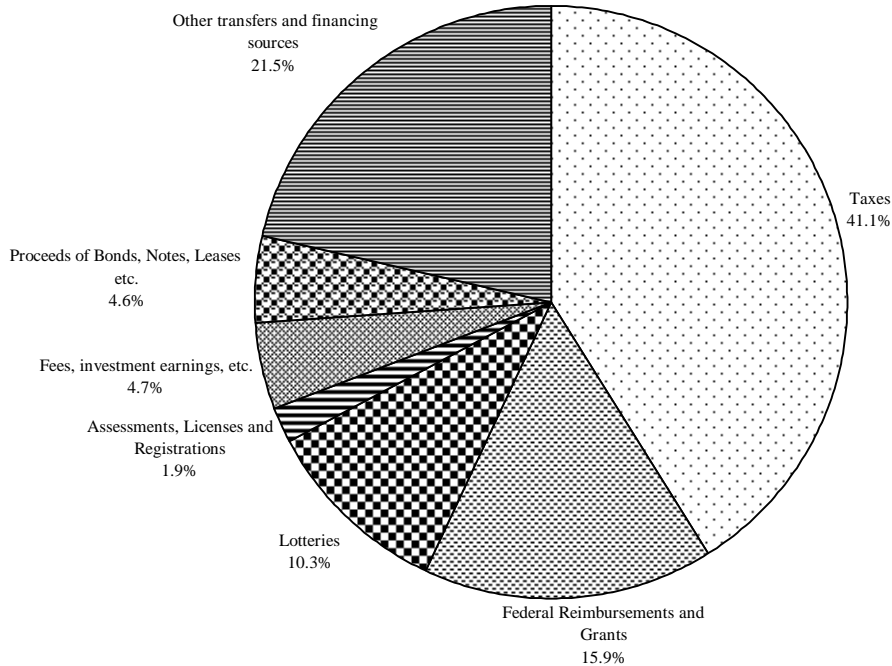
Calculation of Transfers - Tax Reduction Fund

Ten-Year Schedule Of Revenues And Other Financing Sources
All Governmental Fund Types

June 30, 2000
(Amounts in millions)

	2000	% Total	1999	% Total	1998	% Total	1997	% Total
Taxes.....	\$ 15,695	41.1	\$ 14,321	43.0	\$ 14,033	44.9	\$ 13,030	47.7
Federal reimbursements.....	4,496	11.8	4,213	12.7	4,385	14.0	4,124	15.1
Federal grants.....	1,565	4.1	1,456	4.4	1,470	4.7	1,457	5.3
Lotteries.....	3,914	10.3	3,570	10.7	3,392	10.9	3,375	12.3
Assessments.....	462	1.2	546	1.6	514	1.6	552	2.0
Motor vehicle licenses and registrations.....	285	0.7	281	0.8	295	0.9	295	1.1
Fees, investment earnings, etc.....	1,776	4.7	1,433	4.3	1,394	4.5	930	3.4
Proceeds of dedicated income tax bonds.....	-	-	-	-	-	-	-	-
Proceeds of general obligation bonds.....	1,762	4.6	1,015	3.0	1,347	4.3	899	3.3
Proceeds of special obligation bonds.....	-	-	-	-	100	0.3	-	-
Proceeds of grant anticipation notes.....	-	-	319	1.0	-	-	-	-
Proceeds of refunding bonds.....	-	-	499	1.5	862	2.8	723	2.6
Proceeds of capital lease.....	9	-	9	0.1	15	0.1	62	0.2
Operating transfers.....	8,104	21.2	4,555	13.7	3,338	10.7	1,920	7.0
Other financing sources.....	106	0.3	1,056	3.2	104	0.3	6	-
Total revenues and other financing sources.....	\$ 38,174	100.0	\$ 33,273	100.0	\$ 31,249	100.0	\$ 27,373	100.0

**Apportionment of Revenues by Source -
Fiscal Year Ended June 30, 2000**



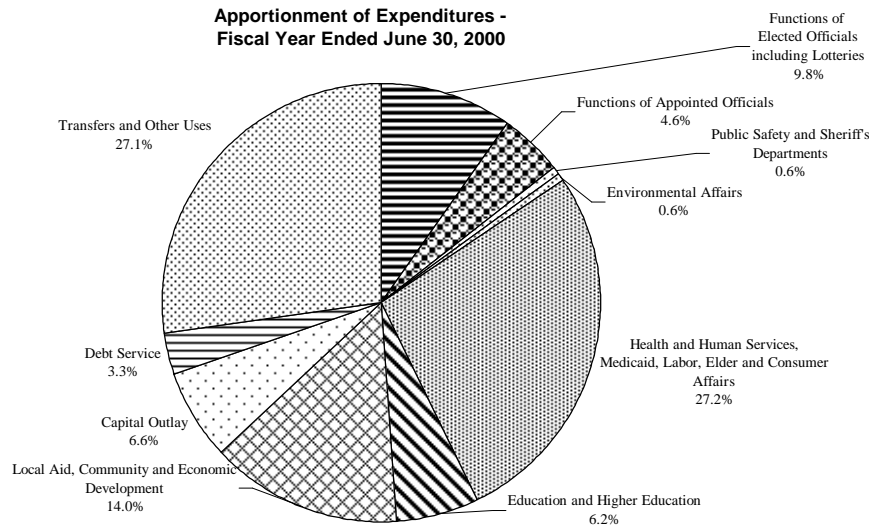
1996	% Total	1995	% Total	1994	% Total	1993	% Total	1992	% Total	1991	% Total
\$ 11,926	47.5	\$ 11,262	45.9	\$ 10,611	45.7	\$ 10,021	44.9	\$ 9,479	45.6	\$ 9,143	41.1
3,861	15.4	4,174	17.0	3,904	16.8	3,376	15.1	3,021	14.5	3,075	13.8
1,482	5.9	1,187	4.8	1,205	5.2	1,118	5.0	1,199	5.8	1,088	4.9
3,201	12.8	2,957	12.0	2,600	11.2	2,148	9.6	1,831	8.8	1,692	7.8
595	2.4	572	2.3	544	2.3	597	2.7	787	3.8	1,542	6.9
263	1.0	307	1.3	284	1.2	331	1.5	300	1.4	290	1.3
1,110	4.4	1,154	4.7	1,113	4.8	1,215	5.4	1,710	8.2	1,455	6.5
-	-	-	-	-	-	-	-	-	-	1,363	6.1
940	3.7	810	3.3	392	1.7	368	1.7	721	3.4	1,030	4.7
147	0.6	-	-	298	1.3	-	-	100	0.5	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	514	2.1	836	3.6	1,891	8.5	574	2.8	-	-
26	0.1	18	0.1	34	0.1	13	0.1	17	0.1	28	0.1
1,551	6.2	1,534	6.3	1,367	5.9	1,177	5.3	1,021	4.9	1,477	6.6
-	-	49	0.2	35	0.2	46	0.2	47	0.2	36	0.2
<u>\$ 25,102</u>	<u>100.0</u>	<u>\$ 24,538</u>	<u>100.0</u>	<u>\$ 23,223</u>	<u>100.0</u>	<u>\$ 22,301</u>	<u>100.0</u>	<u>\$ 20,807</u>	<u>100.0</u>	<u>\$ 22,219</u>	<u>100.0</u>

**Ten-Year Schedule Of Expenditures And Other Financing Uses By Secretariat
All Governmental Fund Types**

June 30, 2000
(Amounts in millions)

