# Annual Report
# Fiscal Year 2022

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

# ANNUAL REPORT

## FISCAL YEAR 2022

FOR THE PERIOD
JULY 1, 2021 THROUGH JUNE 30, 2022

**MASSACHUSETTS**
**STATE COLLEGE BUILDING AUTHORITY**

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DECEMBER 31, 2022

# Fiscal Year 2022

# Annual Report

## of the

# Massachusetts
# State College Building Authority

### Background

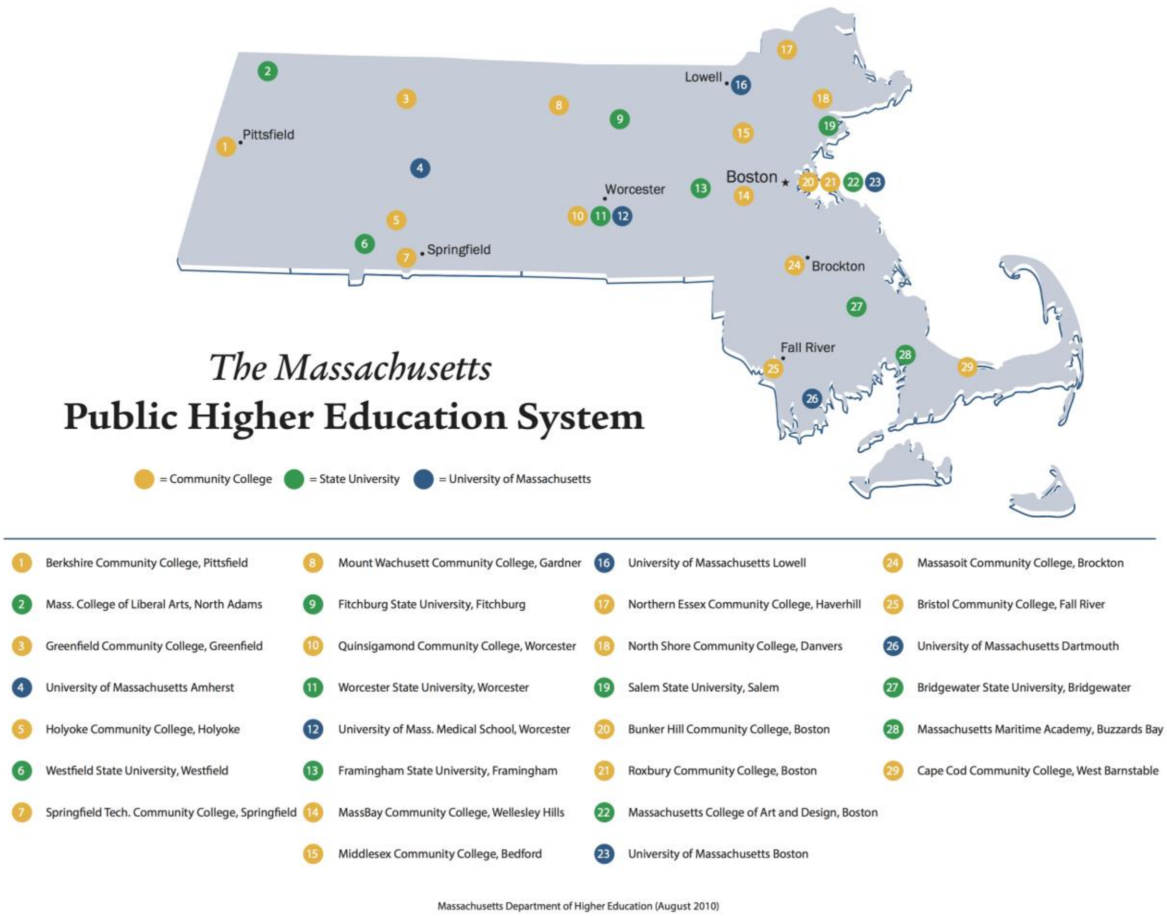
The Massachusetts State College Building Authority (the Authority) is a public instrumentality of the Commonwealth, established by the Legislature in 1963. The Authority is charged with financing, designing, constructing, and overseeing the management of housing, dining, athletic, parking, and other student activity facilities for the nine state universities and fifteen community colleges (collectively, the state 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.

There are 16,900 beds in the 54 residential complexes owned by the Authority on the nine state university campuses; these residential facilities house approximately 40% of full-time undergraduate students and comprise about 4.5 million square feet of space in approximately 89 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, they had evolved into comprehensive colleges. 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.




**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 in Appendix A. The Commonwealth-guaranteed debt was retired on May 1, 2016.

**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.

**NEW CADET HOUSING**
MASSACHUSETTS MARITIME ACADEMY

### MAJOR ACCOMPLISHMENTS

For fiscal year 2022, significant Authority accomplishments included the following:

*Residence Halls*

- Transferred title of the Bates Complex at Salem State University as pivotal step in Project Bold. Defeased $3.3M remaining debt to allow DCAMM to control entire South Campus parcel for private sale to benefit the University.
- Completed the design and began construction on a new 72 bed residence hall and conference space for Massachusetts Maritime Academy
- Upgraded the boiler and replaced carbon monoxide detectors at Weygand Hall and replaced fan coil units in student rooms of Stonehouse Hall at Bridgewater State University.
- Completed exhaust repairs at Mara 8 Apartments at Fitchburg State University.
- Replaced the existing built-up roof on Linsley Hall at Framingham State University.
- Completed the replacement of the existing fire pump in Crocker Hall and subsequent repairs to the water main on State Street at Framingham State University.
- Completed a study for Linsley Hall Suite Upgrades at Framingham State University.
- Replaced the existing rooftop chiller at Smith Hall at MassArt, along with updating the automatic temperate controls and repairs of student room fan coil units.
- Completed the replacement of two elevators at Berkshire Towers and steam line repairs at Flagg Townhouses at Massachusetts College of Liberal Arts.
- Commenced the first of 6-phased renewal and adaptive renovations of the Companies 1-6 cadet housing at Massachusetts Maritime Academy.
- Completed the replacement of the hot water heaters at Atlantic Hall and Peabody Hall at Salem State University.

- Upgraded the existing hot water system components at the Apartments and Lammers Hall at Westfield State University.
- Completed the replacement of two sets of building entry double doors at Wasylean Hall at Worcester State University.

*Student Activity Facilities*

- Completed the design and replacement of the existing kitchen floor located at Holmes Dining Hall at Fitchburg State University.
- Conducted studies at the Main Street Theater Block for a new roof and for initial design feasibility for a new parking deck along Main Street at Fitchburg State University.
- Completed the design and replacement for a new freezer at the McCarthy Campus Center at Framingham State University.
- Completed a study for a phased renovation of the 48-bedroom interiors at the Inn at the Warren Conference Center and began repairs to sprinkler system in the cabins at Framingham State University.
- Completed exterior upgrades at the Cultural Arts Center at Framingham State University.
- Implemented a study for the acquisition of property by MSCBA and the designed renovations to the building for future faculty/staff apartments at Fitchburg State University.

**The following table list projects that were substantially complete in fiscal year 2022:**

**PROJECTS COMPLETED – FY 2022**

| Campus | Building | Description | Total Project Cost |
|---|---|---|---|
| **Bridgewater** | Weygand Hall | CO Detectors & Boiler Replacement | 68,688 |
| | Stonehouse Hall | Stonehouse Fan Coil Replacement | 381,451 |
| | Woodward & Shea Durgin Halls | Residence Hall Repairs | 61,701 |
| | Miles DiNardo & Weyand Hall | Solar PPA | 13,931 |
| **Fitchburg** | 164 Highland Ave | Faculty Staff Housing Study | 279,560 |
| | Holmes Dining Hall | Holmes Kitchen Floor Replacement | 330,761 |
| | Mara 8 | Exhaust Repairs | 742,970 |
| | Main Street Theater | Roof Replacement Study | 73,000 |
| | Main Street Theater | Main Street Theater Parking Deck Study | 202,000 |
| **Framingham** | McCarthy Campus Center | Freezer Replacement | 208,924 |
| | Linsley Hall | Roof Replacement | 698,856 |
| | Peirce & Mann | Fire Pump Replacement | 395,312 |
| | Warren Conference Center | 2020 Capital Improvements | 325,487 |
| | Warren Conference Center | Warren Center Dry Sprinkler System | 26,554 |
| | Linsley Hall | Suite Renovations Study | 148,870 |
| | Cultural Arts Center | Cultural Arts Center Repairs 2022 | 34,874 |
| **MassArt** | Smith Hall | Cooling Tower & Fan Coil Replacement | 1,699,239 |
| **MCLA** | Berkshire Towers | Replacement of Two Elevators | 1,167,096 |
| | Flagg Towers | Townhouse Steamline Repair | 31,528 |
| **Maritime** | Company 1 | Cadet Room, Heating and Hallway Renovations | 2,428,359 |
| **Salem** | Atlantic & Peabody Halls | Water Heater Replacments | 1,820,516 |
| **Westfield** | Welch Apartments | Domestic Hot Water Upgrades | 1,267,107 |
| | | Facility Condition Study | 104,676 |
| | Tim and Jeanne Dining Hall | Dish Machine Replacement | 1,400,000 |
| **Worcester** | Wasylean Hall | Entry Door Replacements | 16,642 |
| | | | **$ 13,928,103** |

