ANNUAL REPORT
FISCAL YEAR 2017

mscba

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

ANNUAL REPORT

FISCAL YEAR 2017

FOR THE PERIOD
JULY 1, 2016 THROUGH JUNE 30, 2017

MASSACHUSETTS
STATE COLLEGE BUILDING AUTHORITY

253 SUMMER STREET ~ SUITE 300
BOSTON, MASSACHUSETTS 02210
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DAVID A. ELLIS, CHAIRMAN
LORI D. HINDLE, VICE CHAIR
KENNETH WISSMAN, SECRETARY/TREASURER
EDWARD H. ADELMAN, EXECUTIVE DIRECTOR

DECEMBER 31, 2017

Fiscal Year 2017

Annual Report

of the

Massachusetts
State College Building Authority

Background

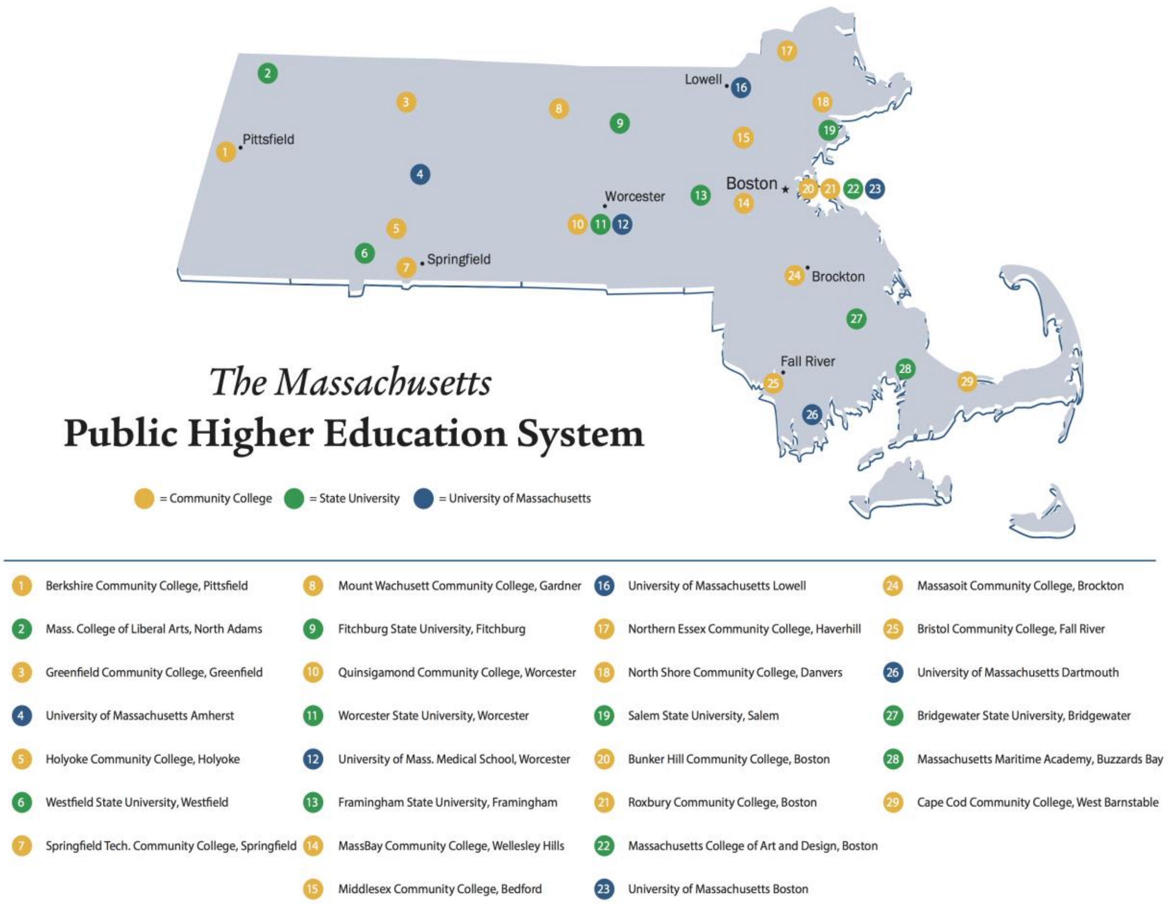
The Massachusetts State College Building Authority (the Authority) is a public instrumentality of the Commonwealth, established by the Legislature in 1963. The Authority is charged with financing, designing, constructing, and overseeing the management of revenue-funded facilities – housing, dining, athletic, parking, and other student activity facilities – for the nine state universities and fifteen community colleges: Bridgewater, Fitchburg, Framingham, Salem, Westfield, and Worcester State Universities, Massachusetts College of Art and Design, Massachusetts College of Liberal Arts, Massachusetts Maritime Academy, and Berkshire, Bristol, Bunker Hill, Cape Cod, Greenfield, Holyoke, Massachusetts Bay, Massasoit, Middlesex, Mount Wachusett, North Shore, Northern Essex, Quinsigamond, Roxbury, and Springfield Technical Community Colleges. The Authority is also able to finance certain academic facility projects located at the state universities and community colleges.

Approximately 16,800 students reside in the 55 residential complexes owned by the Authority on the nine state university campuses; these residential facilities house over 45 % of full-time undergraduate students and comprise about 4.5 million square feet of space in approximately 96 separate structures. In addition, the Authority owns three parking structures that provide spaces for 2,114 vehicles.

History and Purpose

The institutions now known as the Massachusetts state universities were established in the mid-nineteenth century, essentially to train teachers for the emerging system of public education in America. By the mid-twentieth century, these institutions had evolved into comprehensive degree-granting universities. The surge in population following World War II, coupled with the greater role that advanced academic attainment played in the post-war economy, contributed to substantial growth in enrollment in higher education. These combined trends greatly increased the demand for campus housing and the attendant need for dining and student activity facilities on college campuses in Massachusetts and throughout the country. Further, on-campus housing tends to improve the ability of the universities to recruit and to retain students. Students who live on campus persist towards graduation at greater rates than those students who have not had this opportunity.

The community college system in Massachusetts is the result of a 1958 study of access to higher education. The fifteen community colleges offer an array of programs leading to certificates and associate degrees as well as a variety of vocational programs.



Massachusetts Department of Higher Education (August 2010)

FUNDING

The Authority does not receive an appropriation from the Commonwealth. All revenues to support the debt issued to fund facility design and construction, and the cost of annual operations and reserves, are derived from the rents and fees paid by students for the use of these facilities and services. In 1998, legislation was enacted to permit the Authority to issue revenue bonds without the general obligation guarantee of the Commonwealth; this has provided the Authority with the ability to issue bonds based upon the facility requirements of the campuses and the availability of revenues sufficient to fund all project costs. The Authority is rated Aa2 by Moody's Investors Service and AA- by S&P Global. A listing of the Massachusetts higher education institutions rated by Moody's is located in Appendix A.

PROJECT DELIVERY

In 1999 and 2004, legislation was enacted to permit the Authority to utilize an alternate means of procurement for design, construction management, and construction services to improve the quality and to reduce the time and cost of delivering new and renovated facilities. The design and construction procurement methodology of the Authority is considered exemplary in the public sector in its ability to provide high-quality, cost-effective facilities in critical timeframes while providing for the public solicitation of architectural design and construction management services and for the public bidding of trade contractor work.

Photo courtesy of ARC/Benson Photography

WEST HALL

FRAMINGHAM STATE UNIVERSITY

MAJOR ACCOMPLISHMENTS

For fiscal year 2016, significant Authority accomplishments included the following:

Residence Hall Construction and Renovation

1. Occupied West Hall, a 316-bed residence hall at Framingham State University.
2. Completed new entry, accessibility improvements, and provision of social spaces at Davis Hall at Westfield State University.
3. Continued the phased renewal and adaption of the Townhouse Apartments at Fitchburg State University.
4. Implemented facility renewal and adaption projects consisting of roof replacements, lighting improvements, fire alarm and life safety upgrades, HVAC improvements, bathroom renovations, interior finishes, landscape, and access improvements.

Student Activity Facilities

1. Completed construction of improvements to the Bemis Student Center at Mount Wachusett Community College, the Authority's first student activity facility project at a community college.

Supplemental Funding for Commonwealth Projects

1. The New Wellness Center at Worcester State University, partially funded by the Authority, was dedicated September 2016.
2. The Dr. Nettie M. Stevens Science & Innovation Center at Westfield State University, partially funded by the Authority, was dedicated September 2016.

EXAMPLES OF SUPPLEMENTAL PROJECT FUNDING

NEW WELLNESS CENTER
WORCESTER STATE UNIVERSITY

DR. NETTIE M. STEVENS SCIENCE & INNOVATION CENTER
WESTFIELD STATE UNIVERSITY

The following tables list projects that were substantially complete in fiscal year 2017 and are underway during fiscal year 2018:

PROJECTS COMPLETED – FY 2017

Campus	Building	Description	Budget
Bridgewater	Shea Durgin	Upgrades to Front Entry Vestibule	264,000
Fitchburg	Mara Village	Roofs and Boilers, MV 2,6,7 and Commons	1,222,952
	Simonds Hall	Property Acquisition	8,000,000
	Townhouse Apartments	Envelope Upgrades	4,585,000
Framingham	O'Connor Hall	Access, Bathroom Renovations and Office Conversion	3,400,000
	Franklin Street Parking	New 322 Surface Parking Facility	3,554,927
	Peirce and Horace Mann	Roof Replacement	845,000
	Larned Hall	Heating Upgrades	225,000
MassArt	Smith Hall	Electrical Upgrades & New Lobby	1,450,000
MCLA	Berkshire Towers	Suite Corridor Lighting and Finish Upgrades	3,000,000
MMA	Taylor Road Parking	New 236 Surface Parking Facility	1,500,000
Salem	Bowdich and Atlantic Halls	Residence Halls Carpeting & Furniture	992,000
Westfield	Davis Hall	New Student Lounge and Elevator Addition	5,535,000
	Davis Hall	Campus Electrical Infrastructure	600,000
Worcester	Wasylean Hall	New Domestic Hot Water System	425,000
Total			**35,334,879**

Photo courtesy of Aaron Usher III Photography

PARKING GARAGE

SALEM STATE UNIVERSITY

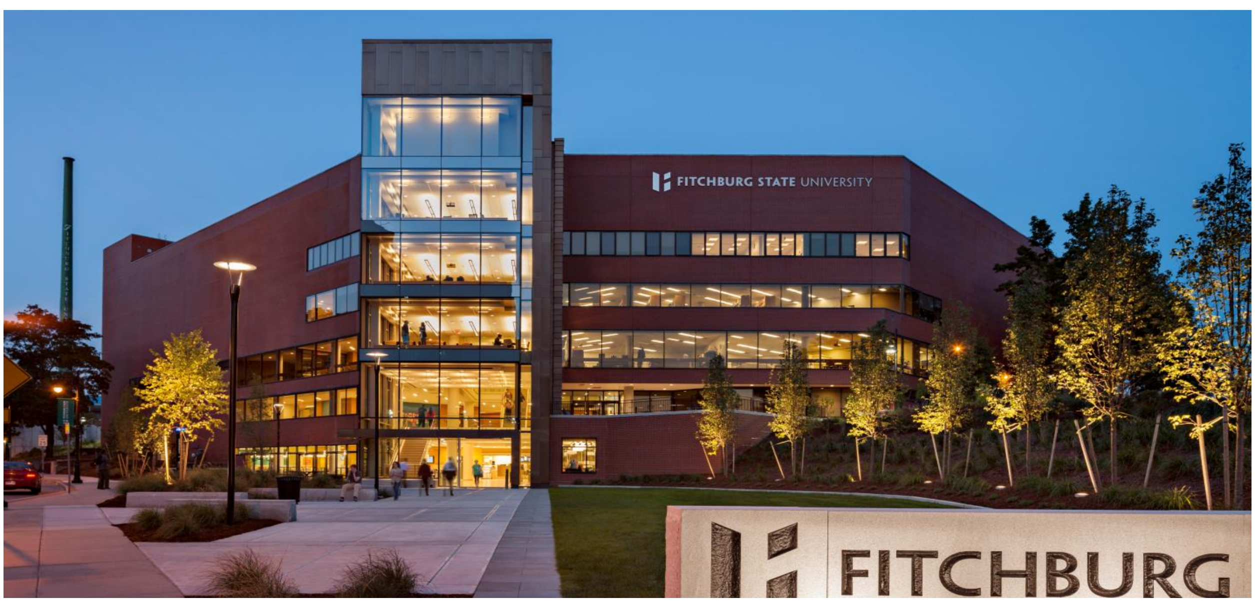


Photo courtesy of Robert Benson Photography

HAMMOND CAMPUS CENTER AND LIBRARY

FITCHBURG STATE UNIVERSITY

PROJECTS UNDERWAY – FY 2018

Campus	Building	Description	TPC
Bridgewater	Miles Hall	Bathroom Renovations	3,590,000
Fitchburg	Miller Hall	Central Chiller Replacement	2,000,000
	Townhouse Apartments	Roof Replacement & Sitework	3,000,000
	Landry Arena	Renovation - Sports Surface & Locker Rooms	4,350,000
	Simonds Hall	Simonds Hall Improvements	1,000,000
	Russell Towers	Prototypical Bathroom Renovation	500,000
Framingham	Linsley Hall	Building Renovation Study	100,000
	Maynard Building	Cultural Arts Center	239,350
MassArt	South Building	Bakalar & Paine Galleries - Enabling Work	2,020,000
MCLA	Flagg Townhouses	Domestic Hot Water - Buildings A,B & C	500,000
	Berkshire Towers	Bathroom Renovations	2,940,000
MMA	Waterfront	New Floating Dock	1,000,000
	New Capacity	Housing Study for 180 Cadets	151,000
	Baseball Field	Synthetic Turf and Lighting Upgrades	1,765,000
Salem	North Campus	Precinct Planning Study	490,000
	Peabody and Bowdich Halls	Carpeting, Furniture & Laundry Room Improvements	1,226,607
	Bates Hall	Renovation Study	75,000
Westfield	Lammers Hall	Sewer Lift Station Repairs	500,000
	New Hall	Multi Purpose Room Conversion	90,000
	WSC Apartments	Fire Escape Repairs	75,000
	Courtney Hall	New Doors and Locks	575,000
	Athletic Field	Synthetic Turf and Track Surface Upgrades	100,000
Worcester	Wasylean Hall	Cooling Tower Replacement	645,000
	Campuswide	Electrical Infrastructure Study	35,000
Mount Wachusett	Haley Building	New Student Center	3,914,548
Total			**31,981,505**

Photo courtesy of Robert Benson Photography

VIKING HALL
SALEM STATE UNIVERSITY

STATE OF THE SYSTEM

Overview

The Authority develops and manages two different types of residence hall projects: System projects and Campus projects. System projects are those facilities that were financed with pooled debt – guaranteed by the Commonwealth – prior to 1999. (As of May, 1, 2016, all of the Commonwealth-guaranteed debt was retired.) Approximately 10,1000 students reside in 40 System buildings that comprise 2.5 million gross square feet of building space; these buildings were constructed over a period of 100 years. The System buildings have pooled capital replacement reserves. By contrast, each Campus project is funded by revenue bonds that are secured by pledged rent and fees; these bonds are not guaranteed by the Commonwealth. Since 2001, the Authority has completed construction on 19 Campus projects for both new residence halls and the expansion of existing ones, and three Campus projects for the construction of Authority-owned parking facilities. Approximately 6700 students reside in Campus projects that comprise 2.0 million gross square feet. Each Campus project has a separate, dedicated capital replacement reserve. The Authority has dramatically reduced deferred maintenance in all facilities and has renovated buildings to meet the changing needs of students and the changing requirements of building codes and standards (e.g., life safety, accessibility, energy conservation). The condition of the residential facilities of the Authority has resulted in increased desirability of on-campus housing, as demonstrated in part through stable occupancy during an extended period of creating new capacity. The predictable schedule, quality, and funding of facility improvement projects reduces the likelihood of substantial unanticipated projects and their associated inconvenience and expense.

In addition to the residence halls and parking structures that it builds and manages, the Authority has renovated a number of Commonwealth-owned properties that include dining, athletic, and cultural facilities. In 2011, the statute of the Authority was expanded to include supplemental funding for certain higher education capital projects principally funded and managed by the

Commonwealth. These include science centers at Framingham and Westfield State, the Center for Design + Media at MassArt, Wellness Center at Worcester State, and an academic building at Mount Wachusett Community College.

Financial Performance

The financial condition of the Authority is stable and strong. For fiscal year 2017, Authority assessments, derived primarily from rents and fees, and other resources totaled $164.4 million, of which $97.0million was used to pay debt service. To cover the Authority's assessments and the annual expense of operating the residence halls, the universities collect rents and fees from students in accordance with the annual rent schedule prepared by the Authority and approved by the Massachusetts Board of Higher Education. In addition, the market value of the Authority's debt service reserve funds is approximately $87.0 million. The campus' manage a total of $48 million in pledged trust funds that are available to the Authority to pay debt service, if ever necessary. The Authority's audited financial statements for fiscal year 2017 are included in Appendix B.

The financial condition of the Authority is further strengthened by a series of capital reserves and trust funds. The campus assessments fund annual debt service obligations, Authority operating expenses, insurance premiums, and deposits to capital reserves. During fiscal year 2017, approximately $5.5 million was deposited into the System Capital Improvement Reserve from rent revenues; this reserve is managed by the Authority and is used to fund the renewal and adaption requirements of the System projects. At the close of the fiscal year, the balance available in the reserve was $8.7 million. A prescribed percentage (that increases incrementally) of the prior year income of Campus projects is deposited into the replacement reserve for each new building project. At the close of the fiscal year these funds totaled $9.2 million, and are used specifically to fund the renewal requirements of Campus projects. In addition, Multipurpose and Supplemental Reserves totaled $5.0 million as of the close of the fiscal year.