	2000	% Total	1999	% Total	1998	% Total	1997	% Total
Legislature.....	\$ 51	0.1	\$ 51	0.2	\$ 51	0.2	\$ 49	0.2
Judiciary.....	544	1.4	511	1.6	470	1.5	433	1.6
Inspector General.....	2	-	2	-	2	-	2	-
Governor and Lieutenant Governor.....	6	-	5	-	5	-	5	-
Secretary of the Commonwealth.....	42	0.1	33	0.1	23	0.1	17	0.1
Treasurer and Receiver-General.....	3,483	9.2	2,783	8.6	2,649	8.7	2,711	10.0
Auditor of the Commonwealth.....	15	-	14	-	14	-	12	-
Attorney General.....	34	0.1	49	0.2	41	0.1	5	-
Ethics Commission.....	1	-	1	-	1	-	1	-
District Attorney.....	77	0.2	72	0.2	68	0.2	62	0.2
Office of Campaign and Political Finance.....	1	-	1	-	1	-	1	-
Sheriff's Department.....	178	0.5	134	0.4	40	0.1	-	-
Disabled Persons Protection Commission.....	2	-	2	-	2	-	1	-
Board of Library Commissioners.....	10	-	10	-	9	-	6	-
Comptroller.....	8	-	8	-	7	-	7	-
Administration and finance.....	1,192	3.1	1,056	3.3	1,058	3.5	937	3.5
Environmental affairs.....	241	0.6	232	0.7	216	0.7	196	0.7
Communities and development.....	405	1.1	356	1.1	351	1.2	344	1.3
Health and human services.....	5,324	14.0	5,160	15.9	5,058	16.6	4,507	16.7
Transportation and construction.....	228	0.6	137	0.4	117	0.4	151	0.6
Education.....	1,353	3.6	1,263	3.9	1,153	3.8	1,026	3.8
Educational affairs.....	111	0.3	-	-	-	-	-	-
Higher education.....	879	2.3	97	0.3	82	0.3	90	0.3
Public safety.....	38	0.1	860	2.6	853	2.8	860	3.2
Economic development.....	217	0.6	57	0.2	31	0.1	33	0.1
Elder affairs.....	70	0.2	197	0.6	179	0.6	174	0.6
Consumer affairs.....	188	0.5	68	0.2	57	0.2	37	0.1
Labor.....	4,381	11.5	166	0.5	186	0.6	189	0.7
Medicaid.....	398	1.0	3,829	11.8	3,638	12.0	3,497	13.0
Pension.....	-	-	324	1.0	414	1.4	413	1.5
Direct local aid.....	4,717	12.4	4,405	13.6	4,047	13.3	3,677	13.6
Capital outlay:	-	-	-	-	-	-	-	-
Local aid.....	47	0.1	73	0.2	102	0.3	181	0.7
Capital acquisition and construction.....	2,469	6.5	2,602	8.0	2,532	8.3	2,051	7.6
Debt service.....	1,237	3.3	1,212	3.7	1,215	4.0	1,278	4.7
Other financing uses:	-	-	-	-	-	-	-	-
Payments to refunded bond escrow agent.....	-	-	499	1.5	862	2.8	723	2.7
Transfers.....	10,073	26.5	6,193	19.1	4,883	16.1	3,311	12.3
Total expenditures and other financing uses.....	\$ 38,022	100.0	\$ 32,462	100.0	\$ 30,417	100.0	\$ 26,987	100.0

**Apportionment of Expenditures -
Fiscal Year Ended June 30, 2000**



	1996	% Total	1995	% Total	1994	% Total	1993	% Total	1992	% Total	1991	% Total
\$	49	0.2	\$ 47	0.2	\$ 43	0.2	\$ 41	0.2	\$ 44	0.2	\$ 40	0.2
	404	1.7	356	1.5	338	1.5	306	1.4	315	1.6	298	1.4
	2	-	2	-	1	-	1	-	1	-	1	-
	5	-	5	-	4	-	4	-	4	-	4	-
	15	0.1	14	0.1	12	0.1	14	0.1	12	0.1	13	0.1
	2,576	10.5	2,353	9.7	2,052	8.9	1,659	7.4	1,379	6.8	1,290	6.0
	13	-	11	-	11	-	10	-	10	-	11	0.1
	29	0.1	22	0.1	38	0.2	36	0.2	18	0.1	89	0.4
	1	-	1	-	1	-	1	-	1	-	1	-
	55	0.2	51	0.2	47	0.2	44	0.2	39	0.2	42	0.2
	1	-	1	-	1	-	-	-	1	-	1	-
	-	-	-	-	-	-	-	-	-	-	-	-
	1	-	1	-	2	-	-	-	-	-	-	-
	4	-	5	-	5	-	5	-	4	-	21	0.1
	7	-	6	-	6	-	6	-	5	-	5	-
	943	3.9	876	3.6	863	3.7	682	3.0	833	4.1	878	4.1
	205	0.8	174	0.7	169	0.7	162	0.7	141	0.7	172	0.8
	347	1.4	340	1.4	358	1.6	364	1.6	397	2.0	410	1.9
	4,606	18.8	4,813	19.8	4,327	18.8	4,034	18.3	4,007	19.7	5,011	23.4
	155	0.6	112	0.5	120	0.5	273	1.2	92	0.5	176	0.8
	958	3.9	865	3.6	458	2.0	469	2.1	392	1.9	339	1.6
	14	0.1	6	-	3	-	10	-	17	-	-	-
	80	0.3	75	0.3	67	0.3	69	0.3	1,288	6.3	1,211	5.7
	841	3.4	732	3.0	693	3.0	611	2.7	658	3.2	148	0.7
	111	0.5	199	0.8	214	0.9	210	0.9	194	1.0	169	0.8
	155	0.6	161	0.7	155	0.7	150	0.7	137	0.7	143	0.7
	35	0.1	34	0.1	33	0.1	30	0.1	27	0.1	32	0.1
	121	0.5	24	0.1	24	0.1	24	0.1	19	0.1	21	0.1
	3,241	13.3	3,252	13.4	3,216	14.0	3,151	14.0	2,853	14.3	2,872	13.4
	382	1.6	414	1.7	830	3.6	893	4.0	751	3.7	706	3.3
	3,351	13.7	3,073	12.6	2,727	11.8	2,547	11.3	2,278	11.2	2,608	12.2
	116	0.5	94	0.4	100	0.4	105	0.5	87	0.4	226	1.1
	1,673	6.8	1,698	7.0	1,464	6.4	1,133	5.0	1,157	5.7	945	4.4
	1,192	4.9	1,234	5.1	1,152	5.0	1,143	5.1	901	4.4	1,407	6.6
	-	-	514	2.1	836	3.6	1,891	8.4	574	2.8	-	-
	2,753	11.3	2,732	11.2	2,651	11.5	2,364	10.5	1,654	8.2	2,098	9.8
\$	24,441	100.0	\$ 24,297	100.0	\$ 23,021	100.0	\$ 22,442	100.0	\$ 20,290	100.0	\$ 21,388	100.0

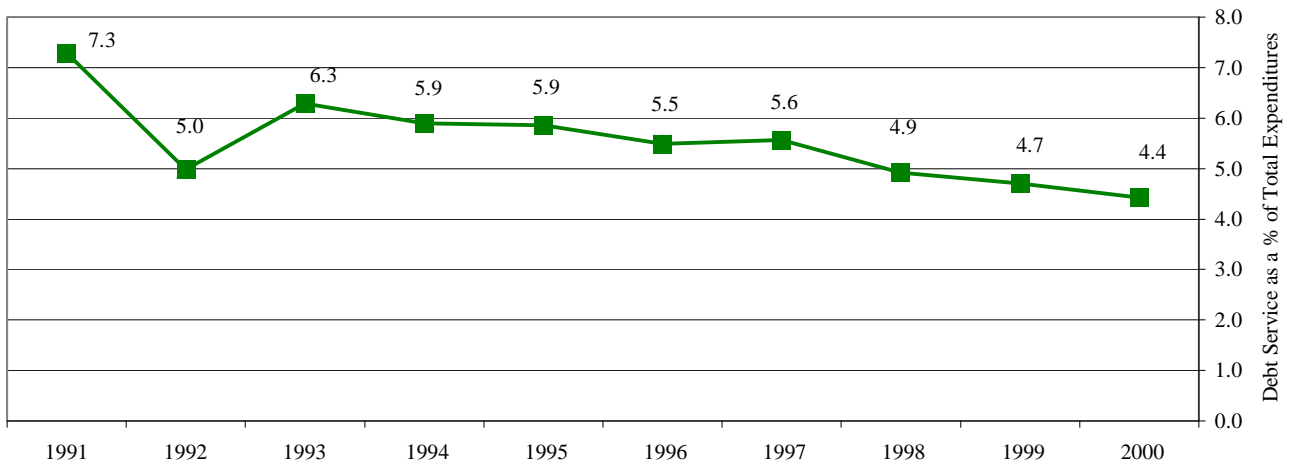
**Ten-Year Schedule Of Percentage Of Annual Debt Service Expenditures
For General Bonded Debt To Total Expenditures
All Governmental Fund Types**