## The following table list projects that are underway during fiscal year 2023:

### PROJECTS UNDERWAY – FY 2023

| Campus | Building | Description | Total Project Cost |
|---|---|---|---|
| **Bridgewater** | Multiple Residence Halls | Furniture Replacement | 241,000 |
| | Weygand Hall | Domestic Hot Water Replacement | 300,000 |
| | Durgin Hall | Bathroom Renovation | 3,500,000 |
| | Weygand Hall | Multi-Stack Heat Pump Replacement | 185,000 |
| | Shea & Durgin Hall | Bedroom Lighting Replacement | 165,000 |
| | Miles DiNardo | Generator Repair | 22,000 |
| | Stonehouse | Cooling Tower Replacement | 550,000 |
| **Fitchburg** | Main Street Theater | Main Street Theater Storefront Reactivation | 2,111,786 |
| | Main Street Theater | Main Steet Theater Renovations Study and Design | 1,917,000 |
| | Hammond Hall | Southside Chiller Plant Expansion | 1,207,120 |
| | Elliot Field | Turf Replacement an Renovation | 1,823,000 |
| | Aubuchon Hall | Façade Repairs | 847,000 |
| | Russell Towers | Common Area Painting Upgrades | 145,552 |
| | Mara 8 | Boiler Replacement | 248,590 |
| **Framingham** | McCarthy Campus Center | McCarthy Dining Freezer Replacement | 208,924 |
| | Warren Conference Center | Warren Center -Roofs Generators and Windows | 645,000 |
| | Warren Conference Center | Warren Center -Main Lodge Ballroom Addition | 5,254,000 |
| | Warren Conference Center | Warren Center - Northern Lodge | 900,000 |
| | Warren Conference Center | Warren Center -Cabins New Fire Alarm | 100,000 |
| | Warren Conference Center | Warren Center Renewal 2022 | 297,948 |
| | Warren Conference Center | Warren Center Sewer Study | 522,000 |
| | Corinne and Larned Hall | Exterior Repairs | 100,000 |
| | O'Connor Hall | Christa McAuliffe Center | 7,750,000 |
| **MassArt** | Kennedy Campus Center | Starbucks Fitout | 1,200,000 |
| | Artists' Residences | Student Room Furniture - Phase I | 1,036,125 |
| | Smith Hall | Life Safety & Bathroom Renovation | 61,000 |
| | Smith Hall | Boiler and Chiller Replacement | 600,000 |
| **MCLA** | Berkshire Towers | Domestic Hot Water Repairs | 513,150 |
| | Flagg Towers | Facia and Soffit Painting | 90,000 |
| | Athlectic Field | Soccer Field Turf Replacement Design | 150,000 |
| **Maritime** | Beachmoor Site | New Housing for 72 Cadets | 19,660,615 |
| | Fantail Lounge | Cadet Lounge | 9,638,000 |
| | Company 2 | Cadet Room, Heating and Hallway Renovations | 4,000,000 |
| | Company 3 | Cadet Room, Heating and Hallway Renovations | 4,050,000 |
| | Marine Wharf | Patriot II Pier Upgrades | 34,900,000 |
| | Companies 1-6 | Card Access Programming | 1,500,000 |
| **Salem** | Peabody and Bowditch Halls | Water Heater Replacement and Roof Replacement | 2,376,087 |
| | Peabody and Bowditch Halls | Bowditch and Peabody Singles Design Study | 77,171 |
| | Meier Hall | Emergency Repairs | 1,050,000 |
| | Peabody Hall | Roof Replacement | 500,000 |
| | Viking Hall | Glass Replacement | 40,000 |
| **Westfield** | Welch Apartments | Interior Renovations | 1,154,727 |
| | New Hall | Hot Water Replacement | 500,000 |
| **Worcester** | Wasylean Hall | West Side Exterior Door Replacement | 80,000 |
| | Chandler Village | Chandler Vill. Flat Roof Repl & Design | 50,000 |
| | Chandler Village | Chandler Underground Heating Loop Upgrades | 85,000 |
| | Chandler Village | Concrete Patio Renovations | 30,000 |
| | | | **$ 112,382,795** |


**Berkshire Towers – Elevator Replacements**
Massachusetts College of Liberal Arts

**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 existed prior to 1999 and were initially financed with debt that was guaranteed by the Commonwealth. Only non-state guaranteed debt is remaining outstanding for the System projects. The System buildings have pooled capital replacement reserves. System Projects comprise approximately 9,800 beds and 2.5 million gross square feet of space. 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 20 Campus projects for new residence halls, the expansion of existing ones, and three parking structures. There are approximately 6,700 beds in the Campus projects that comprise 2.0 million gross square feet. Each residence hall Campus project owned by the Authority has a separate, dedicated capital replacement reserve. Through the use of capital improvement reserves and project revenue bonds, the Authority dramatically reduced deferred maintenance in System 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, environmental health, sustainability, and resilience). The improved condition of the residential facilities of the Authority has resulted in strong 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 student activity facilities that it owns and manages, the Authority has renovated and expanded several 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, the Wellness Center at Worcester State, and an academic building and a student lounge at Mount Wachusett Community College.


**HAMMOND HALL**
FITCHBURG STATE UNIVERSITY

***Financial Performance***

The financial condition of the Authority is stable and strong. For fiscal year 2022, Authority assessments, derived primarily from rents and fees, totaled $76.8 million, of which $73.1 million 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 Authority had debt service reserve funds with a market value of $59.7 million as of June 30, 2022, that may be used to pay debt service and/or to fund capital projects. In November 2019 (as a result of the 2019C bond issue), bond holder consent was achieved to reduce the debt service reserve fund requirement to zero. In addition, the campuses pledge a total of $23.7 million in pledged trust funds that are available to the Authority to pay debt service, if necessary. The Authority's audited financial statements for fiscal year 2022 will be included in Appendix B once available.

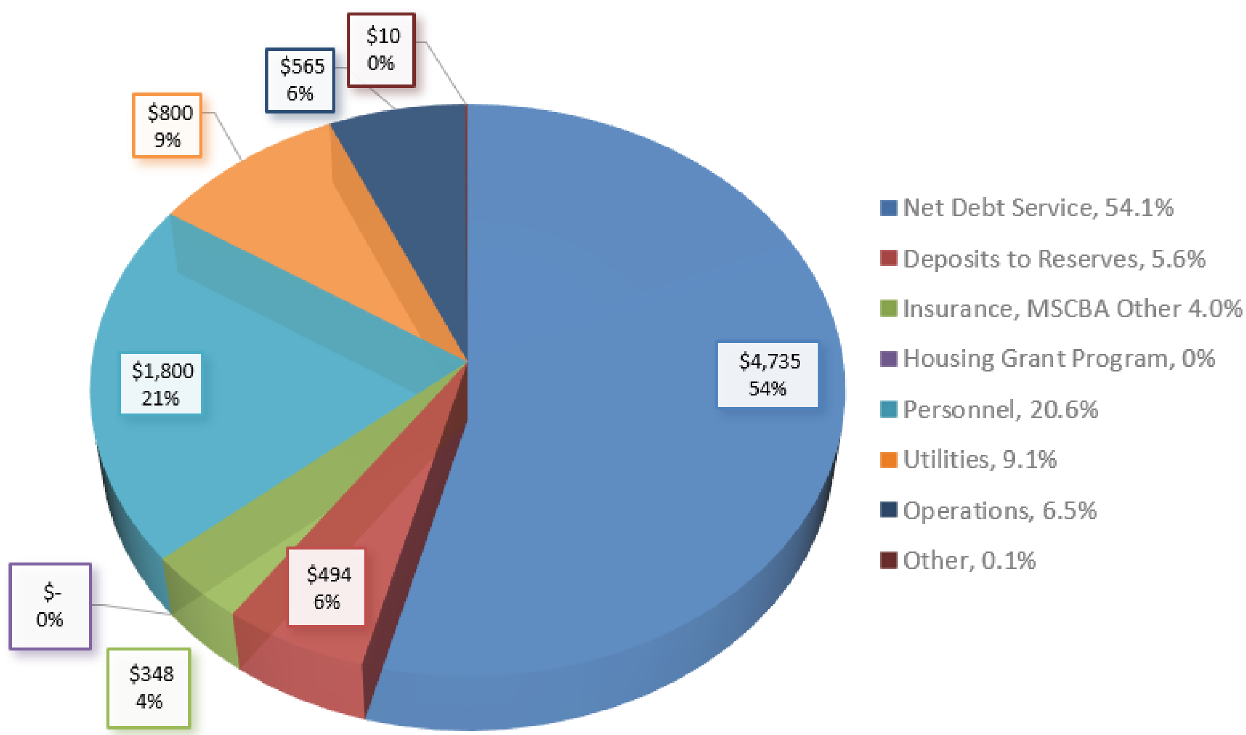
The financial condition of the Authority is further strengthened by a series of capital reserves and trust funds. The campus assessments fund annual debt service obligations, Authority operating expenses, insurance premiums, and deposits to capital reserves. During fiscal year 2022, approximately $7.3 million was deposited into the System and Campus Capital Improvement Reserves from rent revenues; these reserves are managed by the Authority and are used to fund the renewal requirements of the System and Campus projects; at the close of the fiscal year, the balance available was a combined $32.4 million. In addition, Multipurpose and Supplemental Reserves totaled $4.5 million as of the close of the fiscal year.