Economic Impact

The impact of the Authority and of its projects on the Massachusetts economy is substantial. The following table illustrates the dollar value of the direct expenditure of the Authority for personnel, purchasing, and construction for fiscal years 2012, 2014, 2016 and 2017.

ECONOMIC IMPACT OF THE AUTHORITY AND ITS PROJECTS (Amounts in Millions)

Expense Type	FY2012	FY2014	FY2016	FY2017	FY2017 Employment
Authority Operations and Administration	$1.50	$1.70	$2.88	$2.98	15
Residence Hall Operations	$36.90	$43.40	$48.90	$48.14	362
Construction and Maintenance*	$122.70	$169.40	$111.30	$32.41	162
Total	**$161.10**	**$214.50**	**$163.08**	**$83.53**	**539**

**Construction industry guidelines indicate that at current prevailing wage rates, every million dollars of construction could result in the employment of approximately five workers for a full year.*

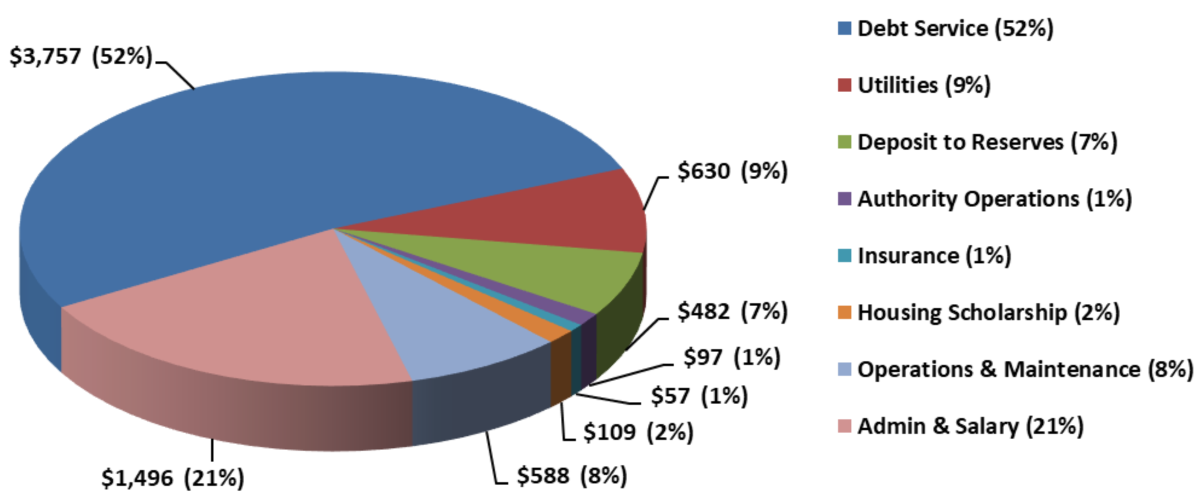
WARREN CENTER
ASHLAND, MASSACHUSETTS

Rents and Fees

For the 2016/2017 academic year (fiscal 2017), the average on-campus room rent was $7,216 per bed. To ensure affordability and full occupancy, Authority room rents are typically maintained at or below the off-campus market rental rates in the community in which the campus is located. Regular modest increases in room rents permit the Authority to fund increases in operating expenses (salaries and utilities), debt service expense, and a regular program of facility renewal and renovation.

The following chart illustrates the uses of the average rent per student for the 2016/2017 academic year:

USES OF THE AVERAGE RENT ($7,216)



Facility Renewal

The Authority has developed a comprehensive facility renewal program to ensure that the recurring need for reinvestment occurs on a predictable schedule that is coordinated with the availability of funds necessary to perform this work. Typically, renewal projects include work that is performed on a regular cycle to maintain an existing building in its present configuration for its current use. The *Facility Renewal Plan* includes a schedule of the anticipated useful life of each major building component and system and the date and amount of the next required investment. The plan is revised annually to incorporate recently-completed work, to validate the projected schedule for future work, and to update the unit prices for each building assembly that is scheduled for future replacement.

One measure of facility condition is the Facility Condition Index, a higher education industry standard that is the ratio of the value of Deferred Maintenance divided by the Current Replacement Value of the facility [FCI = DM/CRV]. Due to steady reinvestment in existing facilities (System Projects) the FCI for the Authority has steadily improved over the past several years:

FACILITY CONDITION INDEX (System Projects)

	2000	2004	2008	2012	2016
Deferred Maintenance ($m)	61.1	39.1	15.2	10.6	10.2
Current Replacement Value ($m)	274	330	416	484	534
Facility Condition Index	**22.3%**	**11.8%**	**3.6%**	**2.1%**	**2.0%**

Debt Management

In 1998, the Legislature empowered the Authority to issue revenue bonds that are not guaranteed by the Commonwealth. Each bond issue is secured by the rents and fees pledged by the state colleges and paid by the students who benefit from the projects funded by the particular bond issue. Further security is provided by a campus pledge of twenty-five percent of the average annual debt service and by a debt service reserve fund with a balance of approximately $86 million as of June 30, 2017. Through the close of fiscal year 2017, the Authority has issued bonds to finance projects totaling $1.3 billion. As detailed in the following chart, $268 million in bond proceeds have been used to fund repair and renewal of existing residence halls. Bond proceeds of $753 million have been used to fund the construction of new residence halls and the expansion of existing ones. The remaining bond proceeds of $317 million have been used to fund new construction, repair, and renovation of student activity facilities and to provide supplemental financing for certain Commonwealth-managed projects.

The following table shows use of project funds from new money bond proceeds since 2000:

USE OF PROJECT FUNDS FROM BOND PROCEEDS SINCE 2000 (Amounts in Millions)

Series	Repair and Renovation Projects	New Capacity	Student Activity Projects	Supplemental Funding	Total
1999-2000	$33.40	$58.60	$1.80	N/A	$93.80
2003A,B	19.00	67.00	2.10	N/A	88.10
2004A	24.00	32.00	2.00	N/A	58.00
2005A	19.00	-	14.90	N/A	33.90
2006A	19.60	64.10	8.30	N/A	92.00
2008A	32.60	49.00	0.80	N/A	82.40
2009A,B,C	38.10	180.50	22.30	N/A	240.90
2010A,B	12.50	-	32.40	10.00	54.90
2012A	11.50	113.00	31.00	3.00	158.50
2012C	10.50	80.60	46.50	17.00	154.55
2014A	18.50	62.80	43.40	5.00	129.65
CC Series 1	-	-	-	3.00	3.00
2014B,C,D	10.00	44.00	34.10	19.00	107.10
2015A	11.00	-	7.42	-	18.42
CC Series 2		-	-	3.05	3.05
2017A	8.32	1.80	10.00	-	20.12
Project Fund Total	**$268.02**	**$753.40**	**$257.02**	**$60.05**	**$1,338.39**

Enrollment

Enrollment at the state universities has leveled out in recent years. The following chart illustrates enrollment at each state university:

STATE UNIVERSITY ENROLLMENT (Fall Data**)**

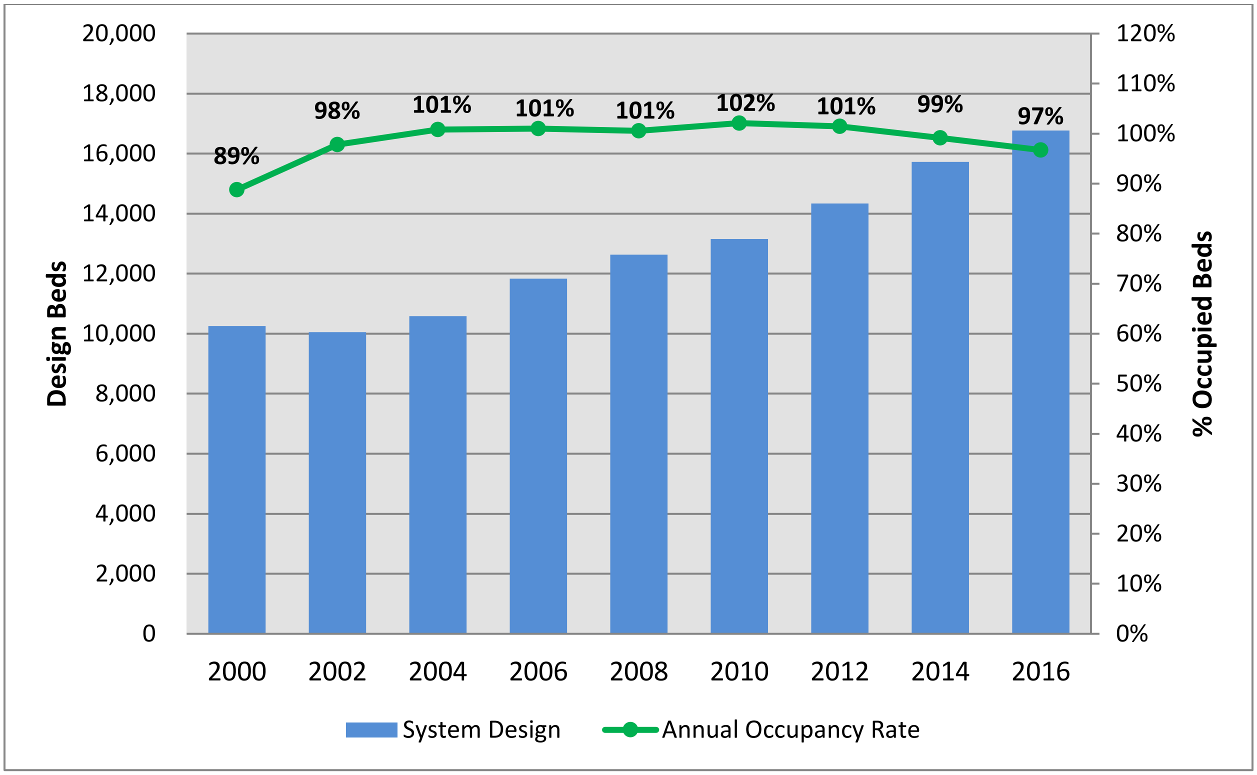
Campus	2004	2006	2008	2010	2012	2014	2016
Bridgewater State	7,399	7,471	8,117	8,911	9,201	9,214	9,054
Fitchburg State	3,622	3,903	4,421	4,503	4,368	4,452	4,498
Framingham State	4,207	4,169	4,237	4,288	4,909	4,996	4,732
MA College of Art and Design	1,482	1,543	1,803	1,956	1,902	1,801	1,761
MA College of Liberal Arts	1,592	1,765	1,589	1,715	1,601	1,563	1,441
MA Maritime Academy	984	1,092	1,221	1,297	1,434	1,542	1,749
Salem State	6,422	7,224	7,279	7,438	7,207	7,290	7,226
Westfield State	4,090	4,630	4,863	5,174	5,352	5,563	5,617
Worcester State	3,794	3,939	4,004	4,350	4,770	4,872	4,860
Total	**33,592**	**35,736**	**37,535**	**39,630**	**40,744**	**41,293**	**40,938**

Residence Hall Occupancy

Occupancy in the residence halls is strong despite the growth in new housing capacity in recent years.

The following table shows that annual occupancy remains near 100%, despite the addition of over 6,500 beds since 2000:

RESIDENCE HALL OCCUPANCY (Annual Data)



Housing Financial Aid

The Authority makes a concerted effort to maintain rent levels at or below comparable rents in the market served by each campus. By statute, the fees, rents, and charges assessed by the Authority must provide sufficient revenue to pay the cost of project debt service, maintenance, repair, operations, and reserves. There is a range of types and costs of Authority projects, to appeal to a range of student interests and resources. To further improve the affordability of its projects, the Authority established a housing financial aid program in 2005. In fiscal year 2016, this program provided nearly $2 million that is redistributed by the financial aid offices of the nine state universities to complement the financial aid package for residential students. In fiscal 2017, approximately 9.6% of students received 19.7% of their housing costs through this program.

Sustainability

The Authority has taken a leadership role in improving the sustainability of its projects and the larger campus environments that it serves by: increasing energy conservation, reducing resource consumption and emissions, and moderating the upward pressure on student rents and fees due to the cost of utilities. This effort has been recognized by the United States Green Building Council

(USGBC) by conferring Leadership in Energy and Environmental Design (LEED) status on 17 Authority projects. A list of projects registered with the USGBC is located in Appendix C.

Green Bonds

The Authority was one of the first state agencies in the nation to take advantage of a new product developed in the municipal bond market – Green Bonds. This product was developed in response to investor demand and governmental issuer interest in environmentally sustainable projects – a long-held tenant of the Authority. To codify the Authority's interest in such projects, the Authority developed Guidelines for the identification, implementation, and documentation of the following types of environmentally sustainable projects that could be funded from a Green Bond issue:

- Resource and Energy Efficient Buildings and Structures
- Renewable Energy Generation
- Energy Efficiency Improvements to Existing Buildings
- Public, Shared, and Alternative Fuel Transportation

Consistent with its Green Bond Guidelines, included in Appendix D, the Authority will include projects in a Green Bond issue that are designed to meet, at the minimum, the requirements of the USGBC for LEED certification at the Silver level, or of the Green Parking Council for Green Garage Certification at the Bronze level. The Guidelines further state that the Authority will report on the use of Green Bond proceeds through its Annual Report.

In December 2014, the Authority issued its inaugural Green Bond: $91,375,000 Project Revenue Bonds, Series 2014B (Green Bonds). These bonds financed the following projects, each of which meets the criteria of the Guidelines.

PROJECTS INCLUDED IN SERIES 2014B (GREEN BONDS)

Project	Campus	Project Amount	Standard	Status
West Hall Student Residence	Framingham State	$44,000,000	USGBC Gold	Complete
North Campus Parking Structure	Salem State	23,000,000	GPC Bronze	Complete
Hammond Campus Center	Fitchburg State	10,000,000	USGBC Silver	Complete
Center for Design + Media	Mass Art	8,000,000	Mass LEED+	Complete
Science Center	Westfield State	11,000,000	Mass LEED+	Complete

Strategic Planning

Every other year, the Authority updates its *Strategic Plan* to determine the long-term demand for student housing facilities at the nine state university campuses. This plan considers the latest available enrollment data and projections prepared by the Department of Higher Education. In the past, the goal was to provide, on average, housing for fifty percent of the full-time undergraduate students in the state university system; this would provide capacity for two years of housing during a students' four-year undergraduate experience. The present goal is to identify specific housing targets to support the sustained enrollment for each campus. In addition to a greater number of total students, the percentage of full-time undergraduate students – the students most likely to avail themselves of housing opportunities – increased from 54% to 82% of total headcount since 2001. Further, despite an increase of 6,600 new beds since 1999/2000, system-wide occupancy for academic year 2015/16 was 98% of design occupancy. The Authority will continue to update its *Strategic Plan* on a biennial basis to ensure that demand is sufficient for future projects and to effectively manage occupancy of existing facilities.

Commonwealth of Massachusetts
Charles D. Baker, Governor

Authority Members and Officers
David A. Ellis, Chair
Lori D. Hindle, Vice Chair
John J. Burns
Michael Fallon
James M. Karam
Kelly F. O'Neill

Edward H. Adelman, Executive Director
Assistant Secretary/Treasurer

Authority Staff
David Bates, Senior Construction Manager
Ellen Bell, Chief Administrative Officer
Molly Bench, Controller
Janet Chrisos, Deputy Director
Amanda Forde, Director of Capital Renewal
Paul Forgione, Project Manager
Marla Gold, Accountant
Dan Ocasio, Senior Project Manager
Karol Ostberg, Chief Financial Officer
Marcelyn Pearson, Contracts Specialist
Sandra Pike, Administrative Assistant
Michael Rose, Senior Accountant
James Rust, Senior Finance and Budget Analyst
Leigh Warren, Capital Projects Coordinator

General Counsel
Bowditch & Dewey, LLP

Certified Public Accountants
CohnReznick, LLP

Bond Counsel
Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, PC

As of June 30, 2017

Appendix A

Moody's Investors Services

Massachusetts College and University Ratings
as of December 31, 2017

Institution	Rating
Amherst College	Aaa
Harvard University	Aaa
Massachusetts Institute of Technology	Aaa
Smith College	Aa1
Wellesley College	Aa1
Williams College	Aa1
Massachusetts State College Building Authority	**Aa2**
Tufts University	Aa2
University of Massachusetts Building Authority	Aa2
Boston College	Aa3
Boston University	Aa3
College of the Holy Cross	Aa3
Mount Holyoke College	Aa3
Brandeis University	A1
Clark University	A1
Worcester Polytechnic Institute	A1
Babson College	A2
Bentley University	A2
Berklee College of Music	A2
Franklin W. Olin College of Engineering	A2
MA College of Pharmacy and Health Sciences	A2
Northeastern University	A2
Stonehill College	A3
Wheaton College	A3
Simmons College	Baa1
Springfield College	Baa1
Wentworth Institute of Technology	Baa1
Emmanuel College	Baa2
Hampshire College	Baa2
Suffolk University	Baa2
Merrimack College	Baa3

APPENDIX B

FY 2017 Audited Financial Statements

Massachusetts State College Building Authority
(A Component Unit of the
Commonwealth of Massachusetts)

Financial Statements
(With Supplementary Information)
and Independent Auditor's Reports

June 30, 2017 and 2016

CohnReznick
Accounting • Tax • Advisory

Massachusetts State College Building Authority
(A Component Unit of the Commonwealth of Massachusetts)

Index

Independent Auditor's Report

To the Board
Massachusetts State College Building Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Massachusetts State College Building Authority (the "Authority"), a component unit of the Commonwealth of Massachusetts, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension benefit schedules on pages 4 to 14 and 49 to 50, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Authority's basic financial statements. The statistical section contained on pages 52 to 56 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 12, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

CohnReznick LLP

Boston, Massachusetts
October 12, 2017

Massachusetts State College Building Authority
(a component unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis
For the Years Ended June 30, 2017 and 2016
Unaudited

The following discussion and analysis provides management's overview of the financial position of the Massachusetts State College Building Authority (the "Authority") as of June 30, 2017 and 2016, and the results of its operations and cash flows for the years then ended. This management's discussion and analysis is unaudited and should be read in conjunction with the Authority's audited financial statements and notes, which are attached hereto.