(Amounts in millions)

Fiscal year ended June 30	Debt service	Total expenditures ⁽¹⁾	Ratio
2000	\$ 1,237	\$ 27,949	4.4
1999	1,212	25,772	4.7
1998	1,215	24,672	4.9
1997	1,278	22,953	5.6
1996	1,192	21,688	5.5
1995	1,234	21,051	5.9
1994	1,151	19,534	5.9
1993	1,143	18,187	6.3
1992	901	18,062	5.0
1991	1,407	19,290	7.3

(1) Expenditures related to Higher Education in fiscal years subsequent to 1992 are presented in the University and College Fund Type. Prior years expenditures have not been restated to conform to this presentation.

Debt Service to Total Expenditures Ratio 1991 - 2000



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

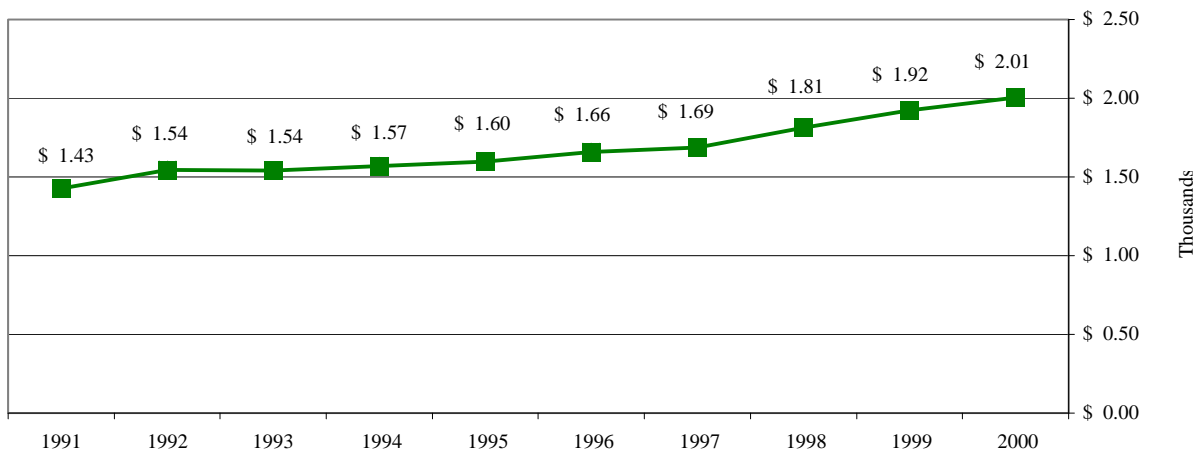
(Amounts in thousands)

Fiscal year ended June 30	Massachusetts Resident Population ⁽¹⁾	Total long- term bonds and notes payable	Per capita long-term debt
2000	6,175	\$ 12,383,101	\$ 2.01
1999	6,144	11,808,461	1.92
1998	6,115	11,078,603	1.81
1997	6,085	10,271,294	1.69
1996	6,062	10,065,578	1.66
1995	6,031	9,628,466	1.60
1994	6,011	9,427,745	1.57
1993	5,993	9,231,458	1.54
1992	5,999	9,264,430	1.54
1991	6,019	8,580,339	1.43

(1) Population estimates have been restated to most current Massachusetts Institute of Socio-Economic Research (MISER) data. Population data is reported as of 7/1 of the previous year. *Source: - MISER*

Per Capita Direct Commonwealth Debt 1991 - 2000

(thousands)



Component Units Revenue Bond Coverage For The Last Ten Fiscal Years

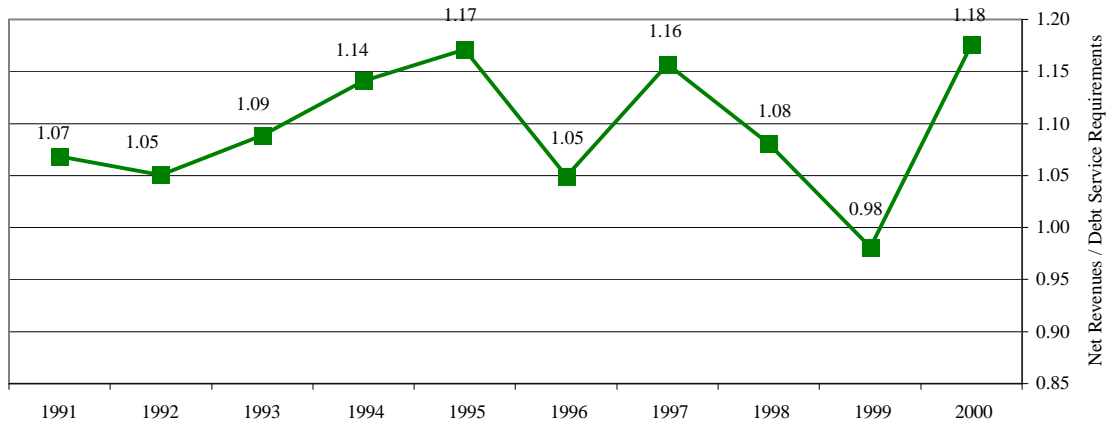
(Amounts in thousands)

Fiscal year ended June 30	Net revenues ⁽¹⁾	Debt service requirements ⁽²⁾	Coverage Ratio
2000	\$ 600,812	\$ 510,876	1.18
1999	393,785	401,406	0.98
1998	372,672	344,884	1.08
1997	328,608	283,975	1.16
1996	288,599	275,068	1.05
1995	272,308	232,473	1.17
1994 ⁽³⁾	220,185	192,975	1.14
1993	332,195	305,156	1.09
1992	310,372	295,389	1.05
1991	278,822	260,982	1.07

- (1) Net revenues represent the regular recurring operating income (loss) plus operating grants, transfers and depreciation of only those Authorities with revenue bonds outstanding.
- (2) Debt service requirements represent total debt service payments made less debt service paid on short-term borrowings of only those Authorities with revenue bonds outstanding.
- (3) Amounts are reflective of the implementation of the Governmental Accounting Standards Board Statement No. 14, "The Reporting Entity." Prior years have not been restated for incorporation of the new list of component unit.

Source: Office of the Comptroller.

Component Units Revenue Bond Coverage 1991 - 2000



Calculation Of Transfers: Stabilization Fund

June 30, 2000
(Amounts in thousands)

This statement is prepared on the statutory basis of accounting pursuant to General Law Chapter 29, Section 5c, Chapter 87 and Chapter 236, Section 79 of the Acts of 2000. It presents information contained in the official books and accounting records of

Part 1: Chapter 236, Section 79 of the Acts of 2000 directs the Comptroller "to the extent possible eliminate deficits in any fund contributing to the surplus by transferring positive fund balances from any other fund contributing to the surplus."