***Rents and Fees***

For the 2021/2022 academic year (fiscal 2022), the average approved on-campus room rent was $8,753 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 2021/2022 academic year:

**USES OF THE AVERAGE RENT (8,753)**



### *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 estimated cost 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 the FCI for the Authority has maintained an enviable ratio indicating that the residence hall buildings are in good condition.

**FACILITY CONDITION INDEX** (System Projects)

| | 2000 | 2008 | 2012 | 2016 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|
| Deferred Maintenance ($m) | 61.1 | 15.2 | 10.6 | 10.2 | 19.1 | 24.5 | 29 | 44* |
| Current Replacement Value ($m) | 274 | 416 | 484 | 534 | 551 | 589 | 592 | 1054* |
| **Facility Condition Index** | **22.30%** | **3.60%** | **2.10%** | **2.00%** | **3.40%** | **4.20%** | **4.90%** | **4.10%** |

* denotes new methodology and updated building values for all state buildings

Until now, only the older system projects have been included in the report so that the new buildings would not skew the values. As the new buildings now range in age from 8-21 years all buildings will be included in a separate table as shown here:

| | 2022 |
|---|---|
| System | 4.1 |
| Campus | 1.7 |
| **Combined Facility Condition Index** | **3.06%** |

### *Debt Management*

Authority debt 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 debt. 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. As of June 30, 2022, the Authority has issued bonds to finance projects totaling $1.39 billion. As detailed in the following chart, $297 million in bond proceeds have been used to fund repair and renewal of existing residence halls. Bond proceeds of $745 million have been used to fund the construction of new residence halls and the expansion of existing ones. The remaining bond proceeds of $305 million have been used to fund new construction, repair, and renovation of student activity facilities, and $55 million was used to provide supplemental financing for certain Commonwealth-managed projects.

The following table shows use of project funds from new money bond proceeds since 1999:

**USE OF PROJECT FUNDS FROM BOND PROCEEDS SINCE 1999** (Amounts in Millions)

| Series | True Interest Cost | Original Average Life | Repair and Renovation Projects | New Residential Capacity Projects | Student Activity Projects | University / Commonwealth-Owned Projects | University / Commonwealth-Managed Projects | Total |
|---|---|---|---|---|---|---|---|---|
| 1999-A | 5.71 | 20.7 | $ 33.45 | $ - | $ - | | | $ 33.45 |
| 1999-1 | 5.59 | 24.3 | - | 26.81 | 11.62 | 1.80 | | 40.23 |
| 2000-1 | 6.03 | 24.0 | - | 20.21 | - | | | 20.21 |
| 2003A; B | 4.87 | 25.4 | 19.00 | 67.00 | - | 2.10 | | 88.10 |
| 2004A | 4.45 | 20.9 | 24.00 | 32.00 | 2.00 | | | 58.00 |
| 2005A | 4.32 | 12.7 | 19.00 | - | - | 14.90 | | 33.90 |
| 2006A | 4.50 | 19.8 | 19.60 | 54.10 | 10.00 | 8.28 | | 91.98 |
| 2008A | 4.85 | 20.3 | 32.60 | 49.00 | - | 0.80 | | 82.40 |
| 2009A | 5.29 | 21.4 | 15.10 | 77.72 | 4.08 | 16.40 | | 113.30 |
| 2009B; C (BABs) | 4.57, 3.82 | 21.2, 21.0 | 16.00 | 105.00 | - | 6.60 | | 127.60 |
| 2010A; B (BABs) | 2.33, 4.08 | 4.5, 16.8 | 12.50 | 1.60 | 12.50 | 18.31 | 10.00 | 54.91 |
| 2012A | 4.12 | 19.6 | 11.50 | 113.00 | 31.00 | | 3.00 | 158.50 |
| 2012C | 2.69 | 15.5 | 10.50 | 75.39 | 17.71 | 35.95 | 15.00 | 154.55 |
| 2014A | 4.15 | 16.9 | 27.80 | 50.20 | 4.80 | 41.85 | 5.00 | 129.65 |
| CC Series 1 | 4.25 | 11.9 | - | - | - | | 3.00 | 3.00 |
| 2014B; C | 3.67; 3.16 | 17.7; 12.0 | 10.00 | 44.00 | 22.50 | 12.90 | 17.70 | 107.10 |
| 2015A | 3.14 | 12.5 | 11.00 | - | 6.20 | 1.22 | | 18.42 |
| CC Series 2 | 2.75 | 11.1 | - | - | - | 3.00 | | 3.00 |
| 2017A | 3.06 | 12.2 | 8.00 | 9.00 | - | 4.00 | | 21.00 |
| 2017B; C | 2.97; 3.46 | 12.6; 12.0 | 8.00 | 1.80 | 10.00 | - | | 19.80 |
| 2019A | 2.97 | 12.5 | 10.90 | - | 4.90 | - | | 15.80 |
| 21A,B | 2.01; 1.73 | 17.7; 11.8 | 1.50 | 17.00 | - | - | 1.00 | 19.50 |
| 22A | 2.31 | 11.541 | 6.50 | 1.00 | | 10.40 | | 17.90 |
| **Project Fund Total** | | | **$ 296.95** | **$ 744.83** | **$ 137.31** | **$ 168.11** | **$ 54.70** | **$ 1,394.40** |

In addition to issuing bonds to fund new projects, the Authority strategically issues refunding bonds to take advantage of lower interest rates that produce lower debt service costs. Since 2011, the Authority has issued eight refunding bonds that produced an aggregate of $5.3 million in average annual debt service savings.

### *Enrollment*

The following chart illustrates enrollment at each state university:

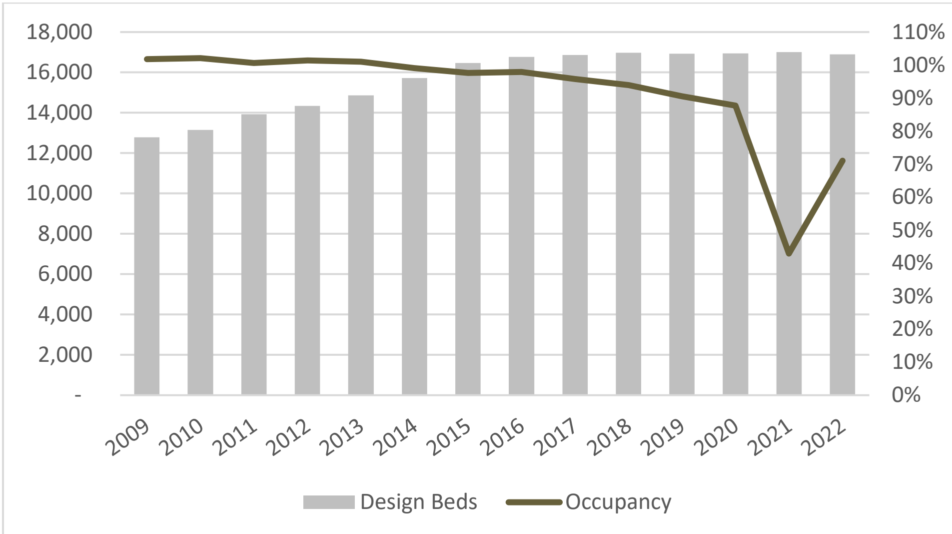
**STATE UNIVERSITY ENROLLMENT (**Fall Data**)**

| Campus | 2004 | 2006 | 2008 | 2010 | 2012 | 2014 | 2016 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Bridgewater State | 7,399 | 7,471 | 8,117 | 8,911 | 9,201 | 9,214 | 9,054 | 9,047 | 8,976 | 8,619 | 7,897 |
| Fitchburg State | 3,622 | 3,903 | 4,421 | 4,503 | 4,368 | 4,452 | 4,498 | 4,745 | 4,659 | 4,469 | 4,170 |
| Framingham State | 4,207 | 4,169 | 4,237 | 4,288 | 4,909 | 4,996 | 4,732 | 4,405 | 4,333 | 3,983 | 3,598 |
| MA College of Art and De | 1,482 | 1,543 | 1,803 | 1,956 | 1,902 | 1,801 | 1,761 | 1,820 | 1,863 | 1,675 | 1,707 |
| MA College of Liberal Art | 1,592 | 1,765 | 1,589 | 1,715 | 1,601 | 1,563 | 1,441 | 1,288 | 1,320 | 1,063 | 889 |
| MA Maritime Academy | 984 | 1,092 | 1,221 | 1,297 | 1,434 | 1,542 | 1,749 | 1,786 | 1,791 | 1,650 | 1,559 |
| Salem State | 6,422 | 7,224 | 7,279 | 7,438 | 7,207 | 7,290 | 7,226 | 6,778 | 6,260 | 5,803 | 5,564 |
| Westfield State | 4,090 | 4,630 | 4,863 | 5,174 | 5,352 | 5,563 | 5,617 | 5,345 | 5,081 | 4,652 | 4,270 |
| Worcester State | 3,794 | 3,939 | 4,004 | 4,350 | 4,770 | 4,872 | 4,860 | 4,930 | 4,850 | 4,596 | 4,224 |
| **Total** | **33,592** | **35,736** | **37,535** | **39,630** | **40,744** | **41,293** | **40,938** | **40,144** | **39,133** | **36,510** | **33,878** |

### ***Residence Hall Occupancy***

The following table shows annual occupancy of residence halls as a percent of design beds:

**RESIDENCE HALL OCCUPANCY** (Annual Data)




### ***Housing Financial Aid***

By statute, the fees, rents, and charges assessed by the Authority must provide sufficient revenue to pay the cost of debt service, maintenance, repair, operations, and capital improvement 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 2022, this program provided $4 million that was redistributed by the financial aid offices of the nine state universities to complement the financial aid package for residential students.