Introduction

The Authority was created pursuant to Chapter 703 of the Acts of 1963 (the "Act") of the Commonwealth of Massachusetts (the "Commonwealth"), as amended, as a body politic and corporate and a public instrumentality to finance, design, construct and oversee the management of residence halls, dining commons, parking, athletic, cultural, and other student life activities primarily for the use (i) of one or more state colleges, students, staff and their dependents; (ii) for lease to or use by an organization or association, in any form, of students or others the activities of which are a part of the activities at one or more state colleges; or (iii) for lease to or use by any other entity the activities of which further the purposes of one or more of the state colleges. Such facilities may be provided in collaboration with and for joint use by other agencies, boards, commissions, or authorities of the Commonwealth. The Act was amended in 2010 to change the definition of state college to "any of the public institutions of higher education in the state university segment or the community college segment". The state university segment of the public institutions of higher education includes the following institutions: Bridgewater, Fitchburg, Framingham, Salem, Westfield, and Worcester State Universities, Massachusetts College of Liberal Arts, Massachusetts College of Art and Design, and Massachusetts Maritime Academy. The community college segment includes the following institutions: Berkshire, Bristol, Bunker Hill, Cape Cod, Greenfield, Holyoke, Massachusetts Bay, Massasoit, Middlesex, Mount Wachusett, North Shore, Northern Essex, Quinsigamond, Roxbury, and Springfield Technical Community Colleges.

Pursuant to the Act and a Contract for Financial Assistance, Management and Services between the Commonwealth acting by and through the Board of Higher Education ("BHE") (the "Contract"), the Authority annually sets and assesses rents and fees sufficient to provide for the payment of all costs of its facilities, including maintenance, operation, administration, reserves and to pay debt service on revenue bonds issued to finance its projects. The Authority receives no direct appropriation from the Commonwealth. As of June 30, 2017, approximately 16,800 students reside in the 55 residential complexes owned by the Authority. These facilities house over 40% of full-time undergraduate students and comprise about 4.5 million square feet of space on the nine state university campuses.

The state universities certify residence hall occupancy to the Authority and to the Commonwealth's Department of Higher Education on a semi-annual basis. For the academic years 2016/17 and 2015/16, the number of students housed in on-campus housing owned by the Authority was 95.8% and 97.6% of design occupancy, respectively.

The following table shows average annual residence hall occupancy every other year from the 2002/03 through 2016/17 academic years and the average number of design occupancy beds for those periods.

Residence Halls Occupancy Table

	Academic Years							
State University	**2002/03**	**2004/05**	**2006/07**	**2008/09**	**2010/11**	**2012/13**	**2014/15**	**2016/17**
Bridgewater	105.0%	105.0%	104.2%	104.5%	99.7%	98.9%	99.2%	96.4%
Fitchburg	95.0%	100.0%	101.7%	102.5%	103.8%	100.8%	103.1%	96.0%
Framingham	105.0%	100.0%	99.7%	101.0%	103.9%	100.3%	97.9%	93.8%
Mass. College of Art & Design	100.0%	99.0%	101.4%	99.8%	99.4%	99.3%	98.6%	99.2%
Mass. College of Liberal Arts	81.0%	88.0%	94.7%	87.9%	97.5%	91.1%	85.7%	77.4%
Mass. Maritime Academy	93.0%	96.0%	103.4%	94.3%	102.9%	107.9%	92.5%	104.6%
Salem	105.0%	100.0%	100.6%	104.2%	93.5%	106.7%	106.8%	96.3%
Westfield	109.0%	109.0%	108.3%	107.2%	104.3%	101.1%	98.3%	99.2%
Worcester	100.0%	96.0%	100.6%	102.0%	99.1%	101.9%	86.6%	92.3%
Average Occupancy	**101.0%**	**99.0%**	**102.5%**	**101.8%**	**100.6%**	**101.0%**	**97.5%**	**95.8%**
Design Occupancy	**10,585**	**11,141**	**12,255**	**12,968**	**14,138**	**15,290**	**16,458**	**16,857**

As required by statute, the offices of the Authority are in Boston, Massachusetts. The nine board members of the Authority are appointed by the Governor; three members must be appointive members of the Commonwealth's Board of Higher Education.

Economic Factors

The seasonally adjusted unemployment rate for the Commonwealth of Massachusetts from which the state colleges primarily draw students was 4.4% at June 30, 2017 compared to 4.2% at June 30, 2016 and 4.7% at June 30, 2015. This compares to a national rate of 4.4% in 2017, 4.9% in 2016 and 5.3% in 2015, according to the U.S. Bureau of Labor Statistics.

Historically, in times of economic uncertainty, the state colleges that the Authority serves experience increases in their enrollments as high school graduates and unemployed and underemployed workers seek to update and upgrade their skills. The Authority cannot predict the extent to which enrollment may vary in the current economic environment.

In the last several fiscal years, the Authority issued bonds during periods of historically low rates to generate new money for construction projects and to refund certain bonds to achieve interest cost savings. The Authority strives to offer affordable residence options for students. Student rent for academic year 2016/17 and 2015/16 on Authority residence facilities compared favorably to both regional private and other public institutions. In the fall of 2016, Authority rents were the fifth lowest compared among 40 private regional institutions and third lowest when compared among seven regional public institutions.

Financial Statements

The Authority's financial statements (pages 15 - 20 of this report) have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB").

The *Statement of Net Position (Deficiency in Net Position)* presents assets and deferred outflows of resources, less liabilities and deferred inflows of resources, with the residual balance being reported as *net position (deficiency in net position).* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the Authority's net position changed during the fiscal year presented. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., the payment for accrued compensated absences, or the receipt of amounts due from state colleges and others for services rendered).

The *Statement of Cash Flows* is reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations as major classes of operating receipts (e.g., income from contracts for financial assistance, management and services) and disbursements (e.g., cash paid to employees, contractors, consultants, or vendors for services). GASB Statements 34 and 35 require this method to be used.

The notes to the financial statements describe significant accounting policies adopted by the Authority and provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Highlights

- Total assets of the Authority were $1.31 billion at June 30, 2017, down slightly from $1.33 billion at June 30, 2016, primarily due to a decrease in cash and investments and in accounts receivable reflecting construction projects on the college-owned student activity facilities.

- For the year ended June 30, 2017, net capital assets declined by $9.1 million, or 1.0% due primarily to depreciation outpacing construction projects on Authority-owned facilities. Details of capital assets are provided on page 12.

- Fiscal year 2017 operating revenues increased $9.4 million or 12.2% from fiscal year 2016 due to increased assessment revenues used to fund debt obligations, Authority operations, and deposits to capital reserves.

- In January 2017, the Authority issued two series of bonds. The first was $20.59 million Series 2017A with a true interest cost of 3.06%. The proceeds of Series 2017A provided funds for acquisition of a residence hall and improvements to an athletic facility at Fitchburg State, and renewal and adaption projects for various residence halls at Bridgewater State, Fitchburg State, and Massachusetts College of Liberal Arts. The second issue was $3.055 million Community College Program Series 2 with a true interest cost of 2.75%. The proceeds of Series 2 provided funds for improvements to the student center at Mount Wachusett Community College.

Financial Analysis

Statements of Net Position (Deficiency in Net Position)

The Authority's net position reflects its investment in capital assets (such as land, buildings, furniture and equipment) less accumulated depreciation and related outstanding debt used to acquire those assets. These assets provide on-going services to the state colleges and consequently they are not available to be used to liquidate liabilities. In fiscal year 2002, the Authority began depreciating its capital assets in accordance with GASB Statements 34 and 35. At that time, the initial accumulated depreciation of $81.45 million represented the depreciation on its capital assets dating back to 1963. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets in accordance with guidelines established by the Commonwealth.

Summary - Statements of Net Position at June 30, 2017, 2016 and 2015

	June 30, 2017	June 30, 2016	June 30, 2015
Current assets	$ 76,048,069	$ 82,104,520	$ 158,099,142
Capital assets, net	932,977,708	942,065,389	897,680,190
Other noncurrent assets	302,662,846	308,663,522	324,224,428
Total assets	1,311,688,623	1,332,833,431	1,380,003,760
Deferred outflows of resources	41,831,016	44,825,869	27,865,455
Current liabilities	77,073,715	72,499,240	94,516,484
Noncurrent liabilities	1,310,945,989	1,332,697,067	1,341,892,109
Total liabilities	1,388,019,704	1,405,196,307	1,436,408,593
Deferred inflows of resources	251,890	156,831	465,724
Net position:			
Net investment in capital assets	(24,814,101)	(26,840,022)	(12,717,572)
Restricted		1,365	905,721
Unrestricted	(9,937,854)	(855,181)	(17,193,251)
Deficiency in net position	$ (34,751,955)	$ (27,693,838)	$ (29,005,102)

- Total assets at June 30, 2017 decreased by1.6% when compared to total assets at June 30, 2016. This primarily reflects a slight decline in net capital assets and a reduction of cash and equivalents of $6.2 million, or 7.5%, reflecting spending of bond proceeds for capital projects.

- Total assets at June 30, 2016 decreased by 3.4% when compared to total assets at June 30, 2015. This primarily reflects additions to capital assets offset by a decrease in receivables for college-owned portions of the Series 2015A Bond issue. Cash and cash equivalents decreased by $76 million reflecting significant spending of bond proceeds for capital projects.

- Reserves for capital improvements, multi-purpose and operating purposes as of June 30, 2017 were $26.5 million compared to $22.3 million as of June 30, 2016. Debt service reserve funds totaled $87.5 million as of June 30, 2017 compared to $90.6 million as of June 30, 2016.

- Reserves for capital improvements, multi-purpose and operating purposes as of June 30, 2016 were $22.3 million compared to $25.3 million as of June 30, 2015. Debt service reserve funds totaled $90.6 million as of June 30, 2016 compared to $96.6 million as of June 30, 2015. This reduction is attributable to the use of debt service reserve funds in excess of the required level of reserves being applied as a source of funds to the Refunding Bond Series 2016A.

- Capital assets are discussed on page 12.

- Total liabilities at June 30, 2017 decreased 1.2% due to a $7.4 million decrease in accounts payable and $16 million net reduction in bonds payable offset by a $5.5 million increase in interagency payables.

- Total liabilities at June 30, 2016 decreased 2.2% due to a reduction in accounts payable, interagency payables and bonds payable offset by a $1.4 million increase in net pension liability over fiscal year 2015.

- Beginning with fiscal year 2015, the Authority implemented GASB 68 which requires the Authority to report the net pension liability which is the difference between the total pension liability and the value of the assets available in the pension plan's trust to pay pension benefits. The Commonwealth calculated the Authority's proportional share of the Commonwealth's net pension liability in fiscal year 2017 to be $3.6 million compared to $3.3 million in fiscal year 2016. The Authority invests its retirement trust fund with the Commonwealth's Pension Reserve Investment Trust. This investment was valued at $4.7 million as of June 30, 2017 and is more than adequate to fund the Authority's net pension liability of $3.6 million.

- University-owned student activity facilities are not carried as capital assets of the Authority. Project funds associated with university-owned assets are carried as interagency payable liabilities of the Authority. Debt associated with university-owned facilities is carried as receivables due from the college. Interest payments received from the colleges are recognized as investment income by the Authority.

- Debt administration is discussed on pages 13.

- A deficiency in total net position exists primarily due to depreciation and interest expenses exceeding operating and non-operating revenues over a period of time. The deficiency in net position at June 30, 2017 increased by $7.1 million compared to the net position at June 30, 2016. This increase is due to increases to assessment revenues offset by an increase in depreciation and interest expense and a decrease in net transfers from colleges. The net position at June 30, 2016 increased by $1.3 million compared to the net position at June 30, 2015. This increase was due to increases to assessment revenues, net investment income and net transfers from state colleges offset by an increase in depreciation, insurance premiums and bond issuance costs. The net position as of June 30, 2017 and 2016, excluding depreciation, was $8.6 million and $14.1 million, respectively.

Statements of Revenues, Expenses and Changes in Net Position

Authority revenue is primarily derived from assessments of state college residence hall rents and student activity fees pursuant to the Contract, in which the BHE commits the state colleges to meet the statutory and financial obligations related to the projects. The assessments provide the revenue needed to fund annual debt service requirements associated with bonds issued to finance capital projects, reserve deposits, insurance premiums, and Authority operating expenses.

Summary - Statements of Revenues, Expenses and Changes in Net Position

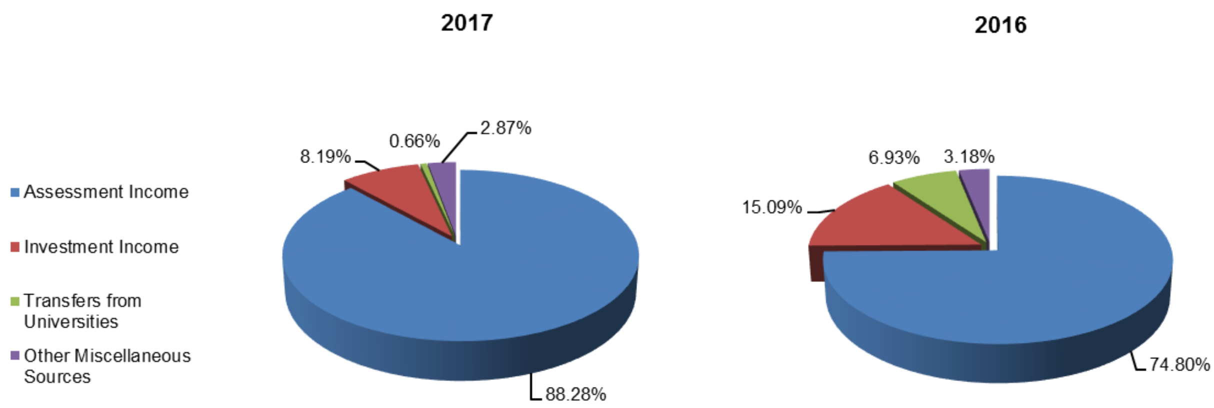
	Fiscal year ended June 30		
	2017	2016	2015
Total operating revenues	$ 86,522,984	$ 77,130,457	$ 74,813,069
Total operating expenses	47,080,270	45,145,972	42,435,206
Operating income	39,442,714	31,984,485	32,377,863
Nonoperating expenses, net	(46,500,831)	(30,673,221)	(37,238,200)
Increase (decrease) in net position	(7,058,117)	1,311,264	(4,860,337)
Net position - beginning of the year	(27,693,838)	(29,005,102)	(24,144,765)
Net position - end of the year	$ (34,751,955)	$ (27,693,838)	$ (29,005,102)

- Operating revenues grew 12.1% to $86.5 million for the year ended June 30, 2017 from $77.1 million for the year ended June 30, 2016 due to a $9.8 million increase in assessment revenues.

- Operating revenues grew to $77.1 million for the year ended June 30, 2016 from $74.8 million for the year ended June 30, 2015 due primarily to an increase in assessment revenues.

- Other revenue sources include investment income on project funds and reserves, transfers from state colleges in support of capital projects, and interest subsidy from the U.S. Treasury relating to the Authority's outstanding Build America Bonds. The $15.8 million increase in nonoperating expenses in fiscal 2017 is due to a decrease in net investment income and transfers from state colleges and an increase in interest expense. The 18% decrease in nonoperating expenses in fiscal year 2016 is due to the $4.7 million increase in net investment income and transfers from state colleges offset slightly by an increase in interest costs and bond issuance costs. The charts below compare total revenue for fiscal year 2017 with fiscal year 2016.

Summary - Total Revenue Fiscal Years 2017 and 2016



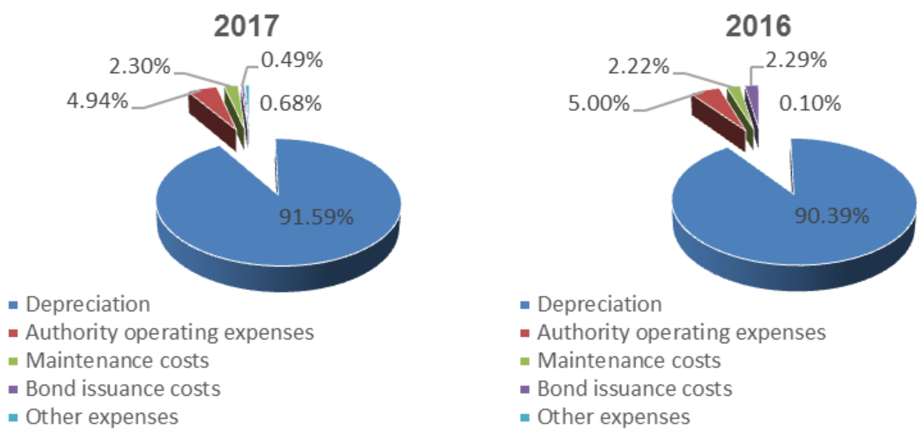
- Operating expenses include depreciation, insurance premium costs and operating expenses associated with Authority operations. In fiscal year 2017, depreciation expense was $43.3 million compared to $41.8 million in fiscal year 2016. The $1.6 million increase in depreciation expense is due to the additional depreciable assets brought into use in fiscal year 2017.