Undesignated fund balance (deficit) in the Operating Funds:

	Before Deficit Transfers	Deficit Transfers	Total
General Fund	\$ 3,703,797	\$(2,979,782)	\$ 724,015
Highway Fund	(388,205)	388,205	-
Local Aid Fund	(2,545,629)	2,591,577	45,948
Undesignated fund balance after the transfers.....			\$ 769,963
Available to carry forward to subsequent fiscal year (per Schedule A).....			78,511
Consolidated net surplus before final statutory transfers.....			691,452

Part 2: Transfers to Debt Defeasance Trust Fund:

From the General Fund [according to Chapter 87 Sec. 13 (b)].....	250,000
From the General Fund [according to Chapter 87 Sec. 13 (c)].....	250,000
Consolidated net surplus before transfer to Capital Projects Fund.....	191,452

Part 3: Calculation of transfers to Capital Projects Fund:

Transfer from General Fund to Capital Project Fund (per Schedule B):.....	76,581
Net Consolidated surplus available for Stabilization Fund.....	\$ 114,871

Part 4: Calculation of transfers to Stabilization Fund:

From the General Fund, @ 60%.....	\$ 68,923
From the Local Aid Fund, @ 40%.....	45,948
Total Transfers.....	\$ 114,871

(Continued)

Part 5: Status of Consolidated Net Surplus after Stabilization Fund transfers and Chapter 236 adjustment:

Undesignated fund balance:	
General Fund.....	\$ 78,511
Highway Fund.....	-
Local Aid Fund	-
	<hr/>
Consolidated Net Surplus.....	\$ 78,511
	<hr/> <hr/>

Part 6: Status of Stabilization Fund after transfers:

Reserved for Stabilization - Balance as of June 30, 2000 before the transfers	\$ 1,493,511
FY2000 Calculated Transfers to Stabilization Fund (per Part 4)	114,871
	<hr/>
Reserved for Stabilization after the transfers.....	\$ 1,608,382
	<hr/> <hr/>

Part 7: Amounts reserved for Capital Projects:

Reserved for Capital Projects - Balance as of June 30, 2000 before the transfers	\$ -
FY2000 Calculated Transfers to Capital Projects Fund (per Part 3)	76,581
	<hr/>
Balance available.....	\$ 76,581
	<hr/> <hr/>

Calculation Of Transfers: Tax Reduction Fund

June 30, 2000
(Amounts in thousands)

This statement is prepared pursuant to Chapters 29 and 29B of the Massachusetts General Laws. It is prepared on the statutory basis of accounting and presents information contained in the official books and accounting records of the Commonwealth. Support

The computation is as follows:

Part 1: Comparison of Stabilization Fund, after current fiscal year transfers, to 7.5% of Budgeted Revenues and Other Financial Resources:

Undesignated Fund Balance in the Stabilization Fund.....	\$ 1,608,382
Allowable Stabilization Balance (per Schedule C).....	1,694,032
Stabilization Fund Excess, if any, transferable to Tax Reduction Fund.....	\$ -

Part 2: Status of Stabilization Fund after transfers:

Stabilization Fund Balance.....	\$ 1,608,382
Transfer to Tax Reduction Fund.....	-
Stabilization Fund Balance after transfer to Tax Reduction Fund.....	\$ 1,608,382

Part 3: Status of Tax Reduction Fund after transfers:

Tax Reduction Fund Balance.....	\$ 7,203
Transfers from Stabilization Fund.....	-
Tax Reduction Fund Balance after transfers.....	\$ 7,203



The Central Artery/ Ted Williams, a project of the Massachusetts Turnpike Authority, is the largest, most complex and technologically challenging highway project in American history.

The Charles River bridge will be the widest cable stayed bridge in the world, and the first in the United States with an asymmetrical, hybrid design. The new bridge will serve as a spectacular landmark gateway to downtown Boston.

With its graceful lines and 270-foot towers, the cable-stayed bridge will be a symbolic landmark fusing Boston's future with its historic past. Swiss bridge designer Christian Menn conceived the bridge to reflect, with its inverted Y-shaped towers, the shape of the Bunker Hill Monument in neighboring Charlestown.

In addition to being the widest stayed bridge in the world, the bridge will be the first hybrid cable-stayed bridge in the United States, using both steel and concrete in its frame. The main span will consist of a steel box girder and steel floor beams, while the back spans will contain post-tensioned concrete.

Photography and text courtesy of the Massachusetts Turnpike Authority.

The Central Artery/Tunnel Project's Operations Control Center (OCC) in South Boston contains the most advanced electronic traffic monitoring and incident response system in the world. Using a wide array of Intelligent Transportation System (ITS) devices, the OCC will monitor traffic in the I-90/I-93 system of tunnels, ramps, and surface highways in downtown Boston, as well as in the Sumner, Callahan, Prudential, and City Square tunnel and on I-90 (the Massachusetts Turnpike) out to Route 128.

Information from the highway system is fed to the OCC building in South Boston. The control room consists of two amphitheater rows of five workstations each, facing a wall-sized rear projection screen and a bank of 54 color monitors. Each operator workstation includes two computer screens flanked by three monitors to provide multiple camera views during incidents.



Photography and text courtesy of the Massachusetts Turnpike Authority.

Other Economic Data



The ability of Massachusetts to compete in today's global economy depends on a transportation system able to move people and goods swiftly and cost-effectively. To meet these demands, Massport is undertaking the largest facility improvement effort in its history. Key, is the modernization of Logan International Airport, the economic engine of New England, which directly contributes more than \$5 billion to the region's economy and is a vital resource for thousands of businesses that depend on efficient and reliable air service.

More than 9,000 jobs are tied to maritime operations at the Port of Boston, which handles more than a million tons of cargo each year valued at more than \$5 billion. Massport continues to improve the Port of Boston, which has been the region's lifeline to the world for more than 350 years, and continues to make New England a lead player on the global stage.

Together with the important investments Massport is making to Worcester Regional Airport, L.G. Hanscom Field and the Tobin Memorial Bridge, Massport facilities form a strategic transportation network that will power the New England economy for decades to come.

Photography and text courtesy of Massport.

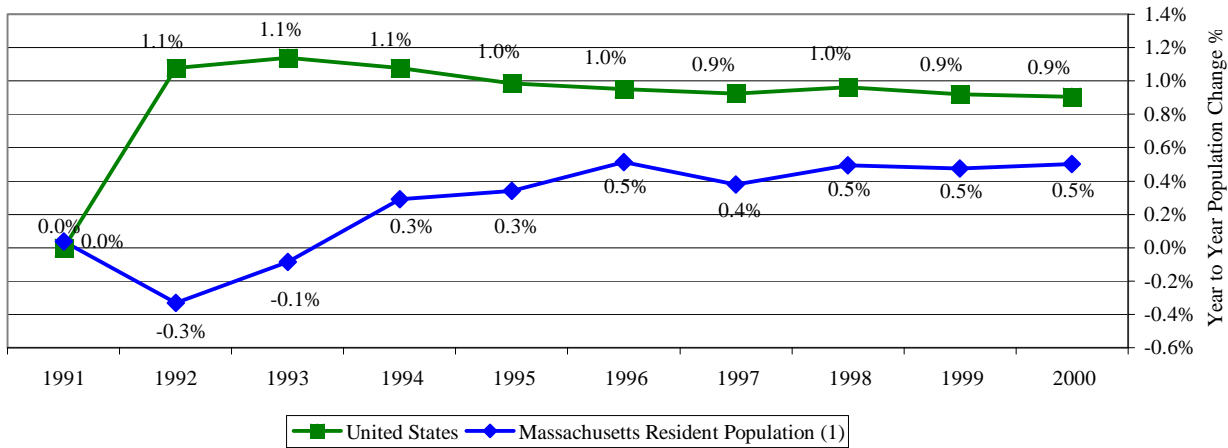
Ten-Year Schedule Of Massachusetts And United States Resident Population

(Amounts in thousands)