### ***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, 2018, 2020 and 2022:

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

| Expense Type | FY2012 | FY2014 | FY2016 | FY2018 | FY2020 | FY2022 | FY2022 Employment |
|---|---|---|---|---|---|---|---|
| Authority Operations and Administration | $1.50 | $1.70 | $2.88 | $2.70 | $2.38 | $2.89 | 9 |
| Residence Hall Operations | $36.90 | $43.40 | $48.90 | $46.20 | $46.00 | $42.89 | 313 |
| Construction and Maintenance* | $122.70 | $169.40 | $111.30 | $39.33 | $37.11 | $18.42 | 92 |
| **Total** | **$161.10** | **$214.50** | **$163.08** | **$88.23** | **$85.49** | **$64.20** | **414** |

**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.*

***Commitment to Diversity***

The Authority is committed to fostering, cultivating, and preserving a culture of diversity, equity, and inclusion. The Authority partners with the Commonwealth's Supplier Diversity Office, other state entities, and industry associations to strengthen the diverse workforce within the Commonwealth. In addition to adopting the Commonwealth's diversity goals for hiring design and construction firms, the MSCBA continues to reach out to the subcontractor community by engaging Minority-Owned Business Enterprises, Woman-Owned Business Enterprises, and Veteran-Owned Business Enterprises in a web-based trade contractor prequalification process where they are awarded additional credit toward becoming prequalified to bid on MSCBA projects.

Along with the MBE/WBE goals, the Authority has also adopted workforce participation goals to ensure opportunities for minority and women individuals to participate in our construction projects. Monthly review of the workforce data on each project results in an open dialog, creates demand, and results in real job opportunities. The Authority tracks this data on all projects to the established goals to measure growth and identify areas in need of improvement. Further, the Authority promotes diversity throughout other internally hired vendors and in other types of procurement, and regularly engages minority and women owned firms for consulting and project support roles, as well as in financing activities.

***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 18 Authority projects. The sustainability work of the Authority was also recognized with an Agency Leading by Example Award by the Commonwealth of Massachusetts Executive Office for Energy and Environmental Affairs. Appendix D includes a list of projects registered with the USGBC.

***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 tenet 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, (see Appendix E), the Authority may 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.

The Authority issued Green Bonds to fund the following projects, each of which meets the criteria of the Guidelines:

**PROJECTS INCLUDED IN MSCBA GREEN BOND ISSUES**

| Project | Campus | Project Amount | Standard | Status | Bond Issue |
|---|---|---|---|---|---|
| New Cadet Housing | Maritime Academy | $17,000,000 | USGBC Silver | Pending | 2021A |
| West Hall Student Residence | Framingham State | $44,000,000 | USGBC Gold | Complete | 2014B |
| North Campus Parking Structure | Salem State | 23,000,000 | GPC Bronze | Complete | 2014B |
| Hammond Campus Center | Fitchburg State | 10,000,000 | USGBC Silver | Complete | 2014B |
| Center for Design + Media | Mass Art | 8,000,000 | Mass LEED+ | Complete | 2014B |
| Science Center | Westfield State | 11,000,000 | Mass LEED+ | Complete | 2014B |

***Strategic Planning***

Every other year through 2020, the Authority has updated its Strategic Plan with demographic data to determine the long-term demand for student housing facilities at the nine state university campuses. The plan considered the latest available enrollment data and projections prepared by the Department of Higher Education. In the past, the goal was met with new housing to provide, on average, capacity 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 goal was modified in 2000 to identify specific housing targets to support the sustained enrollment for each campus and by 2017 the Authority had met each State University's anticipated targets except for Massachusetts Maritime Academy.

Due to the continued impacts of COVID and the decrease in demographics related to birth rates for traditional college-aged student, we recognize that a focus beyond data is necessary. During the first half of the calendar year 2022, we engaged in a Business Opportunity Assessment with the assistance of CliftonLarsonAllen Associates. Outcomes of this exercise helped us to understand that we needed to broaden the work and engage in full-scale strategic planning, involving campus constituents and our board members. During the second half of the calendar year, this strategic planning work began. We sought information through interviews and analysis in order to better understand campus needs and how we can more effectively support them. Some themes that emerged included: exploring best practices for occupancy management, streamlining of capital planning processes with a focus on a greater understanding of available resources and developing potential use for housing capacity that is currently not in use. The Authority will continue these efforts and will publish a new strategic plan in 2023 and begin to move towards implementing the recommendations.

### ***Staffing Levels***

The Authority has been taking strides to return our operation to pre-COVID staffing levels through increasing recruitment efforts and promoting within the organization. Several internal staff promotions have occurred, including the Authority board member vote to name Janet L. Chrisos the Executive Director on June 21, 2022.

**COMMONWEALTH OF MASSACHUSETTS**

Charles D. Baker, Governor

**AUTHORITY MEMBERS AND OFFICERS**

Michael Fallon, Chair
James M. Karam, Vice Chair
John J. Burns, Treasurer
Rosalind Gorin
James A. Peyser
Barbara Stern

Janet L. Chrisos, Executive Director
Assistant Treasurer/Secretary

**AUTHORITY STAFF**

Ala'a Al-Jermozi, Senior Accountant and Financial Analyst
Molly Bench, Controller
Janet Chrisos, Executive Director
Laura Croteau, Associate Director, Systems & Internal Controls
Amanda Forde, Director of Capital Projects
Paul Forgione, Senior Project Manager
Patrick Giard, Assistant Project Manager
Jennifer Gonzalez, Deputy Director, Administration & Finance
Kristin Murphy, Director of Administration and Budget
Jeremy Ponce, Staff Accountant
Stephen Rogan, Project Manager
Michael Rose, Contracts and Procurement Coordinator
Jadea Simmons, Administrative Assistant
Kiara Taylor, Project Assistant

**GENERAL COUNSEL**

Bowditch & Dewey

**CERTIFIED PUBLIC ACCOUNTANTS**

CohnReznick

**BOND COUNSEL**

Hinckley Allen

As of June 30, 2022

**APPENDIX A**

Moody's Investors Services

Massachusetts College and University Ratings
as of January 3, 2023

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

*MSCBA's Aa2 is an enhanced rating that is notched off of the Commonwealth of Massachusetts' general obligation rating, and includes attributes related to the sufficiency of the financing structure.

# Appendix B

FY22 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, 2022 and 2021**

CohnReznick
ADVISORY • ASSURANCE • TAX

**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 Audit of the Financial Statements

### *Opinions*

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of the Massachusetts State College Building Authority (the "Authority"), a component unit of the Commonwealth of Massachusetts, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Index.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Authority as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

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

### *Emphasis of Matter*

#### *Change in Accounting Principle*

As discussed in Notes 1 and 15 to the financial statements, in fiscal year 2022, the Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

### *Responsibilities of Management for the Financial Statements*

Massachusetts State College Building Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

*Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Massachusetts State College Building Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Massachusetts State College Building Authority's ability to continue as a going concern for a reasonable period of time.