- In fiscal year 2016, depreciation expense was $41.8 million as compared to $38.9 million in fiscal year 2015. The $2.9 million increase in depreciation expense is due to the additional depreciable assets brought into use in fiscal year 2016, including major improvement and renewal and adaption at several campuses.

- The primary components of net nonoperating revenues (expenses) are annual interest expense incurred on the Authority's debt obligations, less investment income used to offset debt service requirements. Interest expense increased by 5.1% or $2.8 million in fiscal year 2017 due to increased interest costs associated with outstanding bonds. Net investment income decreased by $7.4 million in fiscal year 2017. Interest expense increased by 0.9% in fiscal year 2016 due primarily to increased interest costs associated with the Series 2014B and 2014C Bonds. Net investment income increased to $15.3 million in fiscal year 2016 from $10.7 million in fiscal year 2015 due to the transfer of certain reserves held in cash to investment vehicles.

The charts below compare total expenses, excluding interest expense, for fiscal year 2017 with fiscal year 2016.

Summary - Total Expenses (excluding Interest Expense) Fiscal Years 2017 and 2016



Statements of Cash Flows

Authority cash in-flows are primarily generated from assessments received from the state colleges and proceeds from bond issuances. Cash out-flows are primarily from continued payments for additions to Authority capital assets, payments for additions to university-owned assets, and payment of principal and interest on Authority debt.

Summary - Statements of Cash Flows

	Fiscal year ended June 30		
	2017	2016	2015
Cash received from operations	$ 86,522,984	$ 77,130,457	$ 74,813,069
Cash expended for operations	(2,452,320)	(3,253,757)	(3,512,151)
Net cash provided by operations	84,070,664	73,876,700	71,300,918
Net cash provided by (used in) capital and related financing activities	(93,698,968)	(165,228,405)	(89,881,844)
Net cash provided by (used in) investing activities	3,448,845	14,922,753	77,525,095
Net increase (decrease) in cash and cash equivalents	(6,179,459)	(76,428,952)	58,944,169
Cash and cash equivalents, beginning of year	82,737,828	159,166,780	100,222,611
Cash and cash equivalents, end of year	$ 76,558,369	$ 82,737,828	$ 159,166,780

- Cash and cash equivalents were $76.6 million at June 30, 2017 compared to $82.7 million at June 30, 2016. The $6.2 million decrease is due primarily to project fund spending from outstanding bonds offset by the receipt of $21 million in proceeds from the Series 2017A Bonds.

- Cash and cash equivalents were $82.7 million at June 30, 2016 compared to $159.2 million at June 30, 2015. This $76.4 million decrease is due primarily to project fund spending from the Series 2014A, 2014B and 2014C Bonds offset slightly by the receipt of $11.5 million in proceeds from the Series 2015A Bonds.

- Cash provided by operations exceeded the cash expended for operations in fiscal year 2017 by $84.1 million compared to $73.9 million. The $9.8 million increase in cash received from contract payments was primarily a result of increased assessments for debt service.

- Net cash provided by operations exceeded the cash expended for operations in fiscal year 2016 by $73.9 million. The $2.3 million increase in cash received from assessments was a result of increased assessments for debt service and slightly lower operating expenses. Net cash provided by operations exceed the cash expended for operations in fiscal year 2015. The $6.4 million increase in cash received from assessments was a result of higher residence hall revenue and was offset by increased operating and other expenses.

- In fiscal year 2017, net cash used in capital and related financing activities was $93.7 million compared to $165.2 million in fiscal year 2016. The change between fiscal years is primarily attributable to a year over year reduction in project spending for both residence halls and student activity projects.

- In fiscal year 2016, net cash used in capital and related financing activities was $165.2 million compared to $89.9 million in fiscal year 2015. The change between years is primarily attributable to a $67 million increase in proceeds from bond issuance and a slight increase in transfers from state colleges. These were offset by the $211 million transfer from the escrow relating to the Refunding Bonds Series 2016A, and increases to principal and interest paid.

- Net cash provided by investing activities was $3.5 million in fiscal year 2017 compared to $14.9 million in fiscal year 2016. The $11.4 million reduction in net cash is due to the $13.8 million reduction in sale of investments offset by a $2.5 million decrease in the purchase of investments.

- Net cash provided by investing activities was $14.9 million in fiscal year 2016 compared to $77.5 million in fiscal year 2015. The $62.6 million reduction in net cash is due to the $53.4 million reduction in sale of investments offset by a $9.3 million increase in the purchase of investments.

Capital Assets

The Authority's investment in capital assets as of June 30, 2017 was $933 million, net of accumulated depreciation, compared to $942.1 million as of June 30, 2016 and $897.7 as of June 30, 2015. Capital assets include land, buildings and improvements thereon, furnishings and equipment. Capital assets comprised approximately 71% of total assets at June 30, 2017 and June 30, 2016 and 65% at June 30, 2015. During the years ended June 30, 2017 and 2016, the Authority had additions to capital assets of $34.2 million and $86.1 million, respectively, in constructing new assets and improvements on assets already in service, inclusive of construction in progress. The major components of Capital Assets are presented below.

- Construction in progress represents the balance of additions to Authority assets for projects currently underway. The construction in progress balance was $11 million at June 30, 2017 compared to $16.7 million at June 30, 2016. The decrease in construction in progress was due to a reduced number and size of projects underway and undertaken in fiscal year 2017 in addition to an additional $17.8 million of assets being capitalized at June 30, 2017.

- The buildings and improvements balance was $1.28 billion at June 30, 2017 compared to $1.25 billion at June 30, 2016 and $1.16 billion at June 30, 2015.

- The furnishings and equipment balance was $57.8 million at June 30, 2017 compared to $55.3 million at June 30, 2016 and $53 million at June 30, 2015. The $2.5 million increase in furnishings and equipment in fiscal year 2017 was attributable to purchases across the state colleges.

- Land was $19.2 million at June 30, 2017, $11.6 million at June 30, 2016 and $6.6 million at June 30, 2015. The $7.6 million increase in land in fiscal year 2017 was attributable to the acquisition of Simonds Hall on behalf of Fitchburg State. The increase in land in fiscal year 2016 was attributable to the purchase of parcels in Framingham and Bourne on behalf of Framingham State University and Massachusetts Maritime Academy, respectively.

- The Authority has entered into various commitments for the purchase of equipment, construction of certain facilities and other improvements relating to both Authority assets and university-owned assets. As of June 30, 2017 and 2016, respectively, such commitments were approximately $17.3 million and $27.5 million.

Additions to university-owned facilities have no effect on the Authority's capital assets. Project funds associated with university-owned assets are held as interagency payable liabilities of the Authority. As university-owned asset project funds are spent the corresponding payable balances are reduced accordingly.

Debt Administration

The Act authorizes the Authority to issue bonds to finance the design and construction of residence facilities, dining commons, parking, athletic, cultural, and other student activity facilities at the state colleges. Also, under certain circumstances, the Authority may provide financing for certain projects that are managed by the Commonwealth. Authority bonds are special obligations of the Authority payable solely from revenues and certain pledged funds provided under the provisions of the Act, the Contract and the Trust Agreement between the Authority and trustee. Annually, the Authority collects assessments from each state college in amounts sufficient for the payment of, among other things, the debt service on the Authority's bonds. These assessments are primarily derived from the rents and fees on the Authority's facilities, and on college-owned facilities financed by the Authority, as annually set by the Authority. As additional security for the Authority's bonds, the Act and the Contract provide for an intercept of legislative appropriations to the state colleges, if the Authority otherwise lacks sufficient funds to pay debt service in full and on time. This intercept mechanism was clarified and streamlined by amendments to the Act in 2009 and 2011 and the Contract was amended to conform to the statutory changes.

As of June 30, 2017, the Authority had $1.23 billion in principal amount of bonds outstanding compared to $1.24 billion and $1.3 billion at June 30, 2016 and 2015, respectively. The outstanding bond obligations carried unamortized premium balances of $113.9 million, $117.7 million and $93.2 million, respectively, as of June 30, 2017, 2016 and 2015. The $12 million decrease in bonds outstanding in fiscal year 2017 is attributable to the issuance of $20.59 million in Series 2017A and $3.055 million in Community College Program Series 2 and offset by $35.6 million in principal payments made during the fiscal year. All the outstanding bonds carry fixed interest rates payable semi-annually on May and November 1st. For all state university program bonds, principal is payable annually on May 1st, with a final maturity of 2049. Principal is payable semi-annually on May 1 and November 1 for the Community College Bonds, Series 2 issued in 2017 and Series 1, which was issued in fiscal year 2014. The Authority's outstanding debt has no associated interest rate exchange agreements. Of the amount outstanding, $114.3 million are taxable Build America Bonds for which the Authority was to receive a 35% interest rate subsidy directly from the U.S. Treasury. In fiscal years 2017, 2016 and 2015, a portion of the Authority's interest rate subsidy was reduced by approximately 6.9%, 6.8% and 7.3%, respectively, due to the federal government budgetary sequestration. The balance of the Authority's outstanding bonds is tax-exempt. The Authority has no Commonwealth-guaranteed debt outstanding and no authorization to issue any.

The Authority's state university program bonds are rated Aa2 by Moody's and AA- by S&P Global. On June 17, 2017, S&P Global lowered the Authority's credit rating from AA, mirroring its one notch lowering of the Commonwealth of Massachusetts rating from AA+ to AA. The Community College Program, Series 1 and Series 2 bonds are not rated.

Requests for Information

The Authority's financial statements are designed to present readers with a general overview of the Authority's finances. Additional financial information, including official statements relating to the Authority's bonds, can be found on the Authority's website www.mscba.org. Questions concerning the financial statements or requests for additional financial information should be addressed to the Executive Director, Massachusetts State College Building Authority, 253 Summer Street, Suite 300, Boston, Massachusetts 02210.

Massachusetts State College Building Authority
(A Component Unit of the Commonwealth of Massachusetts)

Statements of Net Position (Deficiency in Net Position)
June 30, 2017 and 2016

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 35,791,525	$ 36,205,338
Restricted cash and cash equivalents	28,491,038	34,334,373
Accounts receivable, net	11,698,026	10,693,091
Prepaid expenses	67,480	871,718
Total current assets	76,048,069	82,104,520
Noncurrent assets		
Restricted cash and cash equivalents	12,275,806	12,198,117
Restricted investments, including amounts held by trustee	80,082,527	82,921,885
Accounts receivable, net	210,304,513	213,543,520
Capital assets, net	932,977,708	942,065,389
Total noncurrent assets	1,235,640,554	1,250,728,911
Total assets	1,311,688,623	1,332,833,431
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows for pensions	1,017,026	894,266
Deferred losses on refunding of debt	40,813,990	43,931,603
Total deferred outflows of resources	41,831,016	44,825,869

Massachusetts State College Building Authority
(A Component Unit of the Commonwealth of Massachusetts)

Statements of Net Position (Deficiency in Net Position)
June 30, 2017 and 2016

	2017	2016
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 14,023,997	$ 21,399,240
Accrued payroll	220,676	93,820
Interagency payables	15,560,182	10,034,329
Compensated absences	115,664	108,682
Current portion of bonds payable	47,153,196	40,863,169
Total current liabilities	77,073,715	72,499,240
Noncurrent liabilities		
Compensated absences	144,281	125,883
Interagency payables	9,812,750	9,656,401
Bonds payable, net of current portion	1,297,376,297	1,319,628,052
Net pension liability	3,612,661	3,286,731
Total noncurrent liabilities	1,310,945,989	1,332,697,067
Total liabilities	1,388,019,704	1,405,196,307
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows for pensions	251,890	156,831
Total deferred inflows of resources	251,890	156,831
NET POSITION (DEFICIENCY IN NET POSITION)		
Net investment in capital assets	(24,814,101)	(26,837,719)
Unrestricted	(9,937,854)	(856,119)
Total net position (deficiency in net position)	$ (34,751,955)	$ (27,693,838)

See Notes to Financial Statements.

Massachusetts State College Building Authority
(A Component Unit of the Commonwealth of Massachusetts)

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Income from contracts for financial assistance, management, and services	$ 85,979,296	$ 76,187,363
Other miscellaneous revenues	543,688	943,094
Total operating revenues	86,522,984	77,130,457
OPERATING EXPENSES		
Insurance costs	1,086,763	1,024,658
Authority operating expenses	2,338,033	2,312,194
Depreciation	43,333,694	41,762,241
Other expenses	321,780	46,879
Total operating expenses	47,080,270	45,145,972
Operating income	39,442,714	31,984,485
NONOPERATING REVENUES (EXPENSES)		
Net investment income	7,981,303	15,374,812
Interest expense	(57,143,097)	(54,345,047)
Bond issuance costs	(230,315)	(1,058,566)
Net transfers to/from State Universities	640,357	7,056,055
Build America Bonds interest subsidy	2,201,230	2,200,443
Miscellaneous nonoperating revenue	49,691	99,082
Net nonoperating revenues (expenses)	(46,500,831)	(30,673,221)
INCREASE (DECREASE) IN NET POSITION	(7,058,117)	1,311,264
NET POSITION (DEFICIENCY IN NET POSITION), BEGINNING OF YEAR	(27,693,838)	(29,005,102)
NET POSITION (DEFICIENCY IN NET POSITION), END OF YEAR	$ (34,751,955)	$ (27,693,838)

See Notes to Financial Statements.

Massachusetts State College Building Authority
(A Component Unit of the Commonwealth of Massachusetts)

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contracts for financial assistance, management, and services	$ 85,979,296	$ 76,187,363
Other miscellaneous receipts	543,688	943,094
Payments for insurance costs	(242,972)	(1,214,503)
Payments for operating expenses	(965,017)	(1,160,452)
Payments to employees	(922,551)	(831,923)
Payments for other expenses	(321,780)	(46,879)
Net cash provided by (used in) operating activities	84,070,664	73,876,700
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from bond issuance	24,927,946	227,033,367
Cash paid to bond trustee related to advanced refunding	-	(211,084,156)
Build America Bonds interest subsidy	2,199,262	2,200,443
Payments of bond issuance costs	(230,315)	(1,058,566)
Payments for capital assets	(38,988,992)	(87,674,862)
Miscellaneous receipts	49,691	99,082
Collections of debt service receivables	16,829,273	17,097,555
Transfer of funds from State Universities	640,357	7,056,055
Repayment of interagency loan payable	-	(1,200,000)
Payments from funds held for others	(7,141,441)	(22,365,548)
Funds received and held for others	5,020,571	3,945,698
Principal paid on capital debt	(35,803,682)	(36,461,773)
Interest paid on capital debt	(61,201,638)	(62,815,700)
Net cash provided by (used in) capital and related financing activities	(93,698,968)	(165,228,405)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	48,388,845	62,180,174
Purchases of investments	(48,550,995)	(51,071,603)
Interest on investments	3,610,995	3,814,182
Net cash provided by (used in) investing activities	3,448,845	14,922,753
Net increase (decrease) in cash and cash equivalents	(6,179,459)	(76,428,952)
Cash and cash equivalents, beginning of year	82,737,828	159,166,780
Cash and cash equivalents, end of year	$ 76,558,369	$ 82,737,828

Massachusetts State College Building Authority
(A Component Unit of the Commonwealth of Massachusetts)

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income	$ 39,442,714	$ 31,984,485
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	43,333,694	41,762,241
Change in net pension liability	298,229	226,408
Changes in assets and liabilities		
Prepaid expenses	804,238	(186,094)
Accounts payable and accrued liabilities	39,553	(3,751)
Accrued payroll and compensated absences	152,236	93,411
Net cash provided by (used in) operating activities	$ 84,070,664	$ 73,876,700

Massachusetts State College Building Authority
(A Component Unit of the Commonwealth of Massachusetts)

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

Supplemental cash flows information
Schedule of noncash investing, capital and financing activities

2017

Acquisition of capital assets	$ 34,246,013
Accounts payable thereon:	
Beginning of year	9,001,509
End of year	(4,258,530)
Net interest incurred and earned, capitalized in construction in progress	-
Payments for capital assets	$ 38,988,992
Accounts receivable and Interagency payables related to State College capital projects on State College owned property	$ 7,221,418
Unearned interest income on accounts receivable related to State College capital projects on State College owned property	$ 3,040,517
Contractor accounts payable related to State College capital projects on State College owned property	$ 138,728
Unrealized gain (loss) on investment securities	$ (3,001,507)

2016

Acquisition of capital assets	$ 86,147,440
Accounts payable thereon:	
Beginning of year	12,610,725
End of year	(9,001,509)
Net interest incurred and earned, capitalized in construction in progress	(2,081,794)
Payments for capital assets	$ 87,674,862
Accounts receivable and Interagency payables related to State College capital projects on State College owned property	$ 1,238,081
Unearned interest income on accounts receivable related to State College capital projects on State College owned property	$ 459,407
Contractor accounts payable related to State College capital projects on State College owned property	$ 720,382
Unrealized gain (loss) on investment securities	$ 4,156,495

See Notes to Financial Statements.