Year	United States	% Change	Massachusetts Resident Population ⁽¹⁾	% Change	Massachusetts as % of U.S.
2000	272,691	0.9%	6,175	0.5%	2.3%
1999	270,248	0.9%	6,144	0.5%	2.3%
1998	267,784	1.0%	6,115	0.5%	2.3%
1997	265,229	0.9%	6,085	0.4%	2.3%
1996	262,803	1.0%	6,062	0.5%	2.3%
1995	260,327	1.0%	6,031	0.3%	2.3%
1994	257,783	1.1%	6,011	0.3%	2.3%
1993	255,030	1.1%	5,993	-0.1%	2.4%
1992	252,153	1.1%	5,999	-0.3%	2.4%
1991	249,464	0.0%	6,019	0.0%	2.4%

(1) Population estimates have been restated to most current Massachusetts Institute of Socio-Economic Research (MISER) data. Population data is reported as of 7/1 of the previous year. *Source: - MISER*

**Massachusetts and United States Estimated Year- to- Year Population Change
1991 - 2000**

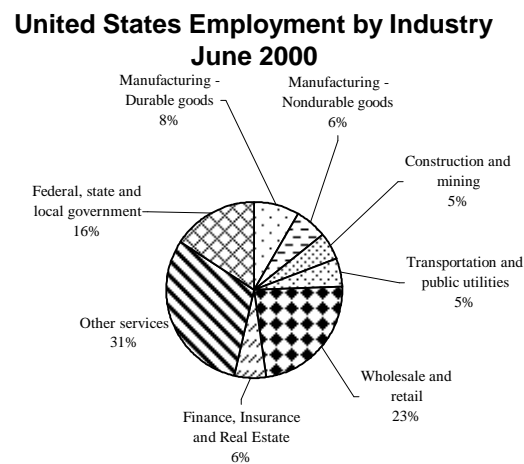
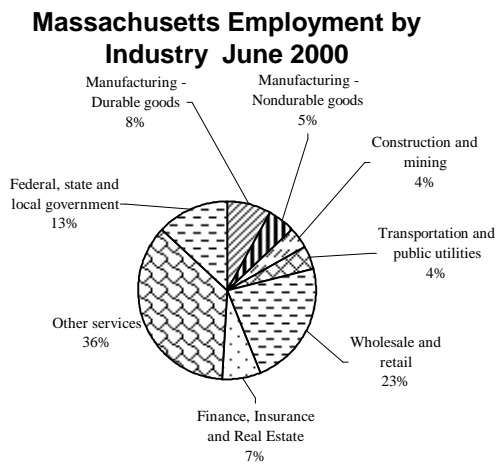


Nonagricultural Employment By Industry In Massachusetts And The United States For 2000

(Amounts in thousands)

Type of industry	Massachusetts	% of MA Total	United States	% of U.S. Total	MA % vs. U.S. %
Manufacturing:					
Durable goods	269	8.2%	11,121	8.5%	96.8%
Nondurable goods	162	4.9%	7,367	5.6%	88.2%
Total manufacturing	431	13.1%	18,488	14.0%	93.3%
Non-manufacturing:					
Construction and mining	126	3.8%	6,673	5.1%	75.6%
Transportation and public utilities	140	4.3%	6,979	5.3%	80.4%
Wholesale and retail	744	22.6%	30,700	23.3%	97.0%
Finance, Insurance and Real Estate	228	6.9%	7,593	5.8%	120.2%
Other services	1,191	36.2%	40,360	30.7%	118.1%
Federal, state and local government	428	13.0%	20,808	15.8%	82.4%
Total Non-manufacturing	2,859	86.9%	113,113	86.0%	101.1%
Total	3,290	100.0%	131,601	100.0%	

Source: - Federal Reserve Bank of Boston, "New England Economic Indicators." August 2000 edition reflecting June 2000 results.



**Ten Largest Massachusetts Industries
By Number Of Employees As Of June, 2000**

(Amounts in thousands)

<u>Industry</u>	<u>Employees</u>
Services	1,191
Wholesale and retail trade	744
Manufacturing - durable good	269
Local government	264
Finance, insurance and real estate	228
Manufacturing - nondurable good	162
Transportation and public utilities	140
Construction and mining	126
State government	103
Federal government	61

Source: - Federal Reserve Bank of Boston, "New England Economic Indicators." August 2000 edition reflecting June 2000 results, Massachusetts Department of Employment and Training

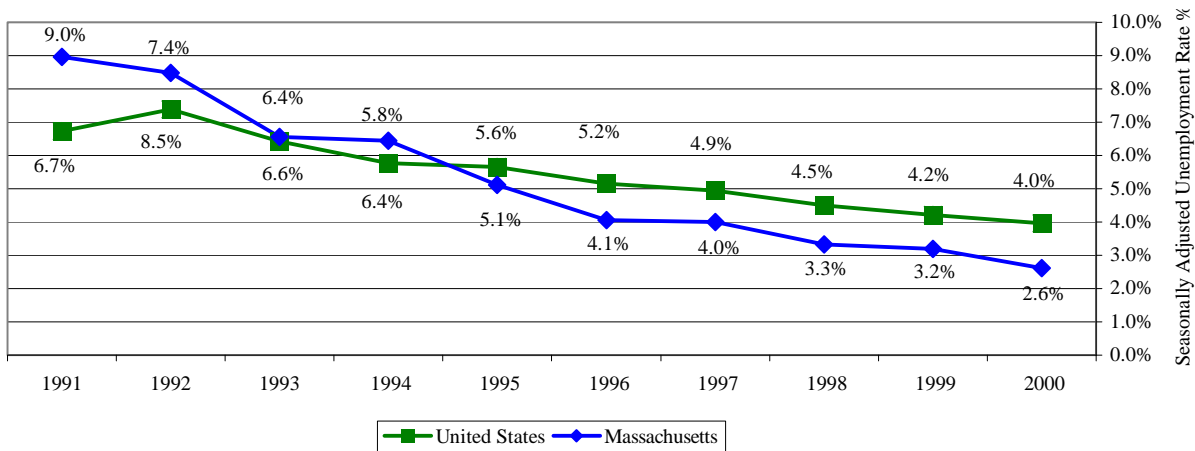
Ten-Year Schedule Of Annual Average Civilian Labor Force, Unemployment And Unemployment Rates For Massachusetts And The United States

(Amounts in thousands)

Year	Massachusetts			United States			Massachusetts Rate as % of U.S. Rate
	Labor Force	Unemployment	Unemployment Rate %	Labor Force	Unemployment	Unemployment Rate %	
2000	3,287	86	2.6%	140,762	5,583	4.0%	65.9%
1999	3,278	105	3.2%	139,369	5,876	4.2%	75.8%
1998	3,273	109	3.3%	137,665	6,202	4.5%	73.9%
1997	3,261	131	4.0%	136,290	6,725	4.9%	81.2%
1996	3,176	129	4.1%	134,574	6,948	5.2%	78.7%
1995	3,161	162	5.1%	132,440	7,476	5.6%	90.8%
1994	3,183	205	6.4%	131,836	7,600	5.8%	111.7%
1993	3,158	207	6.6%	128,633	8,252	6.4%	102.2%
1992	3,126	265	8.5%	126,983	9,384	7.4%	114.7%
1991	3,127	280	9.0%	125,303	8,426	6.7%	133.2%

Source: - Federal Reserve Bank of Boston, "New England Economic Indicators." August 2000 edition reflecting June 2000 results.