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

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and OPEB benefit schedules on pages 5 to 17 and 63 to 69, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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*

Management is responsible for the other information. The other information comprises the statistical section contained on pages 70 to 71 but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2023, 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
May 30, 2023

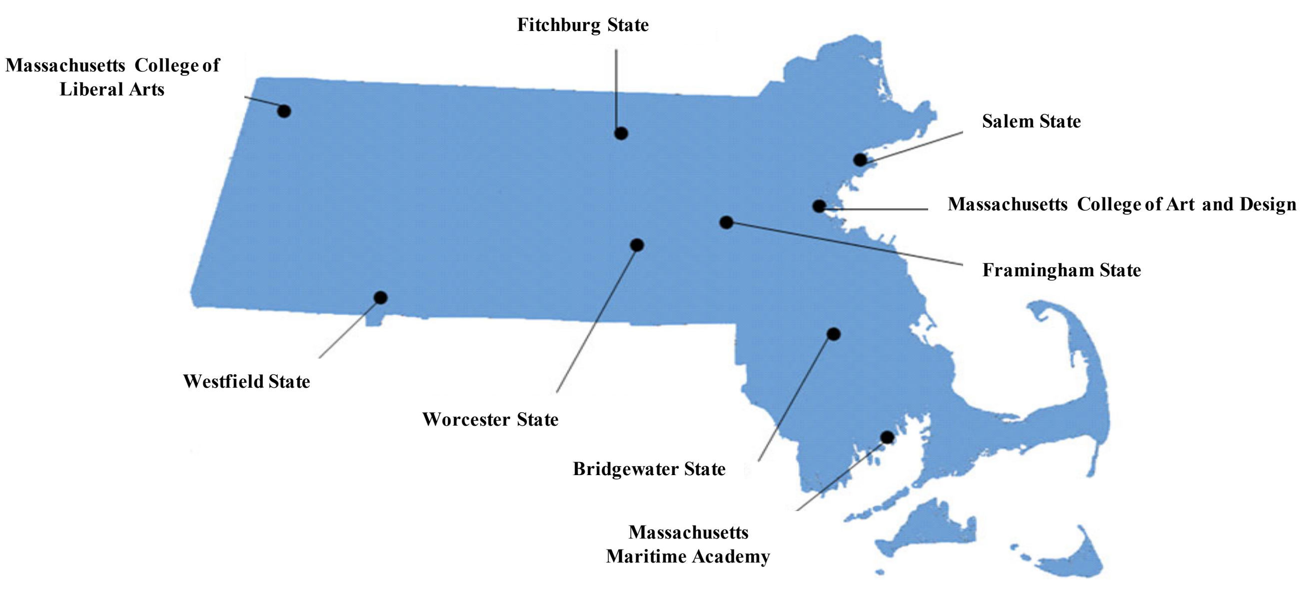
**Management's Discussion and Analysis**
**For the Years Ended June 30, 2022 and 2021**
**Unaudited**

The following discussion and analysis provide management's overview of the financial position of the Massachusetts State College Building Authority (the "Authority" or "MSCBA") as of June 30, 2022 and 2021, 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 Massachusetts State College Building Authority is a public instrumentality of the Commonwealth of Massachusetts (the "Commonwealth") 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. Recent amendments to the enabling legislation expand the mission of the Authority to include the 15 Community Colleges, as well as enabling the Authority to finance certain academic facility projects located at the State Universities and Community Colleges. The Authority was created pursuant to Chapter 703 of the Acts of 1963 (the "Act") of the Commonwealth of Massachusetts.

The State University segment of the public institutions of higher education includes 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. There are two loans outstanding under the Community College program for Mount Wachusett Community College.

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.

## SUMMARY

The Authority's Fiscal Year 2022 (FY 2022 or FY22) financial statements reflect the Authority's on-going response efforts to support the state universities while they navigate the continuing impact of the COVID-19 pandemic upon enrollment and institutional operations. The FY 2022 financial statements, and the related variances from prior years, reflect a deliberate, structured approach by the Authority to provide short term financial flexibility to the campuses, in order to allow them to concurrently prioritize the public health needs of their community while maintaining financial stability. For these reasons, comparison of FY 2022 to prior years may not be indicative of results since the COVID-19 outbreak and for the foreseeable future.

Fiscal Year 2022 (FY22) was unique for a number of additional reasons:

- The Authority issued new money bonds in three series, including its second issuance of green bonds for the Series 2021A in the amount of $16,825,000. The two other series include Series 2021B for $2,265,000, and Series 2022A, an issuance of $107,155,000 Project and Refunding Revenue bonds. The Series 2022A Bonds issued on February 15, 2022 included refunding the remaining 2012C Bonds to provide debt service savings to the State Universities.

- As a result of the 2020A bonds issued in fiscal year 2021, the FY 2022 aggregate debt service assessment was reduced by $28.2 million (approximately 25%).

- The Authority established an Other Post Employment Benefits (OPEB) Trust account during FY22. It is an irrevocable trust fund established for the purpose of accumulating assets to pay for future OPEB costs. The State Retiree Benefit Trust Fund (SRBTF) is an investment vehicle established by Massachusetts law that enables government entities of the Commonwealth to invest funds set aside to fulfill OPEB for retirees such as healthcare or dental coverage in retirement. All OPEB assets are invested in the SRBTF. (https://www.mass.gov/orgs/state-retiree-benefits-trust-fund) See Note 13 for additional information related to OPEB.

- Debt was defeased for the sale of the Mayhew property for Framingham State, $535,000, and the termination of the ground lease for the Bates Complex at Salem State, $3,315,000.

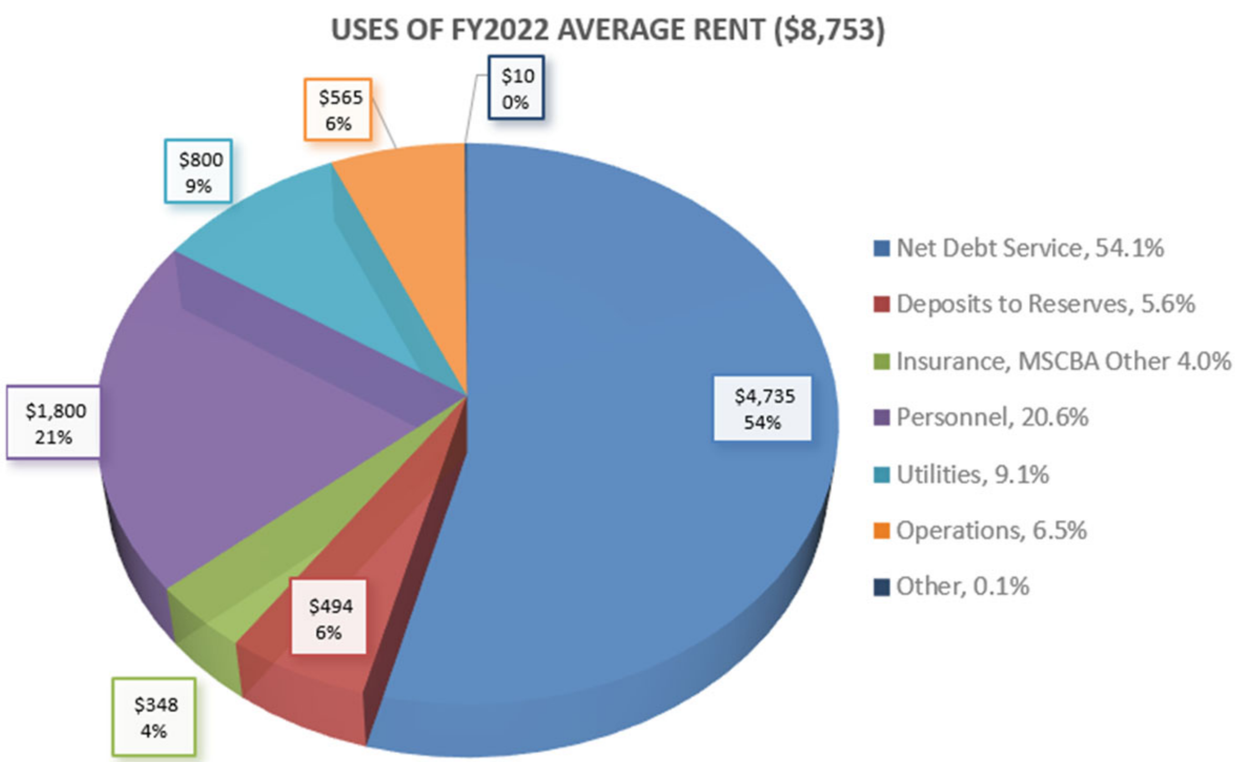
- The implementation of the latest lease accounting and financial reporting standard established by the Governmental Accounting Standards Board (GASB) is a significant change in the presentation of the Authority's financial statements. GASB 87, Leases, now requires the reporting of a large lease receivable related to debt for MSCBA-owned buildings as well as a lease payable for the Authority's office space on the Statement of Net Position.

GASB 87 is intended to enhance reporting consistency for leasing activities and establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB Statement No. 87, *Leases*, provides guidance for lease contracts for nonfinancial assets—including vehicles, heavy equipment, and buildings—but excludes nonexchange transactions, including donated assets, and leases of intangible assets (such as patents and software licenses).

The Authority's lease receivables are largely attributable to the use of the residence halls that are owned by the Authority but utilized by the state universities. The implementation of this standard has a significant impact ($1.0 Billion) on both lease receivables and associated capital asset accounting. This change is reflected in both the FY2021 restated financial statements (required to reflect this adjustment) and the FY22 financial statements. Implementation of GASB 87 does make trend analysis difficult as prior years' statements (including FY2020) do not account for this significant adjustment. With the implementation of GASB 87, all the outstanding debt of the Authority falls into either the Accounts Receivable category for campus/Commonwealth-owned buildings or Lease Receivable for MSCBA-owned buildings.

## Revenue

The Authority receives no appropriation from the Commonwealth; all revenues to support facility design, construction, and operation are derived from the rents and fees paid by students for the use of these facilities and services. 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. The average budgeted rent in academic year 2021/22 was $8,753 and included maintenance, operations, administration, reserves, and related debt service on revenue bonds issued to finance its projects.



## ***Enrollment and Occupancy***

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 2022/23, 2021/22 and 2020/21, the number of students housed in on-campus housing owned by the Authority was 75%, 71% and 43% of design occupancy, respectively. This reduction reflects the impact of COVID-19, students choosing to learn remotely during the pandemic, and the temporary conversion of some double rooms to single occupancy to improve social distancing.