Note 1 - Summary of significant accounting policies

Organization

Massachusetts State College Building Authority (the "Authority") was created pursuant to Chapter 703 of the Acts of 1963 of the Commonwealth of Massachusetts (the "State" or the "Commonwealth"), as amended (the "Act"), as a body politic and corporate and a public instrumentality for the general purpose of providing dormitories, dining commons and other facilities primarily for use by students and staff of certain state colleges of the Commonwealth of Massachusetts and their dependents. Such facilities may be provided in collaboration with and for joint use by, other agencies, boards, commissions, or authorities of the Commonwealth. The Act defines State Colleges as the state university and community college segments of the Commonwealth's public higher education system. The state universities include Bridgewater, Fitchburg, Framingham, Salem, Westfield and Worcester State Universities, Massachusetts College of Liberal Arts, Massachusetts College of Art and Design and Massachusetts Maritime Academy (collectively, the "State Universities"). The community colleges include Berkshire, Bristol, Bunker Hill, Cape Cod, Greenfield, Holyoke, Massachusetts Bay, Massasoit, Middlesex, Mount Wachusett, North Shore, Northern Essex, Quinsigamond, Roxbury and Springfield Technical (collectively, the "Community Colleges"). The Authority provides bond financing, design and construction management of new facilities, major renovations, adaption and capital repairs for its projects at the State Colleges. Annual obligations of the Authority include rent setting and oversight of State University residence hall operating budgets. The Authority's operations are primarily governed by a Contract for Financial Assistance, Management and Services with the Board of Higher Education of the Commonwealth ("BHE"), in which the BHE commits the State Colleges to meet the statutory and financial obligations related to the projects.

The Authority is a component unit of the Commonwealth of Massachusetts. Accordingly, the accompanying financial statements may not necessarily be indicative of the conditions that would have existed if the Authority had been operated as an independent organization. The Authority's financial statements are included in the Commonwealth's financial statements as a blended component unit.

Basis of presentation

The accompanying financial statements have been prepared using the "economic resources measurement focus" and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board ("GASB"). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Authority has determined that it functions as a Business-Type Activity, as defined by GASB.

The Authority's policy for defining operating activities in the statements of revenues, expenses, and changes in net position are those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as nonoperating activities in accordance with GASB Statement No. 35. These nonoperating activities include the Authority's net investment income and interest expense.

Net position

GASB Statement No. 34 requires that resources be classified for accounting purposes into the following three net position categories:

- **Net investment in capital assets:** Capital assets, which are net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

- **Restricted:**

  Nonexpendable - Net position which use is subject to externally imposed conditions that the Authority must maintain them in perpetuity.

  Expendable - Net position which use is subject to externally imposed conditions that can be fulfilled by the actions of the Authority pursuant to those conditions or that expire by the passage of time.

- **Unrestricted:** All other categories of net position. Unrestricted net position may be designated for specific purposes by action of the Authority's Board.

The Authority has adopted a policy of reviewing, on an individual basis, all restricted - expendable funds, for the purpose of determining the order in which restricted - expendable and unrestricted funds would be utilized.

In accordance with the requirements of the Act, the Authority's operations are accounted for in several trust funds. All of these trust funds have been consolidated and are included in these financial statements.

Use of estimates

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

Cash equivalents

The Authority considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents.

Investments

Investments in marketable securities are stated at fair value. Realized and unrealized gains and losses are included in nonoperating revenues. Gains and losses on the disposition of investments are determined based on specific identification of securities sold or the average cost method. Investment income is recognized when earned and is generally credited to the trust fund holding the related assets. There were no significant realized gains or losses on investments during the years ended June 30, 2017 and 2016.

The Authority has no donor-restricted endowments.

The Authority is currently authorized by its Board and the statutes of the Commonwealth to invest funds of the Authority. The Board shall establish investment policy, but delegate to the Finance and Audit Committee of the Authority to direct an investment advisor.

Accounts receivable

Accounts receivable are stated at the total amount of the future minimum payments to be received less unearned interest income. Interest income is recognized using the effective interest method. No allowance for doubtful accounts has been made as of June 30, 2017 and 2016, as management considers all amounts fully collectible.

Capital assets

The accompanying financial statements include the transactions of all of the Authority-owned capital assets, which include residence halls for approximately 16,800 students in 2017 and 16,800 students in 2016, some with dining facilities as well as some with student activity facilities and land, at the State Universities.

Project costs include land acquisition, architectural and engineering services, construction, furnishings and equipment and related expenses for legal, accounting, and financial services. Such expenses have been incurred for the construction of new facilities and for capital improvements to existing facilities. Fire alarm system improvements, the installation of automatic sprinkler systems, the repair and replacement of roofs and windows, and improvements to make the facilities accessible for use by handicapped persons are examples of capital improvements to existing facilities undertaken by the Authority.

Real estate assets, including improvements, are generally stated at cost. Furnishings and equipment are stated at cost at date of acquisition. In accordance with the Authority's capitalization policy, only those items with a total project cost of more than $50,000, and all furniture, fixtures and equipment, are capitalized. Interest costs on debt related to capital assets is capitalized during the construction period. Authority capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 40 years.

Bond issuance costs

Bond issuance costs are expensed as incurred. During fiscal 2017 and 2016, the Authority incurred $230,315 and $1,058,566, respectively, of bond issuance costs.

Fringe benefits

The Authority participates in the Commonwealth's fringe benefit programs, including health insurance, unemployment, and pension for which it is billed by the Commonwealth. Worker's compensation insurance is purchased as a separate policy within the Authority's insurance portfolio.

Pension plan

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

Compensated absences

Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation is the amount earned and unused by all eligible employees through June 30 of each year. The accrued sick leave balance represents 20% of amounts earned at the end of the fiscal year. Upon retirement, these employees are entitled to receive payment for these accrued balances.

Interest expense and capitalization

The Authority may capitalize interest costs incurred during the construction period of qualifying property assets. The amount of interest costs capitalized on qualifying assets acquired with proceeds of tax-exempt borrowings consists of all interest costs of the borrowing less any interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowings from the date of the borrowing until the assets are ready for their intended use. Bond premiums are amortized to interest expense on a straight-line basis over the terms of the related bonds. Deferred losses on bond refundings are amortized to interest expense principally on the effective interest method over the terms of the old trust or new trust agreements, whichever is shorter. During fiscal 2017 and 2016, total interest costs were accounted for as follows:

	2017	2016
Total interest incurred	$ 59,111,476	$ 62,083,263
Amortization of bond premium	(5,085,992)	(7,621,910)
Amortization of deferred loss	3,117,613	2,060,233
Less: capitalized portion of interest incurred	-	(2,176,539)
Interest expense	$ 57,143,097	$ 54,345,047
Capitalized portion of interest incurred	$ -	$ 2,176,539
Less: interest income on unused funds from tax-exempt borrowings	-	(94,745)
Net capitalized interest	$ -	$ 2,081,794

Income tax status

The Authority is a component unit of the Commonwealth and is therefore exempt from federal and state income taxes.

Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation.

Note 2 - Cash and cash equivalents, and investments

Credit risk

Credit risk includes the risk that securities that the Authority has invested in will default.

The Authority's Trust Agreement stipulates that only certain highly rated securities are eligible investments. The Authority has a formal investment policy consistent with the Trust Agreement in which permissible investment obligations include: (i) certain direct or agency obligations which are unconditionally guaranteed by the United States of America; (ii) certain interest-bearing instruments issued by a banking institution with a long-term unsecured debt rating in one of the two highest long-term rating categories, (iii) commercial paper rated in the highest rating category; and (iv) obligations of state or local governments or authorities thereof rated in the two highest rating categories. The Authority is also required to comply with the Commonwealth of Massachusetts' deposit and investment policies which are principally defined in the Massachusetts General Laws, Chapter 29. The Authority's deposit and investment policies are generally consistent with those of the State Statutes.

Custodial credit risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits and/or investments may not be returned to it. The Authority does not have a formal policy with respect to the custodial credit risk.

The Authority has two primary commercial banking relationships: Citizens Bank, N.A. ("Citizens") is the Authority's primary depository bank, U.S. Bank National Association ("U.S. Bank") is the Authority's trustee bank and holds all bond and related funds pursuant to the Trust Agreement. The Authority is party to a third party custodian agreement in which Citizens provides the Authority with collateral equal to the Authority's uninsured deposits and the custodian provides safekeeping services and holds the collateral on behalf of and for the benefit of the Authority. Pursuant to the agreement, eligible collateral is limited to only those obligations which are guaranteed as to the payment of principal and interest by the United States of America. All of the Authority's bank balances held by Citizens of $34,620,246 and $34,909,552 as of June 30, 2017 and 2016, respectively, were secured and fully collateralized pursuant to this agreement.

The Authority does not have a formal deposit policy for custodial credit risk with U.S. Bank. As of June 30, 2017 and 2016, the fair market value of the Authority's cash equivalent balances with U.S. Bank of $40,477,349 and $46,900,798, respectively, were exposed to custodial credit risk because they were uninsured and uncollateralized. These funds were invested in Fidelity Institutional Money Market Government Fund 57 (the "Fund 57") and the Massachusetts Municipal Depository Trust ("MMDT"). Fund 57 invests primarily in U.S. government securities, repurchase agreements, and may invest in reverse repurchase agreements guaranteed by U.S. Treasury obligations. MMDT invests primarily in U.S. Government securities, bank obligations, commercial paper and municipal securities. Both the Fund 57 and MMDT seek to preserve the investment value of $1 per share and the investment securities maintain a weighted average maturity of 60 days or less. The funds were not rated for average credit quality at June 30, 2017 and June 30, 2016.

As of June 30, 2017 and 2016, the fair value of the Authority's deposits held at the MMDT was $1,504,416 and $1,491,546, respectively. At June 30, 2017 and 2016, the approximate percentage of the Authority's deposits held at the MMDT and the respective investment maturities in days were as follows: 58% and 54% at 30 days or less; 25% and 29% at 31-90 days; 14% and 11% at 91-180 days; and 3% and 6% at 181 days or more, respectively. At June 30, 2017 and 2016, the MMDT's cash portfolio had a credit quality rating of either P1 or P2.

In addition to the commercial banking relationships, the Authority invests its retirement trust fund (Note 12) with the Massachusetts Pension Reserve Investment Trust ("PRIT"). PRIT consists of two investment funds, the Capital Fund and the Cash Fund. Each of these funds is managed, accounted for, and held separately by PRIT's custodian bank, Bank of New York ("BNY") Mellon. The Cash Fund consists of short-term investments, which are used to meet liquidity requirements. All Cash Fund earnings are reinvested. The Cash Fund maintains a stable net asset value of $1.00 per unit. The Capital Fund is invested in the General Allocation Account, which invests in all asset classes of PRIT in accordance with its asset allocation plan and investment policy guidelines. The Capital Fund serves as the investment portfolio of PRIT and consists of the following investments at June 30, 2017 and 2016: General Allocation (holds units of other accounts), Domestic Equity, Core Fixed Income, Value-Added Fixed Income, International Equity, Emerging Markets, Real Estate, Timberland, Timber/Natural Resources, Hedge Funds and Private Equity Investments. The funds held in the amount of $4,669,011 and $4,245,790 as of June 30, 2017 and 2016, respectively, with PRIT are intended to be used to fund the net pension liability. These funds were not rated for average credit quality at June 30, 2017 and 2016.

The Authority's investments are held at U.S. Bank, Citizens and PRIT and are represented by the following at June 30, 2017 and 2016:

	2017		2016	
	Cost	Fair value	Cost	Fair value
U.S. Government Agencies	$ 34,503,016	$ 35,231,646	$ 44,320,573	$ 46,018,901
State taxable bonds	17,475,000	21,651,292	17,475,000	23,152,004
U.S. Treasuries	16,639,224	18,530,578	6,821,484	9,505,190
Mutual funds	4,466,441	4,669,011	4,304,144	4,245,790
	$ 73,083,681	$ 80,082,527	$ 72,921,201	$ 82,921,885

The Authority classifies its restricted cash and cash equivalents, and investments between current and noncurrent classifications in the accompanying statements of net position (deficiency in net position) according to its plans for their use in liquidating associated liabilities. Investments with maturities of less than one year that are not required to be used to liquidate current liabilities are reflected as noncurrent assets in accordance with management's intention to reinvest the proceeds of those investments upon their maturity.

Investments held by the bond trustee represent project funds, as well as debt service and certain reserve funds.

At June 30, 2017, the Authority's investments in debt securities by contractual maturities and credit quality ratings, based on Moody's Investors Service, Inc., are as follows:

		Investment Maturities (in years)				
Investment type	Fair market value	Less than 1	1-5	6-10	Greater than 10	Credit rating
Fannie Mae Corporation ("FNMA") discount notes	$ 7,574,633	$ 7,574,633	$ -	$ -	$ -	Aaa
Strip Coupon Bonds - U.S. Govt. Issues	2,799,543	-	2,799,543	-	-	Aaa
Federal Home Loan Mortgage Corp. MTN ("FHLMCMTN") U.S. Govt. Issues	17,081,041	7,042,447	10,038,594	-	-	Aaa
Federal Farm Credit Banks ("FFCB") U.S. Govt. Issues	7,776,429	-	7,776,429	-	-	Aaa
Various Massachusetts ST Bonds	21,651,292	1,371,744		-	20,279,548	Aaa - Aa2
U.S. Government Securities - Treasury Notes	18,530,578	10,010,654	-	-	8,519,924	Aaa
Total	$ 75,413,516	$ 25,999,478	$ 20,614,566	$ -	$ 28,799,472	

At June 30, 2016, the Authority's investments in debt securities by contractual maturities and credit quality ratings, based on Moody's Investors Service, Inc., are as follows:

		Investment maturities (in years)				
Investment Type	Fair market value	Less Than 1	1-5	6-10	Greater than 10	Credit rating
Fannie Mae Corporation ("FNMA") discount notes	$ 24,675,168	$ 24,675,168	$ -	$ -	$ -	Aaa
Strip Coupon Bonds - U.S. Govt. Issues	2,824,298	-	2,824,298	-	-	Aaa
Federal Home Loan Mortgage Corp. MTN ("FHLMCMTN") U.S. Govt. Issues	10,424,039	-	10,424,039	-	-	Aaa
Federal Farm Credit Banks ("FFCB") U.S. Govt. Issues	8,095,396	-	8,095,396	-	-	Aaa
Various Massachusetts ST Bonds	23,152,004	-	1,423,264	-	21,728,740	Aaa - Aa1
U.S. Government Securities - Treasury Notes	9,505,190	-	-	-	9,505,190	Aaa
Total	$ 78,676,095	$ 24,675,168	$ 22,766,997	$ -	$ 31,233,930	

Certain investments are covered by the Securities Investor Protection Corporation ("SIPC") up to $500,000, including $250,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, debentures, certificates of deposit and money funds.

The following Authority investments at June 30, 2017 and 2016 are held by US Bank as custodian and, therefore, are subject to custodial credit risk as follows:

	2017	2016
U.S. Government Agencies	$ 35,231,646	$ 46,018,901
State taxable bonds	21,651,292	23,152,004
U.S. Treasuries	18,530,578	9,505,190
	75,413,516	78,676,095
Less insured amounts	(500,000)	(500,000)
	$ 74,913,516	$ 78,176,095

The Authority investments have been categorized based upon the fair value hierarchy in accordance with GASB 72 below:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for an asset or liability.

The Authority's investments at fair value measurement are as follows at June 30, 2017:

	Level 1	Level 2	Level 3	Total
Investment Assets:				
U.S. Government Agencies	$ 35,231,646	$ -	$ -	$ 35,231,646
State taxable bonds	21,651,292	-	-	21,651,292
U.S. Treasuries	18,530,578	-	-	18,530,578
Mutual funds	-	4,669,011	-	4,669,011
Total investment assets	$ 75,413,516	$ 4,669,011	$ -	$ 80,082,527

The Authority's investments at fair value measurement are as follows at June 30, 2016:

	Level 1	Level 2	Level 3	Total
Investment Assets:				
U.S. Government Agencies	$ 46,018,901	$ -	$ -	$ 46,018,901
State taxable bonds	23,152,004	-	-	23,152,004
U.S. Treasuries	9,505,190	-	-	9,505,190
Mutual funds	-	4,245,790	-	4,245,790
Total investment assets	$ 78,676,095	$ 4,245,790	$ -	$ 82,921,885

Note 3 - Accounts receivable

Accounts receivable include the following at June 30, 2017 and 2016:

	2017	2016
Debt service receivables	$ 221,078,019	$ 223,160,130
Interest receivable on investments	549,534	706,054
Other miscellaneous receivables	8,245	5,654
Build America Bonds interest subsidy receivable	366,741	364,773
	$ 222,002,539	$ 224,236,611

The Authority anticipates that all of its interest receivables will be collected within a one-year time frame.

The Commonwealth's policy for accounting for capital and renovation projects provides for the State University with ownership of the underlying asset to also own any related improvements to these facilities. Under this policy, the Authority recognizes as accounts receivable the minimum payments, net of unearned interest income, to be received from the State Colleges. Conversely, the State Colleges recognize a corresponding liability to the Authority.

During fiscal 2017, accounts receivable, net of unearned interest income, totaling $8,132,639 were added in connection with projects at two state universities and a project at one community college. During fiscal 2016, accounts receivable, net of unearned interest income, totaling $1,238,081 were recorded in connection with a project at one state university. A corresponding Interagency payable was also recorded by the Authority in both years as discussed further in Note 6.