**Massachusetts and United States Unemployment Rates
1991 - 2000**



Twenty-Five Largest Private Sector Massachusetts Employers

<u>Employer</u>	<u>Headquarters</u>	<u>Product or Service</u>	<u>Massachusetts Employees</u>	<u>1999 Revenues (\$millions)</u>
Liberty Mutual Fire Insurance Company, Inc	Boston	Insurance	22,000	\$ 13,568
FMR Co. (Fidelity)	Boston	Investments	8,500	Privately Held
State Street Bank & Trust Co. (Subsidiary of State Street Corp.)	Boston	Banking	7,619	3,119
Brigham and Women's Hospital, Inc	Boston	Hospital	7,500	767
Putnam Investment	Boston	Investments	6,000	Privately Held
Raytheon Constructors International, Inc (Subsidiary of Raytheon Engineers & Constructors International)	Lexington	Electronics / Defense	6,000	19,841
Beth Israel Deaconess Medical Center, Inc	Boston	Hospital	5,000	737
Massachusetts Mutual Life Insurance Co	Springfield	Insurance	5,000	12,466
John Hancock Life Insurance Company, Inc	Boston	Insurance	4,650	7,858
Baystate Medical Center, Inc	Springfield	Hospital	4,400	392
Children's Hospital Corp	Boston	Hospital	3,832	461
General Hospital Corp (Massachusetts General Hospital)	Boston	Hospital	3,647	888
New England Medical Center Hospitals, Inc	Boston	Hospital	3,620	179
Lahey Clinic	Burlington	Hospital	3,500	700
CGU Corp (Subsidiary of CGU International Insurance PLC, England)	Boston	Insurance	3,430	Not Available
Liberty International Holdings, Inc (Subsidiary of Liberty Mutual Insurance Co)	Boston	Insurance	3,400	See Liberty Mutual above
Caritas Christi Inc	Boston	Hospital	3,000	5
Dennison Manufacturing Co. (Subsidiary of Avery Denison Corp.)	Framingham	Office Products	3,000	500
American Employer's Insurance Co., Inc. (Subsidiary of CGU Corporation)	Boston	Insurance	2,930	See CGU Corp above
Tufts Associated Health Maintenance Organization Inc	Waltham	HMO	2,750	2,000
Bank Boston NA (Subsidiary of Fleet Boston Corp)	Boston	Banking	2,715	13,052
Boston Medical Center Corp	Boston	Hospital	2,600	506
Digital Equipment Corp (Subsidiary of Compaq Computer Corp)	Maynard	Computers	2,500	5,990
Fleet Boston Corp	Boston	Banking	2,500	above
Globe Newspaper Co Inc (Subsidiary of New York Times Co Inc)	Boston	Newspaper	2,500	600

Sources: - Rankings - "D & B Business Rankings," 2000 Edition, Dun & Bradstreet. Page 102. Courtesy of the Kirstein Business Branch of the Boston Public Library. Revenue - D & B Business Rankings "sales volume" as well as companies' annual reports "operating revenue." Dun & Bradstreet does not rank colleges and universities. The largest private college and university employers in the Commonwealth are Boston University, Harvard University and the Massachusetts Institute of Technology.

Standard and Poors 500 Companies Headquartered in Massachusetts

<u>Company</u>	<u>Stock Symbol</u>	<u>Headquarters</u>	<u>Product or Service</u>	<u>Worldwide Employees</u>	<u>Latest Audited Revenues (\$millions)</u>	<u>Fortune 500 Rank</u>	
						<u>2000</u>	<u>1999</u>
Raytheon	RTN	Lexington	Defense	105,300	\$ 19,841	82	69
FleetBoston Financial Corp	FBF	Boston	Banking	59,200	13,052	80	161#
Gillette Co.	G	Boston	Personal & Household Products	39,800	9,897	172	159
Staples Inc	SPLS	Framingham	Office Supplies	27,573	8,937	192	236
TJX Companies	TJX	Framingham	Retail Apparel	67,000	8,795	196	208
EMC Corp	EMC	Hopkinton	Computer Storage Devices	17,700	6,716	260	386
Reebok International	RBK	Canton	Consumer Apparel	6,500	2,900	-	-
Boston Scientific	BSX	Natick	Medical Equipment & Supplies	12,615	2,842	-	-
Analog Devices	ADI	Norwood	Semiconductors	7,400	2,578	-	-
Thermo Electron	TMO	Waltham	Scientific / Technical Instrument	25,400	2,471	369	394
State Street Corp	STT	Boston	Banking	16,769	2,437	345	366
Harcourt General	H	Chestnut Hill	Printing & Publishing	13,600	2,143	-	365
Polaroid Corp.	PRD	Cambridge	Photo Imaging	8,784	1,979	-	-
Teradyne Inc	TER	Boston	Semiconductors	7,500	1,791	-	-
PerkinElmer, Inc	PKI	Wellesley	Scientific / Technical Instrument	12,000	1,363	-	-
Parametric Technology	PMTC	Waltham	Software	4,998	928	-	-
Biogen, Inc.	BGEN	Cambridge	Biotechnology - Drugs	1,351	794	-	-
Millipore Corp	MIL	Bedford	Scientific / Technical Instrument	4,600	771	-	-
Sapient Corp.	SAPE	Cambridge	Internet Consulting	2,100	277	-	-

#In 1999, BankBoston Corp. was ranked separately at number 218

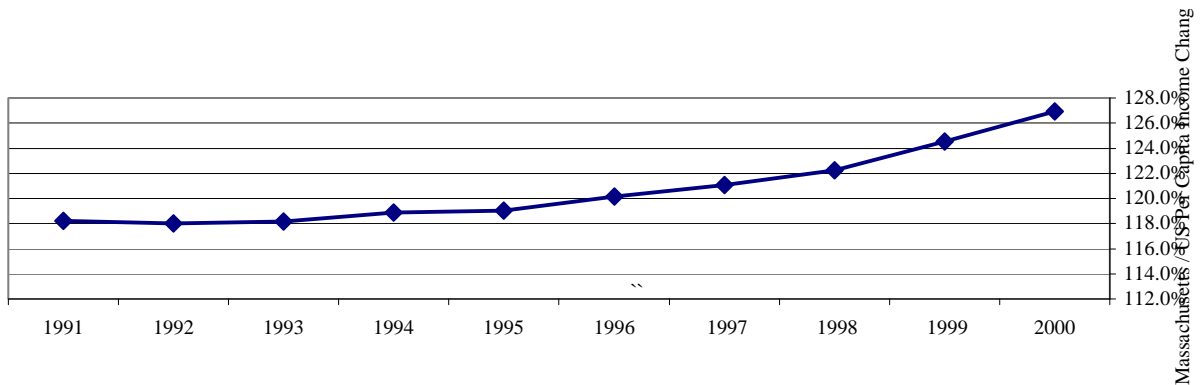
Sources: - Standard and Poors (from Standardandpoors.com) and Fortune Magazine (from fortune.com)

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

Year	United States	% Change	Massachusetts	% Change	Massachusetts as % of U.S.
2000	30,209	5.8%	38,351	7.9%	126.9%
1999	28,542	4.5%	35,551	6.5%	124.6%
1998	27,322	5.6%	33,394	6.6%	122.2%
1997	25,874	5.0%	31,332	5.8%	121.1%
1996	24,651	4.6%	29,618	5.6%	120.1%
1995	23,562	4.3%	28,051	4.5%	119.1%
1994	22,581	4.0%	26,841	4.6%	118.9%
1993	21,718	3.0%	25,664	3.2%	118.2%
1992	21,082	4.9%	24,876	4.7%	118.0%
1991	20,089	2.6%	23,749	2.3%	118.2%

Source: - United States Department of Commerce, Bureau of Economic Analysis, 2000 as of June 30, 2000, population for per capita calculation from MISER