At the beginning of the spring 2023 semester, approximately 11,809 students resided in the 54 residential complexes owned by the Authority. These facilities can house 53% of the fall semester full-time undergraduate students and comprise about 4.5 million square feet of space on the nine State University campuses. In addition, the Authority owns three parking structures that provide spaces for 2,114 vehicles.

The following table shows average annual residence hall occupancy from academic year 2013/14 through 2022/23. During fiscal year 2022 as compared to fiscal year 2021, the Authority decreased design occupancy by 0.59%, or 101 beds. Information regarding the academic year 22/23 was available at the time of this report's publication and is made available for informational purposes only.

| State University | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---|---|---|---|---|---|---|---|---|---|
| Bridgewater | 95% | 99% | 97% | 96% | 95% | 95% | 96% | 37% | 81% | 89% |
| Fitchburg | 100% | 103% | 101% | 96% | 92% | 85% | 76% | 50% | 58% | 52% |
| Framingham | 100% | 98% | 98% | 94% | 93% | 90% | 88% | 33% | 64% | 64% |
| Mass. College of Art and Design | 99% | 99% | 98% | 99% | 99% | 96% | 100% | 65% | 98% | 101% |
| Mass. College of Liberal Arts | 86% | 86% | 79% | 77% | 74% | 71% | 73% | 46% | 43% | 42% |
| Mass. Maritime Academy | 111% | 93% | 101% | 105% | 102% | 102% | 10% | 57% | 95% | 87% |
| Salem | 106% | 107% | 100% | 96% | 96% | 90% | 79% | 37% | 63% | 79% |
| Westfield | 98% | 98% | 102% | 99% | 94% | 86% | 82% | 38% | 66% | 66% |
| Worcester | 101% | 87% | 94% | 92% | 96% | 96% | 96% | 50% | 78% | 84% |
| **Average Occupancy** | **99%** | **98%** | **98%** | **96%** | **94%** | **91%** | **88%** | **43%** | **71%** | **75%** |
| **Design Occupancy** | **15,717** | **16,458** | **17,289** | **16,857** | **16,957** | **16,922** | **16,939** | **17,001** | **16,900** | **16,544** |

## ***Financial Statements***

The Authority's financial statements (pages 18 to 24 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 (includes State Universities and Community 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***

- As a result of GASB 87, the total assets of the Authority declined from $2.162 billion at June 30, 2021, as restated, to $2.153 billion at June 30, 2022. This decline largely relates to depreciation exceeding investment in new capital assets on Authority-owned facilities by $32.7 million and the reduction in cash and investments related to the reduction in assessment revenue to the campuses. Details of capital assets are provided in Footnote #4.

- Total liabilities increased from $1.269 billion to $1.286 billion. The increase is primarily due to an increase of $24.5 million in interagency payables offset by reductions in bond payables of $3.9 million and pension and other OPEB liabilities of $3.1 million. Interagency includes funds received from campuses or the Commonwealth for campus-owned projects and/or new money borrowing for campus-owned projects.

- FY22 operating revenues increased $20.5 million from FY21. This increase is due to the recognition of lease revenue and resumption of certain assessment categories after a temporary planned assessment reduction to assist with COVID impact in FY 21.

- The Authority established an OPEB Trust with deposits of $750,000 which is invested in the State Retirement Board Trust Fund (SRBTF).

## ***Financial Analysis***

Statements of Net Position (Deficiency in Net Position)

The Authority's net position reflects its investment in capital assets, including 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 Universities and consequently they are generally 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. The Authority's net position is as follows:

### Summary - Statements of Net Position at June 30, 2022, 2021, and 2020

| | Fiscal year ended June 30, | | |
|---|---|---|---|
| | 2022 | 2021 (restated) | 2020 (restated) |
| Current assets | $ 152,129,966 | $ 72,771,477 | $ 75,861,080 |
| Capital assets, net | 794,289,957 | 827,199,032 | 862,305,697 |
| Long-term leases receivable | 958,477,483 | 991,809,948 | 1,012,528,108 |
| Other noncurrent assets | 247,576,664 | 270,093,453 | 277,965,122 |
| Total assets | 2,152,474,070 | 2,161,873,910 | 2,228,660,007 |
| Deferred outflows of resources | 31,334,538 | 39,530,081 | 31,359,579 |
| Current liabilities | 96,644,924 | 45,651,904 | 68,318,513 |
| Bonds payable, net of current portion | 1,178,390,239 | 1,208,139,929 | 1,183,094,762 |
| Other noncurrent liabilities | 11,363,526 | 15,399,371 | 17,497,882 |
| Total liabilities | 1,286,398,689 | 1,269,191,204 | 1,268,911,157 |
| Deferred inflows of resources | 902,900,822 | 960,585,628 | 1,021,433,029 |
| Net position: | | | |
| Net investment in capital assets | (142,427,617) | (93,721,552) | (52,345,420) |
| Unrestricted | 136,936,714 | 65,348,711 | 22,020,820 |
| Deficiency in net position | $ (5,490,903) | $ (28,372,841) | $ (30,324,600) |

*Current assets* include cash related to project spending, debt service, and Authority operations, current accounts receivable, and prepaid expenses.

- For the year ended June 30, 2022, current assets increased $79.4 million or 109% from the prior year. Unrestricted cash increased by $4.7 million while restricted cash, cash equivalents, and investments increased by $30.0 million. These increases in cash and investments are primarily related to the current year's bond issues and campus funds received for projects, which have not been completely disbursed. The current portion of accounts receivable also increased by $12.2 million, reflecting a reduction in assessment for capital reserves due to the 20A refunding in 2021. Further, debt service reserve funds were used to offset the temporary reduction to campus assessments, which were significantly reduced in FY21 and partially reduced in FY22. The Authority sustains a capital reserve program consistent with the requirements of the Contract to ensure adequate reserves for building renewal. This reserve program is funded through annual assessments based on building age. Total capital reserves were $32.4 million at June 30, 2022.

*Capital assets* include land, buildings and furniture and equipment, net of depreciation. Due to the reduction in Authority capital spending on Authority-owned assets in recent years and the impact of current year depreciation, capital assets have decreased $32.9 million, or 4.0% in FY22 and $35.1 million, or 4.1%, in FY21. Further detail of capital assets is discussed in Footnote #4.

*Other non-current* assets include the non-current portion of restricted cash and investments, including debt service reserve funds, pension reserves, and long-term accounts receivable related to debt service on University-owned assets.

- Debt service reserve fund balances are represented in the restricted cash and cash equivalents and restricted investments line items. For the year ended June 30, 2022, total debt service reserve fund balances decreased by $13.0 million, or 18%. This decrease reflects the use of debt service reserve funds to fund projects, refund escrows, and offset the planned reduction in assessment revenue.

- Net accounts receivable related to university-owned assets was reduced by $8.6 million from the year ended June 30, 2021 to June 30, 2022. This decrease is due to annual debt service payments and the 2022A refunding.

Deferred outflow of resources includes deferred outflows for pensions and net OPEB liability ($610 thousand) and deferred losses on refunding of debt ($30.7 million). Total deferred outflows of resources was $31.3 million for the year ended June 30, 2022, a decrease of $8.2 million or 20.7%. This decrease was driven by the savings from the 2022A refunding.

*Total liabilities* include debt service, accounts payable, payroll related liabilities, liabilities related to university funds held by the Authority, and the net pension and OPEB liability of the Authority.

- For the year ended June 30, 2022, total liabilities increased $17.2 million, or 1.4%.

- Beginning with FY15, 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 FY22 to be $2.6 million compared to $4.3 million in FY21. The Authority invests its retirement trust fund with the Commonwealth's Pension Reserve Investment Trust. This investment was valued at $5.59 million as of June 30, 2022, which is $2.99 million greater than the liability assigned to the Authority by the Commonwealth.

- Beginning in FY18, the Authority implemented GASB 75 which requires the Authority to report the OPEB liability, which is the difference between the total liability and the value of the assets available to pay other postemployment benefits. As of June 30, 2021, the liability was $1.7 million. As of June 30, 2022, the liability was $260 thousand, a reduction of about $1.4 million or 84.3%.

- 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 reflected as Interest income - interagency.

- Debt administration is discussed further on page 16.

- The deficiency in total net position at June 20, 2022 improved by $22.9 million as compared to June 30, 2021; major factors include:

  Items increasing the deficiency:

  1. depreciation exceeding new capital asset investment by $32.7 million
  2. decrease in the long-term lease receivables of $14.4 million
  3. increase in the overall interagency payables of $24.5 million

  Items decreasing the deficiency:

  1. increase in overall cash and cash equivalents of $28.0 million
  2. decrease in deferred lease revenue related to GASB 87 of $58.5 million
  3. increase in overall restricted investments of $7.3 million

<u>Statements of Revenues, Expenses and Changes in Net Position</u>
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 undertaken by the Authority. The assessments provide sufficient revenue to fund annual debt service requirements associated with bonds issued to finance capital projects, capital improvement reserve deposits, insurance premiums, and Authority operating expenses.