The components of the Authority's debt service receivables in these State College-owned projects as of June 30, 2017 and 2016 are as follows:

	2017	2016
Total payments to be received	$ 294,461,597	$ 301,031,526
Less: Unearned income	(73,383,578)	(77,871,396)
Net debt service receivables in State College-owned projects	$ 221,078,019	$ 223,160,130

The following table sets forth the total payments to be received under these agreements as of June 30, 2017:

Year ending June 30:	
2018	$ 18,259,903
2019	18,264,769
2020	18,316,786
2021	18,284,192
2022	18,291,258
2023-2027	93,014,653
2028-2032	76,211,190
2033-2037	24,026,617
2038-2042	7,926,879
2043-2047	1,797,447
2048	67,903
Total	$ 294,461,597

Note 4 - Capital assets

Capital assets activity for the year ended June 30, 2017 are as follows:

	2017			
	Totals June 30, 2016	Additions	Reclassifications and reductions	Totals June 30, 2017
Land	$ 11,620,704	$ 7,597,459	$ -	$ 19,218,163
Construction in progress	16,714,164	12,088,698	(17,842,958)	10,959,904
Total not being depreciated	28,334,868	19,686,157	(17,842,958)	30,178,067
Buildings and improvements	1,252,022,265	12,082,242	17,842,958	1,281,947,465
Furnishings and equipment	55,313,589	2,477,614	-	57,791,203
Total depreciable assets	1,307,335,854	14,559,856	17,842,958	1,339,738,668
Total capital assets	1,335,670,722	34,246,013	-	1,369,916,735
Less accumulated depreciation:				
Buildings and improvements	(366,559,058)	(40,192,576)	-	(406,751,634)
Furnishings and equipment	(27,046,275)	(3,141,118)	-	(30,187,393)
Total accumulated depreciation	(393,605,333)	(43,333,694)	-	(436,939,027)
Capital assets, net	$ 942,065,389	$ (9,087,681)	$ -	$ 932,977,708

Capital assets activity for the year ended June 30, 2016 are as follows:

	2016			
	Totals June 30, 2015	Additions	Reclassifications and reductions	Totals June 30, 2016
Land	$ 6,551,535	$ 5,069,169	$ -	$ 11,620,704
Construction in progress	26,217,454	64,541,695	(74,044,985)	16,714,164
Total not being depreciated	32,768,989	69,610,864	(74,044,985)	28,334,868
Buildings and improvements	1,163,795,689	14,181,591	74,044,985	1,252,022,265
Furnishings and equipment	52,958,604	2,354,985	-	55,313,589
Total depreciable assets	1,216,754,293	16,536,576	74,044,985	1,307,335,854
Total capital assets	1,249,523,282	86,147,440	-	1,335,670,722
Less accumulated depreciation:				
Buildings and improvements	(327,692,904)	(38,866,154)	-	(366,559,058)
Furnishings and equipment	(24,150,188)	(2,896,087)	-	(27,046,275)
Total accumulated depreciation	(351,843,092)	(41,762,241)	-	(393,605,333)
Capital assets, net	$ 897,680,190	$ 44,385,199	$ -	$ 942,065,389

During fiscal year 2015, the Authority acquired the real estate, personal property and improvements located at 860 Worcester Road in Framingham, MA. This capital asset, with a cost basis of $1,200,000 was acquired by the Authority with funds provided by Framingham State University. In fiscal year 2016, the Authority used bond proceeds to repay Framingham State University.

The Authority has considered the requirements of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, and has noted no implications of this standard to the Authority's financial statements for the years ended June 30, 2017 and 2016.

The Authority has entered into various purchase commitments with contractors for the purchase of equipment, construction of certain facilities and other improvements. The amounts under commitment were approximately $17,300,000 and $27,500,000, respectively, as of June 30, 2017 and 2016.

Note 5 - Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consisted of the following at June 30, 2017 and 2016:

	2017	2016
Capital assets and construction payables	$ 4,258,530	$ 9,001,509
Accrued bond interest payable	9,486,502	11,576,665
Contractor payables for State College owned assets	138,728	720,382
Authority operating expenses	140,237	100,684
	$ 14,023,997	$ 21,399,240

Note 6 - Interagency payables

Under the provisions of the Community College Program Series 1 and Series 2, the State University Program Series 2017A, 2015A, 2014C, 2014B, 2014A, 2012C, 2012A, 2010A, 2010B, 2009C, 2009B, 2009A, 2008A, 2006A, 2005A and 2003A Trust Agreements (see Note 7), a portion of the bond proceeds, together with certain earnings thereon, are being or have been used to finance the costs of capital projects for certain of the State Colleges on State College-owned property. The State Colleges are required to pay to the Authority the amount necessary to pay the applicable portion of the bond issuance costs and bond principal and interest payments when they become due. The Authority has recorded accounts receivable from the State Colleges reflecting its net debt service receivables in these capital projects as discussed further in Note 3. The unspent bond proceeds for the costs of these projects and related bond amounts are included in the Authority's financial statements under restricted cash and cash equivalents, and restricted investments.

Certain of the State Colleges may also be required to commit additional funding for the projects over and above the amounts provided from bond proceeds. Such amounts (the "State College contributions") received from the State Colleges are also included in restricted cash and cash equivalents, and restricted investments. The Authority has recorded corresponding Interagency payables to the State Colleges for the unspent State College contributions, and unspent bond proceeds and related bond amounts. As capital and construction costs relating to these projects are incurred and paid, restricted cash and cash equivalents, and restricted investments, and the corresponding Interagency payables are reduced.

As of June 30, 2017 and 2016, the Authority has an aggregate liability for Interagency payables of $25,372,932 and $19,690,730, respectively.

Interagency note payable

In conjunction with the Authority's acquisition of the real estate, personal property and improvements located at 860 Worcester Road in Framingham, MA (Note 4), the Authority was advanced funds by Framingham State University in the amount of $1,200,000. The advance was repaid in 2016.

Note 7 - Bonds payable

The Authority issues debt to finance the design and construction of new facilities, major renovations and capital repairs for its projects at State Colleges, pursuant to the Act. The Authority has created separate bond programs for the State Universities and the Community Colleges. The Authority's outstanding debt is secured by revenues received by the Authority from State Colleges relating to Authority projects and other pledged funds. Prior to 1999, all of the Authority's bonds were guaranteed by the Commonwealth. The final series of guaranteed bonds (Series 2004B) were retired as of May 1, 2016. Pursuant to the Act, the Authority is precluded from issuing any additional bonds guaranteed by the Commonwealth. Interest on the Authority's debt is payable on May 1 and November 1 and principal is due annually on May 1. The Authority's outstanding debt for the State University Program is rated Aa2 and AA- by Moody's and S&P Global, respectively. The Authority's outstanding debt for the Community College Program is not rated.

The following table summarizes the Authority's outstanding debt as of June 30, 2017:

	Issue date	Par amount	Interest rates (%)	Due May 1,	Effective interest rates (%)*	Par amount outstanding	Unamortized premiums	Total bonds payable
Project Revenue Bonds								
Refunding Series 2003B	03/05/2003	$ 117,513,022	2.0 - 5.5	2003 - 2039	5.70	$ 89,002,559	$ 4,821,133	$ 93,823,692
Series 2008A	03/12/2008	95,670,000	3.0 - 5.0	2009 - 2038	5.00	1,875,000	210,994	2,085,994
Series 2009A	01/28/2009	128,570,000	3.0 - 5.75	2010 - 2049	4.69	5,925,000	67,950	5,992,950
Series 2009B	12/22/2009	82,085,000	2.0 - 5.0	2011 - 2040	4.86	73,170,000	2,734,872	75,904,872
Series 2009C, Build America Bonds	12/22/2009	66,410,000	4.58 - 5.93	2018 - 2040	5.74	66,410,000	-	66,410,000
Series 2010A	12/17/2010	12,120,000	3.0 - 5.0	2012 - 2018	5.00	1,925,000	124,295	2,049,295
Series 2010B, Build America Bonds	12/17/2010	47,880,000	4.89 - 6.54	2020 - 2040	6.12	47,880,000	-	47,880,000
Refunding Series 2011A	06/08/2011	51,610,000	2.0 - 5.0	2012 - 2025	5.00	36,510,000	4,447,599	40,957,599
Series 2012A	01/04/2012	154,345,000	3.0 - 5.0	2013 - 2041	4.76	147,835,000	10,833,582	158,668,582
Refunding Series 2012B	03/01/2012	149,275,000	3.0 - 5.0	2018 - 2043	4.69	149,275,000	19,333,895	168,608,895
Series 2012C	12/20/2012	153,840,000	2.0 - 5.0	2014 - 2042	3.21	138,830,000	7,564,088	146,394,088
Series 2014A	01/07/2014	130,875,000	2.0 - 5.0	2015 - 2048	4.92	124,220,000	10,190,819	134,410,819
Series 2014B	12/17/2014	91,375,000	3.0 - 5.0	2016 - 2044	4.92	89,160,000	13,915,374	103,075,374
Series 2014C	12/17/2014	10,065,000	3.0 - 5.0	2016 - 2034	4.86	9,520,000	1,551,390	11,071,390
Refunding Series 2014D	12/17/2014	36,110,000	1.0 - 5.0	2015 - 2041	4.72	29,735,000	4,685,386	34,420,386
Series 2015A	12/17/2015	15,935,000	2.0 - 5.0	2017 - 2036	4.76	15,670,000	2,563,889	18,233,889
Refunding Series 2016A	02/25/2016	177,315,000	4.0 - 5.0	2019 - 2049	4.55	177,315,000	29,615,228	206,930,228
Series 2017A	01/25/2017	20,590,000	3.0 - 4.0	2018 - 2027	2.40	20,590,000	1,256,440	21,846,440
Total Project Revenue Bonds		1,541,583,022				1,224,847,559	113,916,934	1,338,764,493
Community College Program Bonds								
Series 1	03/06/2014	3,000,000	4.25	2015 - 2034	4.21	2,710,000	-	2,710,000
Series 2	01/20/2017	3,055,000	1.84 - 3.35	2021 - 2036	1.55	3,055,000	-	3,055,000
Total Community College Program Bonds		6,055,000				5,765,000	-	5,765,000
Total Bonds		$ 1,547,638,022				$ 1,230,612,559	$ 113,916,934	$ 1,344,529,493

*Effective Interest Rates are calculated by dividing total interest paid during the year by the average outstanding balance of bonds payable.

The following table summarizes the Authority's outstanding debt as of June 30, 2016:

	Issue date	Par amount	Interest rates (%)	Due May 1,	Effective interest rates (%)*	Par amount outstanding	Unamortized premiums	Total bonds payable
Project Revenue Bonds								
Refunding Series 2003B	03/05/2003	$ 117,513,022	2.0 - 5.5	2003 - 2039	5.49	$ 96,331,241	$ 5,041,110	$ 101,372,351
Series 2008A	03/12/2008	95,670,000	3.0 - 5.0	2009 - 2038	6.12	3,570,000	464,326	4,034,326
Series 2009A	01/28/2009	128,570,000	3.0 - 5.75	2010 - 2049	6.45	8,765,000	105,023	8,870,023
Series 2009B	12/22/2009	82,085,000	2.0 - 5.0	2011 - 2040	4.82	75,075,000	2,854,647	77,929,647
Series 2009C, Build America Bonds	12/22/2009	66,410,000	4.58 - 5.93	2018 - 2040	5.74	66,410,000	-	66,410,000
Series 2010A	12/17/2010	12,120,000	3.0 - 5.0	2012 - 2018	4.72	3,785,000	273,285	4,058,285
Series 2010B, Build America Bonds	12/17/2010	47,880,000	4.89 - 6.54	2020 - 2040	6.12	47,880,000	-	47,880,000
Refunding Series 2011A	06/08/2011	51,610,000	2.0 - 5.0	2012 - 2025	5.00	40,945,000	5,013,751	45,958,751
Series 2012A	01/04/2012	154,345,000	3.0 - 5.0	2013 - 2041	4.77	149,610,000	11,288,138	160,898,138
Refunding Series 2012B	03/01/2012	149,275,000	3.0 - 5.0	2018 - 2043	4.69	149,275,000	20,082,304	169,357,304
Series 2012C	12/20/2012	153,840,000	2.0 - 5.0	2014 - 2042	3.23	143,495,000	7,868,682	151,363,682
Series 2014A	01/07/2014	130,875,000	2.0 - 5.0	2015 - 2048	4.88	126,870,000	10,521,117	137,391,117
Series 2014B	12/17/2014	91,375,000	3.0 - 5.0	2016 - 2044	4.98	91,085,000	14,433,624	105,518,624
Series 2014C	12/17/2014	10,065,000	3.0 - 5.0	2016 - 2034	4.90	9,885,000	1,643,501	11,528,501
Refunding Series 2014D	12/17/2014	36,110,000	1.0 - 5.0	2015 - 2041	4.63	33,725,000	4,881,855	38,606,855
Series 2015A	12/17/2015	15,935,000	2.0 - 5.0	2017 - 2036	4.52	15,935,000	2,698,831	18,633,831
Refunding Series 2016A	02/25/2016	177,315,000	4.0 - 5.0	2019 - 2049	4.63	177,315,000	30,549,786	207,864,786
Total Project Revenue Bonds		1,520,993,022				1,239,956,241	117,719,980	1,357,676,221
Community College Program Bonds								
Series 1	03/06/2014	3,000,000	4.25	2015 - 2034	4.21	2,815,000	#N/A	#N/A
Total Community College Program Bonds		3,000,000				2,815,000	#N/A	#N/A
Total Bonds		$ 1,523,993,022				$ 1,242,771,241	#N/A	#N/A

*Effective Interest Rates are calculated by dividing total interest paid during the year by the average outstanding balance of bonds payable.

The following table is the amortization schedule for the Authority's long-term debt:

Year ending June 30:	Total principal	Total interest	Total debt service
2018	$ 42,067,203	$ 56,680,449	$ 98,747,652
2019	40,366,759	59,190,903	99,557,662
2020	42,549,310	57,729,246	100,278,556
2021	44,255,056	56,156,821	100,411,877
2022	46,493,668	54,497,750	100,991,418
2023 - 2027	261,694,454	242,706,605	504,401,059
2028 - 2032	268,451,380	161,031,830	429,483,210
2033 - 2037	228,019,729	91,118,267	319,137,996
2038 - 2042	196,840,000	34,853,238	231,693,238
2043 - 2047	52,855,000	6,278,200	59,133,200
2048 - 2052	7,020,000	421,675	7,441,675
Total	1,230,612,559	$ 820,664,984	$ 2,051,277,543
Plus: Unamortized premiums	113,916,934		
	$ 1,344,529,493		

Defeasance of debt
From time-to-time, the Authority issues refunding bonds to defease outstanding bonds. The proceeds of the refunding bonds are placed in irrevocable trusts to provide for all future debt service on the refunded or defeased bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the accompanying financial statements. The differences between the reacquisition prices and net carrying amount of the bonds defeased with refunding debt are reported in the accompanying statements of net position (deficiency in net position) as deferred outflows of resources and charged annually to interest expense over the shorter of the remaining life of the refunded or refunding bonds principally using the effective interest method.

Refunding revenue bonds
The Refunding Series 2003B Bonds refunded the Authority's Series 1999A, 1999-1, and 2000-1 Bonds. These bonds were refinanced to achieve a total reduction of debt service at issuance of $1,769,263 and a present value economic gain at issuance of $729,611. The refunding resulted in a deferred outflow of resources at issuance of $21,535,590, of which $11,854,718 and $12,670,936 were unamortized as of June 30, 2017 and 2016, respectively. In November 2011 and May 2010, the Authority exercised call options to fully redeem the remaining unpaid principal of the Series 1999-1 and 2000-1 Bonds, respectively. As of June 30, 2017, the assets held in escrow for the repayment of the remaining Series 1999A Bonds have an aggregate market value of $87,981,022 with an unpaid principal balance, plus accreted interest, of $71,564,998.

The Refunding Series 2011A Bonds refunded portions of the Authority's Series 2003A and 2004A Bonds. These bonds were refinanced to achieve a total reduction of debt service at issuance of $3,518,799 and a present value economic gain at issuance of $2,822,354. The refunding resulted in a deferred outflow of resources at issuance of $2,638,154, of which $1,487,430 and $1,676,998 were unamortized as of June 30, 2017 and 2016, respectively. During 2014, the Authority exercised the call option to fully redeem the related unpaid principal of these bonds.

The Refunding Series 2012B Bonds refunded portions of the Authority's Series 2003A, 2004A, 2005A, and 2006A Bonds. These bonds were refinanced to achieve a total reduction of debt service at issuance of $20,587,474 and a present value economic gain at issuance of $13,285,676. The refunding resulted in a deferred outflow of resources at issuance of $14,347,581, of which $10,457,173 and $11,210,155 were unamortized as of June 30, 2017 and 2016, respectively. During 2016 and 2015, the Authority exercised the call options to fully redeem the related unpaid principal of the 2006A bonds and 2005A bonds, respectively.

The Refunding Series 2014D Bonds refunded portions of the Authority's Series 2005A and 2006A Bonds. These bonds were refinanced to achieve a total reduction of debt service at issuance of $6,449,975 and a net present value economic savings at issuance of $3,604,695. The refunding resulted in a deferred outflow of resources at issuance of $244,383, of which $212,992 and $226,019 were unamortized as of June 30, 2017 and 2016, respectively. During 2016 and 2015, the Authority exercised the call options to fully redeem the remaining unpaid principal of the 2006A bonds and 2005A bonds, respectively.