**Massachusetts vs. United States Year- to- Year Per Capita Net Income Change
1991 - 2000**

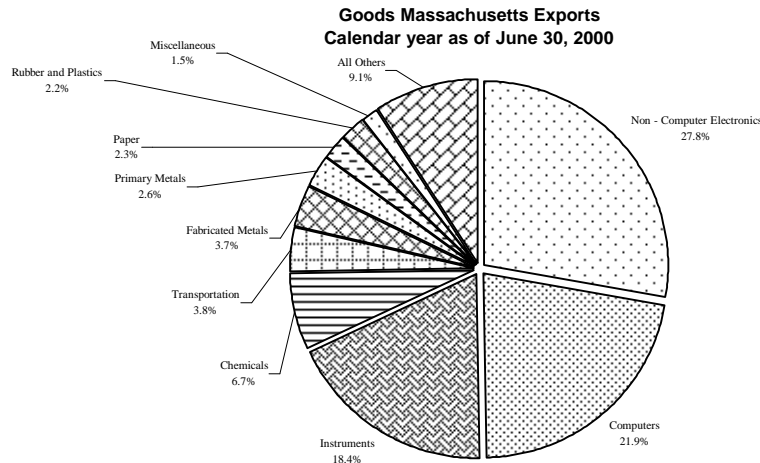


Goods Massachusetts Exports

(Amounts in millions)

Product	Amount Exported as of 6/30/2000	% Total Exports	Amount Exported Calendar Year 1999	% Total Exports	% Change
Non - Computer Electronics	\$ 2,917	27.8%	\$ 4,507	24.8%	3.0%
Computers	2,302	21.9%	4,121	22.7%	-0.7%
Instruments	1,936	18.4%	3,357	18.5%	0.0%
Chemicals	706	6.7%	1,300	7.1%	-0.4%
Transportation	396	3.8%	765	4.2%	-0.4%
Fabricated Metals	389	3.7%	703	3.9%	-0.2%
Primary Metals	271	2.6%	383	2.1%	0.5%
Paper	239	2.3%	396	2.2%	0.1%
Rubber and Plastics	231	2.2%	494	2.7%	-0.5%
Miscellaneous	162	1.5%	290	1.6%	0.0%
All Others	<u>957</u>	9.1%	<u>1,874</u>	10.2%	-1.1%
Total	<u>\$ 10,506</u>		<u>\$ 18,190</u>		

Source: - MISER foreign trade office, Amherst, Massachusetts. Data as of 6/30/2000 is latest available.



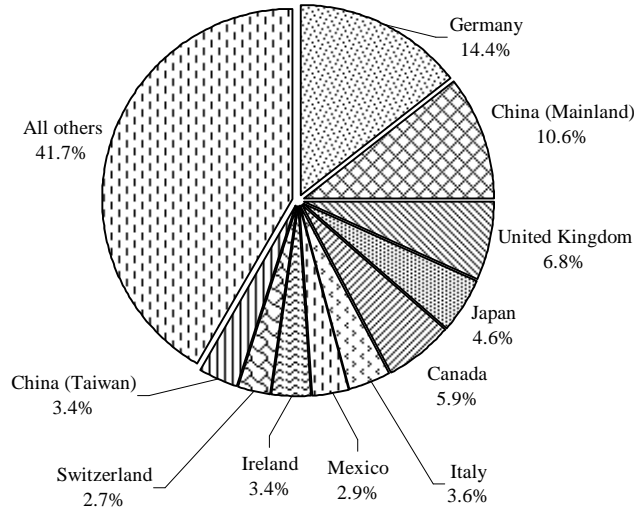
Countries that Massachusetts Imports From

(Amounts in millions)

Country of Origin	Amount Imported as of 8/30/2000	% Total Imports	Amount Imported Calendar Year 1999	% Total Imports	% Change
Germany	\$ 1,725	14.4%	\$ 2,467	15.4%	-1.0%
China (Mainland)	1,279	10.6%	1,714	10.7%	0.0%
United Kingdom	823	6.8%	1,372	8.5%	-1.7%
Japan	548	4.6%	763	4.8%	-0.2%
Canada	714	5.9%	724	4.5%	1.4%
Italy	436	3.6%	641	4.0%	-0.4%
Mexico	348	2.9%	586	3.7%	-0.8%
Ireland	414	3.4%	557	3.5%	0.0%
Switzerland	329	2.7%	521	3.2%	-0.5%
China (Taiwan)	410	3.4%	494	3.1%	0.3%
All others	<u>5,014</u>	41.7%	<u>6,216</u>	38.6%	3.1%
Total	<u>\$ 12,040</u>		<u>\$ 16,056</u>		

Source: - MISER foreign trade office, Amherst, Massachusetts, from the Boston Customs Office. Data as of 8/30/2000 is latest available.

**Countries Massachusetts Imports From
Calendar year as of August 30, 2000**



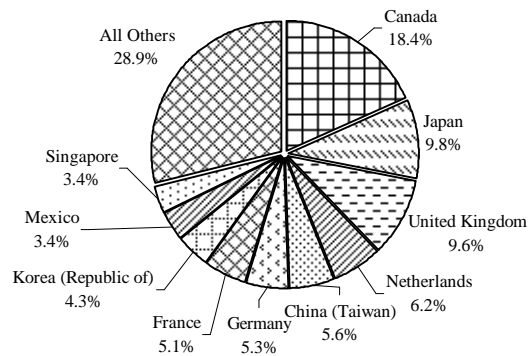
Countries that Massachusetts Exports To

(Amounts in millions)

Destination <u>Country</u>	Amount Exported as of 6/30/2000	% <u>Total Exports</u>	Amount Exported <u>Calendar Year 1999</u>	% <u>Total Exports</u>	% <u>Change</u>
Canada	\$ 1,936	18.4%	\$ 3,376	18.6%	-0.1%
Japan	1,028	9.8%	1,859	10.2%	-0.4%
United Kingdom	1,009	9.6%	1,921	10.6%	-1.0%
Netherlands	652	6.2%	1,215	6.7%	-0.5%
China (Taiwan)	588	5.6%	706	3.9%	1.7%
Germany	556	5.3%	1,089	6.0%	-0.7%
France	534	5.1%	818	4.5%	0.6%
Korea (Republic of)	452	4.3%	539	3.0%	1.3%
Mexico	362	3.4%	679	3.7%	-0.3%
Singapore	361	3.4%	594	3.3%	0.2%
All Others	<u>3,028</u>	28.9%	<u>5,394</u>	29.5%	-0.6%
Total	<u>\$ 10,506</u>		<u>\$ 18,190</u>		

Source: - MISER foreign trade office, Amherst, Massachusetts. Data as of 6/30/2000 is latest available.

Countries Massachusetts Exports to Calendar year as of June 30, 2000



Airport and Ship Activity into and out of Massachusetts

	<u>June 30, 2000</u>	<u>June 30, 1999</u>	<u>Change</u>
Logan Aiport -			
- Domestic Passengers	21,000,000	20,100,000	4.5%
- International Passengers	4,400,000	4,100,000	7.3%
- Regional Passengers	<u>1,900,000</u>	<u>2,300,000</u>	-17.4%
Total Logan Airport Passengers	<u>27,300,000</u>	<u>26,500,000</u>	3.0%
Total Logan Aiport Freight Pounds	1,040,877,000	949,300,000	9.6%
Port of Boston -			
- Automobiles Landed	87,973	76,077	15.6%
- Short Tons of Salt	-	30,485	-100.0%
- Container Volume	83,407	83,526	-0.1%
- Short Tons of Cement	168,600	183,500	-8.1%
- Total Cruise Passengers	156,769	126,840	23.6%