**Summary - Operating and Non-Operating Revenues and Expense**

| | Fiscal year ended June 30, | | |
|---|---|---|---|
| | 2022 | 2021 (restated) | 2020 |
| Total operating revenues | $ 109,512,201 | $ 89,006,809 | $ 92,496,233 |
| Total operating expenses | 48,989,870 | 50,012,007 | 48,605,316 |
| Operating income | 60,522,331 | 38,994,802 | 43,890,917 |
| Nonoperating expenses, net | (37,640,393) | (37,043,043) | (33,082,157) |
| Increase (decrease) in net position | 22,881,938 | 1,951,759 | 10,808,760 |
| Net position - beginning of the year | (28,372,841) | (30,324,600) | (41,133,360) |
| Net position - end of the year | $ (5,490,903) | $ (28,372,841) | $ (30,324,600) |

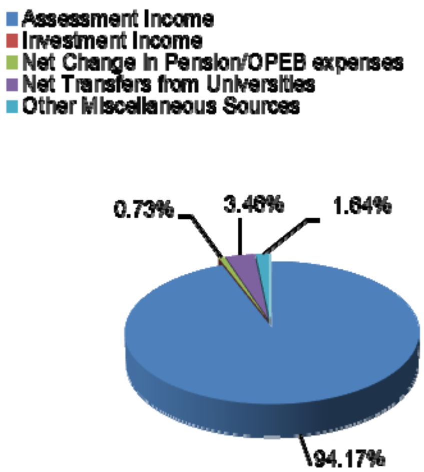
O*perating revenues* include contracts for assistance, management and services, management fees on campus owned projects, and other miscellaneous revenue.

- For the year ended June 30, 2022, operating income increased by $21.5 million, or 55%. This is mainly due to the implementation of GASB 87 and the restoration of reserve assessments after temporary reductions in FY 2021 and FY 2020.

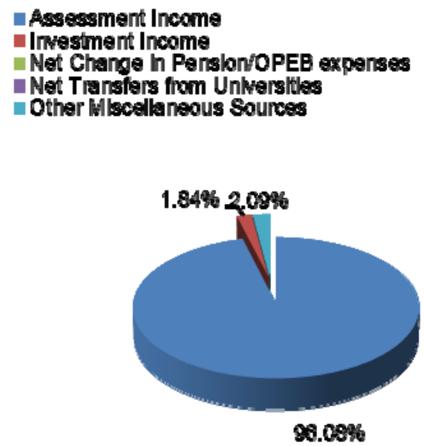
The charts below compare total revenue for FY22 with FY21:

**Summary - Total Revenue Fiscal Years 2022 and 2021**

***2022***




***2021 (Restated)***




*Operating expenses* include depreciation, insurance premium costs, and operating expenses of Authority operations.

- The net change in expenses related to pension and OPEB-related liabilities decreased $969 thousand as compared to FY21.

- The amortization of the deferred loss on receivables increased by $235 thousand as compared to FY21.

- All other operating expenses were stable as compared to the prior year.

*Non-operating expenses, net* include other revenue including investment income (or losses) on project funds and reserves, net transfers between the Authority and the State Universities in support of capital projects, bond issuance costs, interest expense incurred on debt obligations and interest subsidy received from the U.S. Treasury relating to the Authority's outstanding Build America Bonds, and other one-time expenses.

- For the year ended June 30, 2022, net investment losses of $4.4 million were incurred as compared to investment income of $1.7 million for the year ended June 30, 2021.

- In the year ended June 30, 2022, the Authority had interest expense of $42.8 million, a 1.7% decrease from the prior year, due to savings on the 2022A refunding.

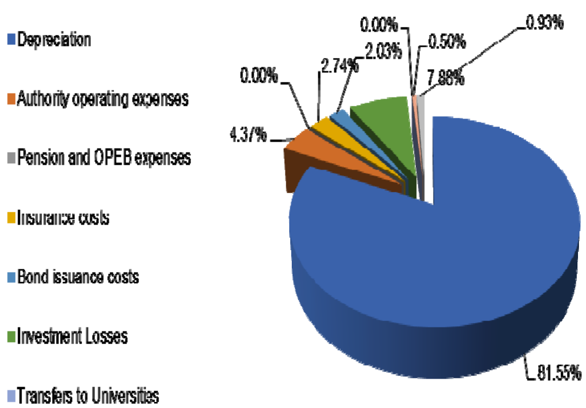
- Net transfers to the State Universities in FY22 were $4.0 million as compared to incoming transfers of $66 thousand in FY21.

- Losses on the sale of assets were $521 thousand in FY22 versus gains on the sale of assets of $213 thousand in FY21.

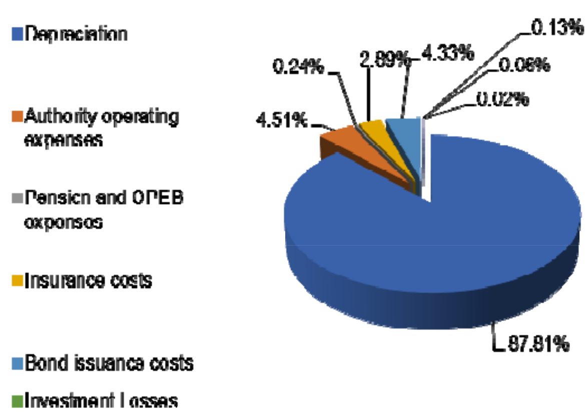
The charts below compare total expenses, excluding interest expense, for FY22 with FY21:

**Summary - Total Expenses (excluding Interest Expense) Fiscal Years 2022 and 2021**

***2022***




***2021 (Restated)***




## Statements of Cash Flows

Authority cash in-flows are primarily generated from assessments received from the state universities 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, 2022 | 2021 | 2020 |
|---|---|---|---|
| Cash received from operations | $ 63,767,151 | $ 33,133,337 | $ 92,517,691 |
| Cash expended for operations | (4,656,262) | (4,431,405) | (4,493,936) |
| Net cash provided by operations | 59,110,889 | 28,701,932 | 88,023,755 |
| Net cash provided by (used in) capital and related financing activities | (24,844,931) | (54,492,435) | (113,386,093) |
| Net cash provided by (used in) investing activities | (6,269,795) | 27,915,507 | 11,434,722 |
| Net increase (decrease) in cash and cash equivalents | 27,996,163 | 2,125,004 | (13,927,616) |
| Cash and cash equivalents, beginning of year | 59,862,212 | 57,737,208 | 71,664,824 |
| Cash and cash equivalents, end of year | $ 87,858,375 | $ 59,862,212 | $ 57,737,208 |

- Cash and cash equivalents were $87.9 million at June 30, 2022 compared to $59.9 million at June 30, 2021. This increase is due to increased campus funds received for projects at campus/Commonwealth-owned buildings. offset by the spending of bond proceeds, and campus funds, and the influx of proceeds from the 2021A and 2021B new money issued in July 2021 and 2022A new money portion issued in February 2022.

Cash provided by operations includes cash received for contract revenue from campus and other miscellaneous revenues. Cash provided by operations also includes cash spent on insurance, operating, and Authority expenses.

- Cash provided by operations increased by $30.4 million, or 105.9% due to increases in assessment revenue.

Cash used in capital and related financing activities includes proceeds and cash paid related to bond issuances and refunding, payments for capital assets, payments and transfers for interagency payments and receipts between the Authority and the Universities, and principal and interest paid on capital debt.

- In FY22, net cash used in capital and related financing activities was $24.8 million compared to $54.5 million in FY21. This decrease is attributed to the impact of 2022A refunding, two property sales and associated debt defeasance, new money issuance in the 2021A, 2021B, and 2022A bonds. In addition, an increase in capital asset spending as well as proceeds from the sale of capital assets led to a net cash outflow for capital assets of $17.5 million, an increase from $9.7 million in FY21.

Cash provided by investing activities includes proceeds from sales and maturities of investments, purchases of investments, and interest earned on investments.

- For the year ended June 30, 2022, net cash used for investing activities was $6.3 million as compared to an inflow of $27.9 million in FY21, reflecting higher purchases of investments due to the investment of proceeds of the 2021A and 2022A and lower actual sales or maturities of investments. Included in these amounts are cash flows from interest on investing activities, which increased $2.7 million due to one-time investment earnings from FY21 received in FY22.

## Capital Assets

The Authority's investment in capital assets as of June 30, 2022 was $794.3 million, net of accumulated depreciation, compared to $827.2 million as of June 30, 2021. Capital assets include land, buildings, building improvements, furnishings, and equipment. Capital assets comprised approximately 36.9% of total assets at June 30, 2022 and 38.3% at June 30, 2021. During the years ended June 30, 2022 and 2021, the Authority had additions to capital assets of $17.6 million and $13.6 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 (see Footnote #4 for additional information):

- Construction in progress (CIP) represents the balance of additions to Authority assets for projects currently underway. The CIP balance was $14.6 million at June 30, 2022 compared to $6.5 million at June 30, 2021.

- The buildings and improvements balance were stable at $1.35 billion at June 30, 2022, approximately equal to the balance at June 30, 2021.

- The furnishings and equipment balance was $61.6 million at June 30, 2022, compared to $64.0 million at June 30, 2021. The $2.4 million decrease in furnishings and equipment in FY22 was attributable to sale of property at MSCBA-owned Salem Bates.