The Refunding Series 2016A Bonds refunded portions of the Authority's Series 2008A and 2009A Bonds. These bonds were refinanced to achieve a total reduction of debt service at issuance of $43,977,921 and a net present value economic savings at issuance of $27,959,783. The refunding resulted in a deferred outflow of resources at issuance of $18,147,495, of which $16,801,677 and $18,147,495 were unamortized as of June 30, 2017 and 2016, respectively. As of June 30, 2017 and 2016, the assets held in escrow for the repayment of the remaining Series 2008A and 2009A Bonds have an aggregate market value of $201,913,428 and $212,270,568, respectively with an unpaid principal balance of $190,805,000 each year.

Debt service reserve fund investment agreements

In connection with the issuance of the Series 2003A Bonds, Series 2005A Bonds, Series 2006A Bonds, and Series 2009A Bonds, the Authority entered into debt service reserve fund investment agreements which provide for a guaranteed rate of return on the applicable debt service reserve funds to support the Authority's future debt service payments. The agreements provide for termination under certain circumstances as more fully described in the agreements. Termination of the agreements may generate a gain or loss to the Authority depending on the nature and circumstances of the termination. The 2012B Refunding Bonds refunded a portion of the Series 2005A Bonds which necessitated that a portion ($1,800,000) of the original Series 2005A debt service reserve fund investment agreement be terminated. The funds received from this termination payment are being held in the Series 2005A Bonds Rebate Account. The 2014D Refunding Bonds refunded a portion of the Series 2005A Bonds which necessitated that a portion ($1,069,938) of the original Series 2005A debt service reserve fund investment agreement be terminated. The funds received from this termination payment are being held in the Series 2005A Bonds Rebate Account. The 2016A Refunding Bonds refunded a portion of the Series 2008A Bonds and the Forward Delivery Agreement associated with those bonds was assigned by the provider proportionately to the 2016A Refunding Bonds. The 2016A Refunding Bonds refunded a portion of the Series 2009A Bonds. A portion ($3,600,000) of the original Series 2009A debt service reserve fund was liquidated and used as a source of funds for the 2016A Refunding Bonds.

Unamortized bond premiums are reflected as an addition to the outstanding principal balance of the bonds payable and consisted of the following at June 30, 2017 and 2016:

	2017	2016
Unamortized balance, beginning	$ 117,719,980	$ 93,186,186
Current year additions	1,282,946	33,783,367
Unamortized premium on bonds refunded	-	(1,627,663)
Current year amortization	(5,085,992)	(7,621,910)
Unamortized balance, ending	$ 113,916,934	$ 117,719,980

Deferred losses on bond refundings are reflected as deferred outflows of resources in the accompanying statements of net position (deficiency in net position) and consisted of the following at June 30, 2017 and 2016:

	2017	2016
Balance, beginning	$ 43,931,603	$ 27,844,341
Current year additions	-	18,147,495
Current year amortization	(3,117,613)	(2,060,233)
Balance, ending	$ 40,813,990	$ 43,931,603

Note 8 - Long-term liabilities

Long-term liabilities at June 30, 2017 consisted of the following:

	2017				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Bonds payable, par	$ 1,242,771,241	$ 23,645,000	$ (35,803,682)	$ 1,230,612,559	$ 42,067,203
Unamortized premiums	117,719,980	1,282,946	(5,085,992)	113,916,934	5,085,993
Total bonds payable	1,360,491,221	24,927,946	(40,889,674)	1,344,529,493	47,153,196
Interagency payables	19,690,730	13,065,760	(7,383,558)	25,372,932	15,560,182
Net pension liability	3,286,731	325,930	-	3,612,661	-
Other liabilities					
Compensated absences	234,565	40,295	(14,915)	259,945	115,664
Total long-term liabilities	$ 1,383,703,247	$ 38,359,931	$ (48,288,147)	$ 1,373,775,031	$ 62,829,042

Long-term liabilities at June 30, 2016 consisted of the following:

	2016				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Bonds payable, par	$ 1,276,788,021	$ 193,250,000	$ (227,266,780)	$ 1,242,771,241	$ 35,803,683
Unamortized premiums	93,186,186	33,783,367	(9,249,573)	117,719,980	5,059,486
Total bonds payable	1,369,974,207	227,033,367	(236,516,353)	1,360,491,221	40,863,169
Interagency payables	34,048,013	4,746,338	(19,103,621)	19,690,730	10,034,329
Interagency loan payable	1,200,000	-	(1,200,000)	-	-
Net pension liability	1,878,277	1,408,454	-	3,286,731	-
Other liabilities					
Arbitrage payable	262,254	-	(262,254)	-	-
Compensated absences	222,257	34,295	(21,987)	234,565	108,682
Total long-term liabilities	$ 1,407,585,008	$ 233,222,454	$ (257,104,215)	$ 1,383,703,247	$ 51,006,180

Note 9 - Net position

The net investment in capital assets of ($24,814,101) at June 30, 2017, includes the effect of deferring the recognition of the losses on bond refundings. The $40,813,990 balance of the deferred outflows of resources on refunding of debt at June 30, 2017 will be amortized to interest expense over the terms of the old trust or new trust agreements, whichever is shorter, which will decrease the unrestricted net position and increase the net investment in capital assets over those periods (see Note 7).

Note 10 - Contingencies

Pending or threatened lawsuits against the Authority arise in the ordinary course of operations. In the opinion of management, no litigation is now pending, or threatened, that would materially affect the Authority's financial position.

Note 11 - Operating expenses

The Authority's operating expenses for the years ended June 30, 2017 and 2016 on a natural classification basis, are comprised of the following:

	2017	2016
Compensation	$ 1,074,787	$ 925,334
Supplies and services	2,671,789	2,458,397
Depreciation	43,333,694	41,762,241
	$ 47,080,270	$ 45,145,972

Note 12 - Retirement plan

Substantially all of the Authority's full-time employees are covered by the Massachusetts State Employees' Retirement System ("MSERS"). MSERS, a public employee retirement system ("PERS"), is a cost-sharing multi-employer defined benefit plan that is administered by the Massachusetts State Retirement Board and covers substantially all non-student employees. The Commonwealth does not issue separately audited financial statements for the plan. The financial position and results of operations of the plan are incorporated into the Commonwealth's financial statements, a copy of which may be obtained from the Office of the State Comptroller, Commonwealth of Massachusetts, One Ashburton Place, Room 901, Boston, MA 02108.

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

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65; for certain hazardous duty and public safety positions, normal retirement is at age 55. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

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

Member contributions for MSERS vary depending on the most recent date of membership:

Hire Date	% of Compensation
Prior to 1975	5% of regular compensation
1975 to 1983	7% of regular compensation
1984 to June 30, 1996	8% of regular compensation
July 1, 1996 to present	9% of regular compensation
1979 to present	An additional 2% of regular compensation in excess of $30,000

For active Authority employees covered by MSERS, the Authority is not required to make contributions to the Plan. For retired Authority employees, the Commonwealth computes the projected benefit obligation of the retired employee. The Authority is responsible to contribute any shortfall that exists as a result of this computation. The total amount paid by the Authority to the Massachusetts State Retirement Board amounted to $115,941, $115,955 and $101,546 for the years ended June 30, 2017, 2016 and 2015, respectively, which equaled the required contributions each year. Annual covered payroll was approximately 100% of annual total payroll for the Authority in 2017, 2016 and 2015.

At June 30, 2017 and 2016, the Authority reported a liability of $3,612,661 and $3,286,731, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2016 and 2015, respectively, and the State's total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Authority's proportion of the net pension liability was based on an effective contribution methodology which allocates total contributions amongst the employers in a consistent manner based on an employer's share of total covered payroll. At June 30, 2017 and 2016, the Authority's proportion was 0.02620% and 0.02887%, respectively.

For the years ended June 30, 2017 and 2016, the Authority recognized pension expense of $414,170 and $342,364, respectively. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	$ 400,620	$ -
Net difference between projected and actual earnings on pension plan investments	242,511	-
Differences between expected and actual experience	171,592	-
Changes in proportion	202,303	-
Changes in proportion from Commonwealth	-	251,890
Total	$ 1,017,026	$ 251,890

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2018	$ 170,592
2019	170,592
2020	267,971
2021	150,064
2022	5,917
Total	$ 765,136

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016. This valuation used the following assumptions:

1. (a) 7.5% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.

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

3. Chapter 176 of the Acts of 2011 created a one-time election for eligible members of the Optional Retirement Plan (ORP) to transfer to MSERS and purchase service for the period while members of the ORP. As a result, the total pension liability of MSERS has increased by approximately $400 million as of June 30, 2016.

4. Mortality rates were as follows:

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

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

   (iii) Disability - the morality rate is assumed to be in accordance with the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct).

5. Experience studies were performed as follows:

   (i) Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011.

Investment assets of MSERS are with the Pension Reserves Investment Trust ("PRIT") Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2016 and 2015 are summarized in the following table:

		Long-term expected real rate of return	
Asset class	Target allocation	2016	2015
Global equity	40.00%	6.90%	6.90%
Core fixed income	13.00%	1.60%	2.40%
Private equity	10.00%	8.70%	8.50%
Real estate	10.00%	4.60%	6.50%
Value added fixed income	10.00%	4.80%	5.80%
Hedge funds	9.00%	4.00%	5.80%
Portfolio completion strategies	4.00%	3.60%	5.50%
Timber/natural resources	4.00%	5.40%	6.60%
Total	100.00%		

The discount rate used to measure the total pension liability for the measurement years ended June 30, 2016 and 2015 was 7.5% for both years. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Authority's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5% for both the measurement years ended June 30, 2016 and 2015, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate for each year:

Measurement year ended	1% decrease	Discount rate	1% increase
June 30, 2015	$ 4,467,055	$ 3,286,731	$ 2,267,739
June 30, 2016	4,707,878	3,612,661	2,684,452

Detailed information about the pension plan's fiduciary net position is available in the Commonwealth's financial statements.

Note 13 - Retiree health plan

The Authority contributes to the Commonwealth's Group Insurance Commission ("GIC"), which manages a cost-sharing multiple-employer defined benefit postemployment healthcare plan for the Commonwealth and other governments within the Commonwealth. GIC provides medical benefits to retired employees of participating governments. Chapter 32A of the General Laws of the Commonwealth of Massachusetts assigns the authority to establish and amend benefit provisions to the GIC board of commissioners. The GIC does not issue separately audited financial statements. The financial position and results of operations of the plan are incorporated into the Commonwealth's financial statements, a copy of which may be obtained from the Office of the State Comptroller, Commonwealth of Massachusetts, One Ashburton Place, Room 901, Boston, MA 02108.

Chapter 32A provides that contribution requirements of the plan members and the participating governments are established and may be amended by the GIC. Plan members or beneficiaries receiving benefits contribute anywhere from 0% to 20% depending on entry age.

Participating governments are contractually required to contribute at a rate assessed each year by GIC on a premium basis. The Authority's contributions to GIC for the years ended June 30, 2017, 2016, and 2015, were $151,421, $169,325 and $111,110, respectively, which equaled the required contributions each year. Required contributions include contributions for the total health plan costs for both active and retired employees.

Note 14 - Lease commitments and receivables

On July 24, 2009, the Authority entered into a lease agreement with an unrelated third party for office space located in Boston, Massachusetts. The lease was amended in January 2010 increasing the leased space to approximately 5,700 square feet. As amended, the lease provides for a minimum annual base rent of $115,885 for the initial year of the lease agreement and increases to $184,470 for year eight and each of the remaining two years thereafter in the lease term. The initial year base rent also reflects a two-month free rent period. The lease is for a term of 120 months and expires in February 2020. The Authority is also required to pay, as additional rent, its pro rata share of real estate tax and operating expense escalations, as specified in the lease agreement.

For the years ended June 30, 2017 and 2016, rent expense incurred, including additional costs for monthly storage and parking which are not provided under the terms of the lease agreement, amounted to $193,156 and $198,303, respectively.

Future minimum rental payments under this operating lease agreement are as follows:

Year ending June 30:	Amount
2018	$ 184,470
2019	184,470
2020	122,980
	$ 491,920

On June 25, 2010, the Authority entered into a lease agreement with the Massachusetts College of Pharmacy and Health Sciences ("MCPHS") for the purpose of leasing a portion of the dormitory residences of the new student residence hall at the Massachusetts College of Art and Design ("MCAD") which was completed in May 2012. Occupancy of the leased space began in the Fall 2012 academic semester. The lease was amended as of May 9, 2012 to allow for, among other matters, additional bed spaces, revised extension terms and revised total rent payments. The cost of the portion of the property that is leased to MCPHS and included in buildings and improvements in the accompanying statements of net position (deficiency in net position) amounts to approximately $35,101,000 at both June 30, 2017 and 2016, with accumulated depreciation of $5,265,040 and $4,387,533 as of June 30, 2017 and 2016, respectively. In accordance with the lease agreement, MCPHS deposited $100,000 with the Authority in December 2009, which together with interest earned thereon, in the amount of $100,391, was credited towards the payment of MCPHS's first installment of annual rent during fiscal 2013.

The lease agreement provides for an initial term of five academic years for the original bed spaces and four academic years for the new bed spaces per the lease amendment. The lease commenced in August 2012. The lease term for the original bed spaces may be extended for three additional, consecutive five-year periods and the term of the new bed spaces may be extended for one additional one-year period. The option to extend a term shall be exercised not less than one year prior to the expiration of the term then in effect. MCPHS has exercised the option to extend both leases for one five-year period and two one-year periods, respectively. Annual rent for an academic year shall be due and payable in equal installments in September and February. Annual rent during the periods of extension provide for rent increases as defined in the lease agreement.

On August 7, 2012, the Authority entered into a lease agreement with Harvard Vanguard Medical Associates, Inc. ("Harvard Vanguard") to lease approximately 2,395 square feet of space at MCAD for the purpose of operating a student health services clinic. The cost of the property leased to Harvard Vanguard and included in buildings and improvements in the accompanying statements of net position (deficiency in net position) amounts to approximately $1,107,000 at both June 30, 2017 and 2016, with accumulated depreciation of $165,852 and $138,210 as of June 30, 2017 and 2016, respectively. The lease terminated on June 30, 2017.

On June 30, 2017, the Authority entered into a lease agreement with Plus One Holdings, Inc. ("Plus One") to lease approximately 2,395 square feet of space at MCAD for the purpose of operating a student health services clinic. The lease agreement provides for an initial term of five years commencing in July, 2017, and thereafter, at the option of Plus One, may be extended for three additional, five-year periods. The option to extend a term shall be exercised not less than one year prior to the expiration of the term then in effect. Annual rent shall be due in advance on the anniversary of the commencement date. Annual rent shall increase two and a half percent per year during the initial lease term and all extension periods.

The Authority has entered into an agreement with MCAD whereby the MCPHS, Harvard Vanguard, and Plus One lease payments will be made on a semiannual basis directly to MCAD, as payment of rent, and held in MCAD's residence hall trust fund and shall be used by MCAD for the operation of the leased property in a similar manner in which residence hall fees are used by the University and the Authority. In accordance with the lease agreement MCPHS and Vanguard paid MCAD $3,342,864 and $26,356, respectively, during fiscal 2017 and $3,326,790 and $25,713, respectively, during fiscal 2016. The Authority assesses annual obligations to MCAD, which include the pro rata share of the building occupied by MCPHS and Harvard Vanguard, on the same debt assessment basis the Authority uses for their other residence halls. The annual assessment included in income from contracts for financial assistance, management, and services in the accompanying statements of revenues, expenses and changes in net position for fiscal 2017 and 2016 related to these lease agreements amounted to $2,144,600 and $2,080,600, respectively.

Future minimum rental income to be remitted to MCAD under these operating lease agreements are as follows:

Year ending June 30:	MCPHS	Harvard Vanguard	Plus One Holdings	Total
2018	$ 3,389,145	$ 3,305	$ 27,782	$ 3,420,232
2019	2,800,751	-	28,477	2,829,228
2020	2,715,750	-	29,189	2,744,939
2021	2,786,625	-	29,919	2,816,544
2022	2,869,751	-	30,667	2,900,418
Thereafter	360,023	-	-	360,023
	$ 14,922,045	$ 3,305	$ 146,034	$ 15,071,384

Note 15 - Transfers from State Universities

In December 2015, the Authority entered into a memorandum of agreement with the Division of Capital Asset Management and Maintenance ("DCAMM") to assist in the purchase of the Warren Conference Center at Framingham State University. The agreement, among other matters, identifies the Authority's interest to acquire the property on behalf of Framingham State University with a purchase price of $8,000,000. During fiscal year 2016, the Authority received $6,500,000 from DCAMM in accordance with the agreement. The remaining $1,500,000 was paid by the Authority with the 2015A revenue bond issuance. No funds were transferred during fiscal year 2017.

In addition, other transfers from State Universities received in the ordinary course of business totaled $640,357 and $556,055 for fiscal years 2017 and 2016, respectively.

Supplementary Information

Massachusetts State College Building Authority
(A Component Unit of the Commonwealth of Massachusetts)

Supplementary Information

Schedule of the Authority's Proportionate Share of the Net Pension Liability
June 30, 2017

	2017	2016	2015	2014
Authority's proportion of the net pension liability (asset)	0.0262%	0.0289%	0.0253%	0.0264%
Authority's proportionate share of the net pension liability (asset)	$ 3,612,661	$ 3,286,731	$ 1,878,277	$ 2,350,479
Authority's covered-employee payroll	$ 1,704,399	$ 1,459,312	$ 1,431,639	$ 1,408,627
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	211.96%	225.22%	131.20%	166.86%
Plan fiduciary net position as a percentage of the total pension liability	63.48%	67.87%	76.32%	70.31%

* The amounts presented for each fiscal year were determined as of 6/30.

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

See Independent Auditor's Report on page 3 and Note to Required Supplementary Information.