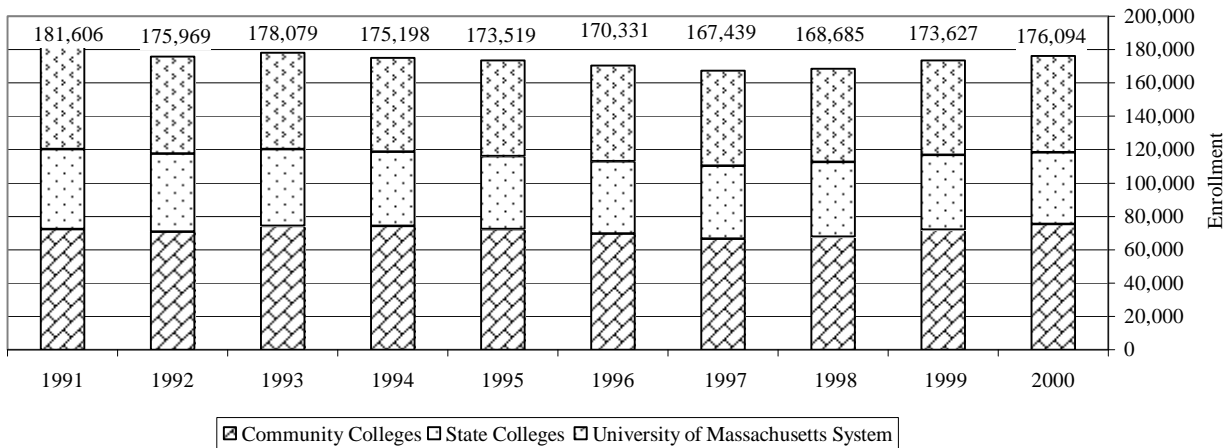
Source: - Massachusetts Port Authority

Ten-Year Schedule Of Massachusetts Higher Education Enrollment

Academic Year Ending	Community Colleges	State Colleges	University of Massachusetts System	Total Enrollment	% Change
2000	75,107	43,177	57,810	176,094	1.4%
1999	71,853	45,008	56,766	173,627	2.9%
1998	67,520	44,765	56,400	168,685	0.7%
1997	66,601	43,443	57,395	167,439	-1.7%
1996	69,453	43,546	57,332	170,331	-1.8%
1995	72,360	43,519	57,640	173,519	-1.0%
1994	74,105	44,366	56,727	175,198	-1.6%
1993	74,098	46,234	57,747	178,079	1.2%
1992	70,705	46,709	58,555	175,969	-3.1%
1991	72,131	48,125	61,350	181,606	-1.4%

Source: Massachusetts Board of Higher Education

**Enrollment in Massachusetts Public Colleges and Universities
Academic Years 1991 - 2000**





In the last 15 years, a “New Economy” has emerged in the United States. Among its defining characteristics are a fundamentally altered industrial and occupational order, unprecedented levels of entrepreneurial dynamism and competition, and a dramatic trend toward globalization—all of which have been spurred to one degree or another by revolutionary advances in information technologies (IT). As these developments have swept through our national economy, they have also been restructuring and reshaping the 50 state economies. States differ, however, in the degree to which their economies are structured and operate in accordance with the tenets of the New Economy.

The Progressive Policy Institute in its publication “The State New Economy Index” ranks Massachusetts first, among all 50 states, as the one most prepared and best structured for success in the New Economy. In today’s information age, where economic success depends on the ability to adapt quickly to change and transition, Massachusetts offers businesses a superior environment for growth.

They state “The two states that are farthest along the path to the New Economy are Massachusetts and California. Both are quintessential high-tech states. Massachusetts boasts a concentration of software, hardware, and biotech firms supported by world class universities such as MIT and Harvard in the Route 128 region around Boston. They tend to have a high concentration of managers, professionals, and college-educated residents working in “knowledge jobs” (jobs that require at least a two-year degree). With one or two exceptions, their manufacturers tend to be more geared toward global markets, both in terms of export orientation and the amount of foreign direct investment. Most are at the forefront of the IT and Internet revolutions, with a large share of their institutions and residents embracing the digital economy. Most have a solid “innovation infrastructure” that fosters and supports technological innovation. Many have experienced high levels of domestic in-migration of highly mobile, highly skilled knowledge workers seeking good employment opportunities coupled with a good quality of life. Top-ranked economies don’t score well simply because they have found ways to get the right mix of companies, individuals, and institutions. They also score well because they tend to adapt quickly. A high rate of ‘creative destruction’—the shedding of old practices while embracing the new—is the key to economic transformation in the private, public, and non-profit sectors.”

Text from The State New Economy Index Report, published by the Progressive Policy Institute (PPI)
Technology, Innovation and New Economy Project. (www.ppionline.org)

Photography courtesy of the Training Bureau, Massachusetts Office of the Comptroller

MASSACHUSETTS GENERAL INFORMATION

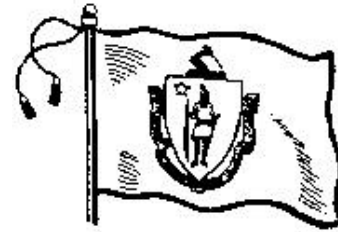
Admitted to Union (6th State): 1788
Population: 6,175,169

Capital: Boston
Nickname: Bay State

The State Seal



The State Flag



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

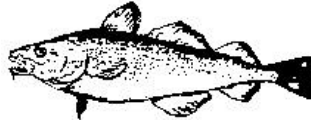
The State Flag is white, bearing on both sides a representation of the coat of arms. It was adopted in its final form in 1971; before that, the obverse side depicted a pine tree.

The State Flower



The Mayflower

The State Fish



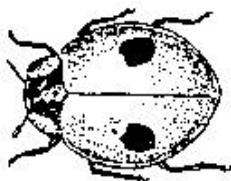
The Cod, a soft-finned fish, usually 10-20lbs. A sculpture of a cod hangs in the House of Representatives as a tribute to this useful aquatic creature

The State Bird



The Black Capped Chickadee

The State Insect



The Lady Bug

The State Tree



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

The State Dog

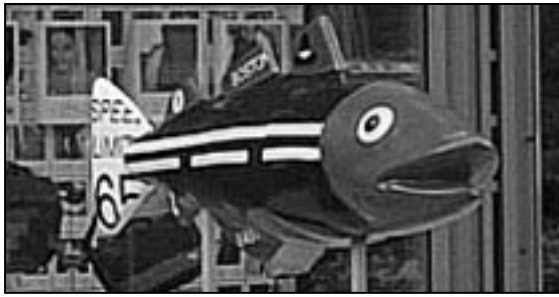


The Boston Terrier, the first purebred dog developed in America (1869), is a cross between an English bulldog and an English terrier.

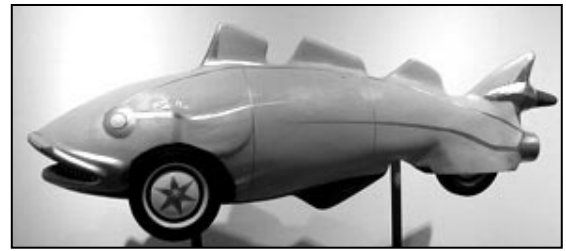
Beverage: Cranberry Juice
Dessert: Boston Cream Pie

Muffin: The Corn Muffin
Cookie: Chocolate Chip

Horse: The Morgan Horse
Bean: Navy Bean



Mass Pike Cod



Pink Codillac



Cod Dazzled



Circuit Cod



Coddy Shack



Ar-cod-texture



Good Cod Hunting



Cod Provencal



A Nautical Charm

The Cavalcade of Cod was a part of B2K: Events of the Millennium, a series of special events created by Boston 2000. Thanks to the generosity of the artists, sponsors and patrons, dozens of charitable organizations throughout the city profited greatly as they were the recipients of the proceeds from the sales of the Cods.

Cods reprinted from www.cavalcadeofcod.com and with permission of Jeff Keough -Massachusetts College of Art, Project Director and the following artists: Coddy Shack - Jeff Fichera, Mass Pike Cod - Peter Underhill, Cod Dazzled - William Wainwright, Pink Codillac - Nicholas Doriss, Matt Glushien and Jennfier Sesma, Ar-Cod-Tecture - Graham Gund, Dan Chadwick, George Coon, Circuit Cod - Ben Thompson, A Nautical Charm - Sarah Hut, Cod Provencal - Louis Risoli and Good Cod Hunting -Nicolas Doriss, Ben Affleck and Matt Damon.