Massachusetts State College Building Authority
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Supplementary Information

Schedule of Authority Contributions
June 30, 2017

	2017	2016	2015	2014
Contractually required contribution	$ 115,941	$ 115,955	$ 101,546	$ 97,745
Contributions in relation to the contractually required contribution	(115,941)	(115,955)	(101,546)	(97,745)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 1,704,399	$ 1,459,312	$ 1,431,639	$ 1,408,627
Contributions as a percentage of covered-employee payroll	6.80%	7.95%	7.09%	6.94%

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

See Independent Auditor's Report on page 3 and Note to Required Supplementary Information.

Note 1 - Changes in benefit terms and assumptions

FY2016 Changes in Actuarial Assumptions

Changes in benefit terms

Chapter 176 of the Acts of 2011 created a one-time election for eligible members of the Optional Retirement Plan ("ORP") to transfer to the State Employees' Retirement System (SERS) and purchase service for the period while members of the ORP. As a result, the total pension liability of SERS has increased by approximately $400 million as of June 30, 2016.

Changes in assumptions

Salary increases range changed to 4.00% to 9.00% from 3.50% to 9.00%.

Experience studies were performed as follows:
Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011.

FY2015 Changes in Actuarial Assumptions

Changes in benefit terms

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

Changes in assumptions

The investment rate of return changed to 7.5% from 8%.

The mortality assumptions changed as follows:

- Pre-retirement - was changed to reflect the RP - 2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct) from RP - 2000 Employees table projected 20 years with Scale AA (gender distinct).
- Post-retirement - was changed to reflect the RP - 2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct) from RP - 2000 Healthy Annuitant table projected 15 years with Scale AA (gender distinct).
- Disability - was changed to the mortality rate assumed to be accordance with the RP - 2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct) from the mortality rate assumed to be in accordance with the RP - 2000 Healthy Annuitant table projected 5 years with Scale AA (gender distinct) set forward 3 years for males.

The discount rate used to measure the total pension liability changed to 7.5% from 8%.

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Statistical Information (Unaudited)

Schedule of Net Position (Deficiency) by Category

Schedule of Net Position (Deficiency) by Category

	2008	2009	2010 (as restated)	2011 (as restated)	2012	2013	2014 (as restated)	2015	2016	2017
Net investment in capital assets	$ (23,698,356)	$ (11,777,270)	$ (21,689,811)	$ (3,693,773)	$ 1,380,597	$ 405,186	$ (3,080,091)	$ (12,717,572)	$ (26,837,719)	$ (24,814,101)
Restricted - expendable	106,446	8,976	2,555,116	1,897,286	2,415,383	2,231,469	905,631	905,721	-	-
Unrestricted	12,275,407	(834,537)	585,170	(17,664,638)	(19,618,320)	(24,880,753)	(21,970,305)	(17,193,251)	(856,119)	(9,937,854)
Total Net Position (Deficiency)	**$ (11,316,503)**	**$ (12,602,831)**	**$ (18,549,525)**	**$ (19,461,125)**	**$ (15,822,340)**	**$ (22,244,098)**	**$ (24,144,765)**	**$ (29,005,102)**	**$ (27,693,838)**	**$ (34,751,955)**

See Independent Auditor's Report on page 3.

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Supplementary Information

Statistical Information (Unaudited)

Changes in Net Position

	2008	2009	2010	2011 (as restated)	2012	2013	2014	2015	2016	2017
Operating Revenue										
Income from assessments	$ 33,715,219	$ 36,555,398	$ 42,453,490	$ 51,349,024	$ 55,373,353	$ 59,081,652	$ 67,825,646	$ 74,214,554	$ 76,187,363	$ 85,979,296
Federal grants for debt service	211,890	211,890	211,890	211,890	211,886	58,414	-	-	-	-
Other miscellaneous revenue	174,592	216,054	119,636	568,661	499,035	548,131	426,352	598,515	943,094	543,688
Total operating revenue	**34,101,701**	**36,983,342**	**42,785,016**	**52,129,575**	**56,084,274**	**59,688,197**	**68,251,998**	**74,813,069**	**77,130,457**	**86,522,984**
Non-Operating Revenue										
Net investment income	5,009,751	4,674,885	6,393,208	3,977,455	12,643,482	3,045,359	10,763,298	10,702,249	15,374,812	7,981,303
Transfers (to)/from State Universities	347,388	1,684,693	440,267	3,352,687	3,050,414	3,981,309	4,221,388	4,009,535	7,056,055	640,357
Transfers (to)/from DCAM	-	-	-	-	-	(497,294)	-	-	-	-
State capital appropriations	-	-	6,881,873	-	-	-	-	-	-	-
Build America Bonds interest subsidy	-	-	700,809	1,887,838	2,360,991	2,302,924	2,161,590	2,189,322	2,200,443	2,201,230
Gain (loss) on sale of assets	-	-	-	400,141	-	-	-	-	-	-
Miscellaneous nonoperating revenue	-	-	-	201,756	546,385	56,777	912,114	150,866	99,082	49,691
Capital grants	344,224	34,255	293,073	-	-	-	-	-	-	-
Total non-operating revenue	**5,701,363**	**6,393,833**	**14,709,230**	**9,819,877**	**18,601,272**	**8,889,075**	**18,058,390**	**17,051,972**	**24,730,392**	**10,872,581**
Total Revenue	**39,803,064**	**43,377,175**	**57,494,246**	**61,949,452**	**74,685,546**	**68,577,272**	**86,310,388**	**91,865,041**	**101,860,849**	**97,395,565**
Operating Expenses										
Insurance costs	(607,595)	(500,864)	(535,276)	(668,168)	(740,425)	(735,970)	(892,842)	(939,566)	(1,024,658)	(1,086,763)
Authority operating expenses	(1,060,471)	(1,282,995)	(1,392,357)	(1,483,170)	(1,481,186)	(1,621,486)	(1,660,589)	(2,208,557)	(2,312,194)	(2,338,033)
Depreciation	(17,306,821)	(18,614,829)	(20,854,040)	(24,968,701)	(28,603,149)	(29,888,212)	(33,711,899)	(38,884,197)	(41,762,241)	(43,333,694)
Other expenses	(181,503)	(224,192)	(583,365)	(162,258)	(294,516)	(426,570)	(235,606)	(402,886)	(46,879)	(321,780)
Total operating expenses	**(19,156,390)**	**(20,622,880)**	**(23,365,038)**	**(27,282,297)**	**(31,119,276)**	**(32,672,238)**	**(36,500,936)**	**(42,435,206)**	**(45,145,972)**	**(47,080,270)**
Non-operating expense										
Interest expense	(22,373,377)	(23,668,900)	(27,717,084)	(34,798,750)	(37,776,890)	(41,151,521)	(48,795,255)	(53,529,051)	(54,345,047)	(57,143,097)
Bond issuance costs	(311,698)	(371,723)	(402,289)	(780,005)	(2,150,595)	(1,175,271)	(564,385)	(761,121)	(1,058,566)	(230,315)
Total non-operating expense	**(22,685,075)**	**(24,040,623)**	**(28,119,373)**	**(35,578,755)**	**(39,927,485)**	**(42,326,792)**	**(49,359,640)**	**(54,290,172)**	**(55,403,613)**	**(57,373,412)**
Total Expenses	**(41,841,465)**	**(44,663,503)**	**(51,484,411)**	**(62,861,052)**	**(71,046,761)**	**(74,999,030)**	**(85,860,576)**	**(96,725,378)**	**(100,549,585)**	**(104,453,682)**
Increase (decrease) in net position	**$ (2,038,401)**	**$ (1,286,328)**	**$ 6,009,835**	**$ (911,600)**	**$ 3,638,785**	**$ (6,421,758)**	**$ 449,812**	**$ (4,860,337)**	**$ 1,311,264**	**$ (7,058,117)**

See Independent Auditor's Report on page 3.

Massachusetts State College Building Authority
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Supplementary Information

Statistical Information (Unaudited)

Schedule of Revenue

Institution	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Bridgewater	$ 7,822,115	$ 8,322,153	$ 10,167,907	$ 12,019,967	$ 12,980,504	$ 12,987,262	$ 16,281,766	$ 16,506,948	$ 16,415,422	$ 17,500,999
Fitchburg	2,777,823	3,114,788	4,318,236	4,705,990	4,902,735	5,127,026	5,376,040	5,641,136	5,152,007	6,096,926
Framingham	3,566,123	4,296,966	4,440,318	4,923,218	6,695,874	7,103,882	7,959,801	7,907,969	7,378,039	11,225,027
Mass. College of Art	2,093,382	2,123,909	2,166,434	2,203,147	2,170,707	5,906,206	6,087,404	6,158,757	6,220,894	6,643,132
Mass. College of Liberal Arts	1,540,548	1,607,082	2,225,289	2,397,236	2,742,973	2,609,247	2,592,005	2,664,203	2,290,169	2,870,065
Mass. Maritime Academy	2,604,399	3,076,898	3,376,425	3,545,353	3,710,356	4,110,844	4,194,537	6,929,788	6,851,698	7,189,492
Salem	4,415,071	4,411,494	4,972,018	9,128,481	9,407,195	8,451,618	9,542,570	9,657,655	12,912,427	13,949,924
Westfield	5,002,812	5,552,861	6,264,556	6,649,381	6,943,818	7,402,580	9,996,056	10,382,798	10,207,246	11,465,584
Worcester	3,892,946	4,049,247	4,522,307	5,776,251	5,819,191	5,382,987	5,795,467	8,365,300	8,544,166	8,814,572
Mount Wachusett	-	-	-	-	-	-	-	-	215,295	223,575
Total	$ 33,715,219	$ 36,555,398	$ 42,453,490	$ 51,349,024	$ 55,373,353	$ 59,081,652	$ 67,825,646	$ 74,214,554	$ 76,187,363	$ 85,979,296

See Independent Auditor's Report on page 3.

Massachusetts State College Building Authority
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Supplementary Information

Statistical Information (Unaudited)

Room Rates of Residence Facilities

Institution	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Bridgewater	$4,350-6,400	$5,100-6,656	$5,640-6,962	$5,800-7,100	$6,100-7,310	$6,300-7,460	$6,540-7,740	$6,740-7,840	$6,940-8,080	$7,220-$8,400
Fitchburg	$3,812-$4,464	$4,160-5,170	$4,642-5,345	$4,782-6,000	$4,930-6,204	$5,100-6,420	$5,230-6,580	$5,330-6,710	$5,440-6,840	$5,770-$7,900
Framingham	$4,034-4,974	$4,382-5,382	$4,755-5,755	$5,105-6,105	$5,495-8,250	$5,885-8,630	$6,085-8,830	$6,380-9,060	$6,680-9,280	$6,980-$9,580
Mass. College of Art	$6,400-$9,300	$6,710-9,580	$6,777-9,676	$7,350-10,280	$7,610-10,640	$7,876-11,000	$8,030-11,220	$8,190-11,440	$8,350-11,670	$8,560-$12,807
Mass. College of Liberal Arts	$3,622-$3,882	$3,800-4,202	$4,175-4,575	$4,375-4,875	$4,530-5,050	$4,740-5,140	$4,860-5,260	$5,210-5,510	$5,500-5,700	$5,750-$5,950
Mass. Maritime Academy	$4,100	$4,668	$4,978	$5,125	$5,300	$5,470	$5,910	$6,440	$6,790	$7,130
Salem	$4,114-6,766	$4,610-7,445	$5,071-8,204	$5,730-9,110	$6,150-9,350	$6,570-9,320	$6,700-9,500	$6,980-9,900	$7,280-10,320	$7,570-$10,730
Westfield	$3,588-5,990	$3,984-6,230	$4,303-6,516	$4,650-6,800	$4,800-7,100	$4,950-7,350	$5,250-7,500	$5,510-8,350	$5,730-8,680	$5,940-$9,000
Worcester	$4,220-6,484	$4,880-6,847	$5,272-7,165	$6,150-7,487	$6,580-7,800	$6,750-7,800	$6,920-7,980	$7,090-8,180	$7,270-8,370	$7,485-$8,585

See Independent Auditor's Report on page 3.

Massachusetts State College Building Authority
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Supplementary Information

Statistical Information (Unaudited)

Occupancy as a Percentage of Design Capacity at Residence Facilities

Institution	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Bridgewater	103%	104%	101%	100%	100%	99%	95%	99%	97%	96%
Fitchburg	104%	103%	105%	104%	100%	101%	100%	103%	101%	96%
Framingham	99%	101%	101%	104%	100%	100%	100%	98%	98%	94%
Mass. College of Art	99%	100%	100%	99%	100%	99%	99%	99%	98%	99%
Mass. College of Liberal Arts	89%	88%	94%	99%	94%	91%	86%	86%	79%	77%
Mass. Maritime Academy	92%	94%	100%	103%	106%	108%	111%	93%	101%	105%
Salem	100%	104%	106%	94%	102%	107%	106%	107%	100%	96%
Westfield	107%	107%	105%	104%	106%	101%	98%	98%	102%	99%
Worcester	100%	102%	102%	100%	103%	102%	101%	87%	94%	92%
State University Average	**101%**	**102%**	**102%**	**101%**	**101%**	**101%**	**99%**	**98%**	**98%**	**96%**

See Independent Auditor's Report on page 3.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board
Massachusetts State College Building Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Massachusetts State College Building Authority (a component unit of the Commonwealth of Massachusetts) (the "Authority") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 12, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Boston, Massachusetts
October 12, 2017

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FY 2018 Senior Management Compensation

Title	Annual Salary FY 2018
Executive Director	233,773
Deputy Director	188,652
Chief Financial Officer	163,591

APPENDIX C

Certified Sustainable Projects
as of December 15, 2016

Campus	Building	Date	Beds	GSF	Certification
Bridgewater State University	Crimson Hall	2007	400	138,000	Silver
Bridgewater State University	Pope Hall	2010	337	75,177	Silver
Bridgewater State University	Scott Hall	2010	269	67,390	Silver
Bridgewater State University	Weygand Hall	2014	500	165,000	Gold
Fitchburg State University	Hammond Campus Center	2013		157,831	Silver
Fitchburg State University	Mara Village Building 8	2010	104	38,000	Silver
Framingham State University	North Hall	2012	400	127,500	Gold
Framingham State University	West Hall	2016	316	95,922	Gold
MA College of Art and Design	Kennedy Campus Center	2011		57,913	Gold
MA College of Art and Design	Treehouse Residence	2013	493	147,004	Gold
MA Maritime Academy	Company 1 & 2 Expansion	2008	168	33,120	Gold
MA Maritime Academy	Company 4 Expansion	2014	196	35,435	Silver
Salem State University	Marsh Hall	2011	500	162,637	Gold
Salem State University	Viking Hall	2015	353	117,276	Gold
Westfield State University	University Hall	2013	410	134,000	Gold
Worcester State University	Dowden Hall Addition	2011	403	41,640	Gold
Worcester State University	Sheehan Hall	2014	400	150,000	Gold
Total			**4,580**	**1,380,647**	

APPENDIX D

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

Green Bond Guidelines

October 8, 2014

The Massachusetts State College Building Authority (the Authority) anticipates issuing revenue bonds and investing the proceeds, in whole or in part, to fund environmentally sustainable capital projects. These bonds, hereinafter referred to as Green Bonds, will be managed in a manner that is generally consistent with the Green Bond Principles[1], voluntary guidelines developed by the investment banking community to increase the amount of capital targeted to address pressing environmental challenges by providing transparency to investors in the following key areas: Use of Proceeds; Project Evaluation and Selection; Management of Proceeds; and Reporting.

Use of Proceeds

The Authority intends to use the proceeds of Green Bonds for the following project types:

- Resource and Energy Efficient Buildings and Structures
- Renewable Energy Generation
- Energy Efficiency Improvements to Existing Buildings
- Public, Shared, and Alternative Fuel Transportation
- Other Environmentally Sustainable Initiatives

Process for Project Evaluation and Selection

Annually, the Authority reviews potential capital project requirements with the twenty-four state university and community college campuses it serves. These projects principally include the construction and renovation of on-campus student housing facilities, but also include a full range of student activity facilities (dining, parking, athletic, medical, and cultural) to support the campus community. Projects are funded from capital replacement reserves, current year revenues, campus contributions, and the proceeds of revenue bonds. The Authority will review each project proposed to be funded from the proceeds of revenue bonds to determine whether it is eligible for funding with Green Bonds. In essence, these criteria include:

Land Use	Water Use
Energy Use	Indoor Air Quality
Material Selection	Transportation

Specifically, the Authority will include projects in a Green Bond issue that are designed to meet, at the minimum, the requirements of the United States Green Building Council (USGBC) for Leadership in Energy and Environmental Design (LEED) certification at the Silver level, or of the Green Parking Council for Green Garage Certification at the Bronze level. Specific requirements of each certification program are attached as exhibits to this guideline.

The official statement for the revenue bond issue that includes a Green Bond series will specifically state which projects are intended for funding with the proceeds of the Green Bonds and the anticipated certification level. The term Green Bonds is used for identification purposes only and is not intended to provide or to imply that holders of these bonds are entitled to any additional security other than as provided in the indenture. Green Bonds are parity obligations of the Authority and holders of the Green Bonds do not assume any specific project risk related to any of the funded Green Projects.

Management of Proceeds

The net proceeds of a Green Bond issue will be deposited with the Trustee and held in a separate fund for each qualified project; upon approval of monthly invoices, the Trustee will be requested to transfer the funds for payment to the vendor(s).

Reporting

The Authority will report on the use of Green Bond proceeds through its Annual Report. In addition, its website (www.mscba.org) includes links to environmentally sustainable projects and features, irrespective of the source of funds used to finance the project.