- The Authority completed a real estate transaction to sell property to a private party. This transaction resulted in $294 thousand reduction in land value and a related defeasance of $535 thousand of bonds payable for MSCBA-owned Framingham Mayhew.

- The Authority also completed the termination of a ground lease with the Commonwealth. This transaction resulted in $5.2 million reduction in building value and a related defeasance of $3.315 million of bonds payable for MSCBA-owned Salem Bates.

- 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, 2022, such commitments were approximately $28.7 million. This increase in commitments reflects a temporary decline in construction activity in spring FY21 due to COVID-19 and related supply chain issues.

- 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 university-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, 2022, the Authority had $1.24 billion in principal amount of bonds outstanding compared to $1.24 billion and $1.15 billion at June 30, 2021 and 2020, respectively. The outstanding bond obligations carried unamortized premium balances of $49.6 million, $36.6 million, and $84.1 million respectfully, as of June 30, 2022, 2021 and 2020. The $13.0 million increase in unamortized premium in fiscal year 2022 is due to the net impact of current year additions of premiums associated with 2021A, 2021B, and 2022A new money bond issues versus current year amortization and 2012C portions refunded by 2022A, and defeased portions related to sale of property at MSCBA-owned Framingham Mayhew and Salem Bates. 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 2052. Principal is payable semi-annually on May 1st and November 1st for the Community College Bonds, Series 2 issued in 2017 and Series 1 issued in 2014. Additional information regarding the Authority's Bonds Payable is available in Footnote #7.

The Authority's outstanding debt has no associated interest rate exchange agreements. Of the amount outstanding, $99.2 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 federal fiscal years 2022, 2021 and 2020, a portion of the Authority's interest rate subsidy was reduced by approximately 5.7%, 5.7%, and 5.9%, respectively, due to the federal government budgetary sequestration. The Authority has no Commonwealth-guaranteed debt outstanding and no authorization to issue any.

The Authority's State University program bonds were rated Aa2 by Moody's and AA- by S&P Global as of June 30, 2022. On April 14, 2023, S&P Global upgraded its rating on the Commonwealth of Massachusetts and as a result also raised the program ratings to AA from AA- on the Authority's outstanding debt for the state universities as well. The Community College Program, Series 1 and Series 2 bonds are not rated.

## ***Required Supplementary Information (RSI)***

In addition to the basic financial statements and accompanying notes, this report also presents certain RSI on the pension liability, OPEB liability, and statistical information.

## ***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, 10 High Street, Suite 201, Boston, Massachusetts 02110.

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

**Statements of Net Position (Deficiency in Net Position)**
**June 30, 2022 and 2021**

Assets

| | 2022 | 2021 |
|---|---|---|
| Current assets | | |
| Cash and cash equivalents | $ 40,910,625 | $ 36,231,028 |
| Restricted cash and cash equivalents | 37,247,192 | 7,392,016 |
| Restricted investments, including amounts held by trustee | 14,014,265 | - |
| Current portion of accounts receivable, net | 20,241,344 | 8,022,517 |
| Current portion of leases receivable | 39,667,066 | 20,718,162 |
| Prepaid expenses | 49,474 | 407,754 |
| Total current assets | 152,129,966 | 72,771,477 |
| Noncurrent assets | | |
| Restricted cash and cash equivalents | 9,700,558 | 16,239,168 |
| Restricted investments, including amounts held by trustee | 49,630,197 | 55,969,631 |
| Restricted investments, retirement fund | 5,587,274 | 6,625,831 |
| Accounts receivable, net | 182,658,635 | 191,258,823 |
| Capital assets, net | 794,289,957 | 827,199,032 |
| Long-term leases receivable, net of current portion | 958,477,483 | 991,809,948 |
| Total noncurrent assets | 2,000,344,104 | 2,089,102,433 |
| Total assets | 2,152,474,070 | 2,161,873,910 |
| Deferred outflows of resources | | |
| Deferred outflows for pensions | 331,862 | 783,220 |
| Deferred outflows for OPEB | 278,318 | 424,244 |
| Deferred losses on refunding of debt | 30,724,358 | 38,322,617 |
| Total deferred outflows of resources | 31,334,538 | 39,530,081 |

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

**Statements of Net Position (Deficiency in Net Position)**
**June 30, 2022 and 2021**

| | 2022 | 2021 |
|---|---|---|
| Current liabilities | | |
| Accounts payable and accrued liabilities | $ 11,621,567 | $ 11,671,791 |
| Accrued payroll | 263,175 | 251,005 |
| Interagency payables, current portion | 25,836,866 | 762,581 |
| Current portion of lease liability | 210,346 | 198,573 |
| Compensated absences | 269,736 | 175,957 |
| Current portion of bonds payable | 58,443,234 | 32,591,997 |
| Total current liabilities | 96,644,924 | 45,651,904 |
| Noncurrent liabilities | | |
| Compensated absences | 33,090 | 168,605 |
| Interagency payables, long-term | 6,298,827 | 6,905,713 |
| Lease liability, net of current portion | 2,177,563 | 2,365,553 |
| Bonds payable, net of current portion | 1,178,390,239 | 1,208,139,929 |
| Authority portion of net pension liability | 2,593,803 | 4,302,195 |
| Authority net OPEB liability | 260,243 | 1,657,305 |
| Total noncurrent liabilities | 1,189,753,765 | 1,223,539,300 |
| Total liabilities | 1,286,398,689 | 1,269,191,204 |
| Deferred inflows of resources | | |
| Deferred inflows for pensions | 1,601,291 | 564,028 |
| Deferred inflows for OPEB | 4,207,176 | 4,477,252 |
| Deferred lease revenue | 897,092,355 | 955,544,348 |
| Total deferred inflows of resources | 902,900,822 | 960,585,628 |
| Net position (deficiency in net position) | | |
| Net investment in capital assets | (142,427,617) | (93,721,552) |
| Unrestricted | 136,936,714 | 65,348,711 |
| Total net position (deficiency in net position) | $ (5,490,903) | $ (28,372,841) |

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, 2022 and 2021**

| | 2022 | 2021 |
|---|---|---|
| Operating revenues | | |
| Income from contracts for financial assistance, management, and services | $ 109,096,779 | $ 88,821,994 |
| Other miscellaneous revenues | 415,422 | 184,815 |
| Total operating revenues | 109,512,201 | 89,006,809 |
| Operating expenses | | |
| Insurance costs | 1,530,011 | 1,512,604 |
| Authority operating expenses | 2,441,072 | 2,358,521 |
| Depreciation | 45,585,151 | 45,963,988 |
| Pension and OPEB expenses | (843,835) | 124,893 |
| Other expenses | - | 9,388 |
| Amortization of deferred loss on receivables | 277,471 | 42,613 |
| Total operating expenses | 48,989,870 | 50,012,007 |
| Operating income | 60,522,331 | 38,994,802 |
| Nonoperating revenues (expenses) | | |
| Net investment income (loss) | (4,406,631) | 1,698,121 |
| Interest income - interagency | 5,746,687 | 5,398,318 |
| Interest expense | (42,817,906) | (43,549,367) |
| Bond issuance costs | (1,135,831) | (2,268,147) |
| Net transfers to/from State Universities | 4,011,129 | (66,253) |
| Build America Bonds interest subsidy | 1,482,780 | 1,461,384 |
| Gain (loss) on sale of assets | (520,621) | 213,031 |
| Miscellaneous nonoperating revenue | - | 69,870 |
| Net nonoperating revenues (expenses) | (37,640,393) | (37,043,043) |
| Increase in net position | 22,881,938 | 1,951,759 |
| Net position (deficiency in net position) Beginning of year | (28,372,841) | (30,324,600) |
| Net position (deficiency in net position) End of year | $ (5,490,903) | $ (28,372,841) |

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, 2022 and 2021**

| | 2022 | 2021 |
|---|---|---|
| Cash flows from operating activities | | |
| Cash received from contracts for financial assistance, management, and services | $ 63,351,729 | $ 31,838,236 |
| Other miscellaneous receipts | 415,422 | 1,295,101 |
| Payments for insurance costs | (1,072,783) | (1,820,319) |
| Payments for operating expenses | (1,116,923) | (1,090,565) |
| Payments to employees | (1,402,950) | (1,264,766) |
| Payments for other expenses | (1,063,606) | (255,755) |
| Net cash provided by operating activities | 59,110,889 | 28,701,932 |
| Cash flows from capital and related financing activities | | |
| Proceeds from bond issuance | 150,342,882 | 395,735,000 |
| Cash paid to bond trustee related to advanced refunding | (113,925,219) | (351,796,143) |
| Build America Bonds interest subsidy | 1,999,325 | 1,495,730 |
| Payments of bond issuance costs | (1,135,831) | (2,268,147) |
| Payments for capital assets | (18,435,894) | (12,237,771) |
| Proceeds from sale of capital assets | 986,529 | 2,520,936 |
| Proceeds from sale of assets | - | 213,031 |
| Miscellaneous receipts | - | 69,862 |
| Collections of debt service receivables | 12,214,221 | 8,744,190 |
| Transfer of funds (to) from State Universities | 3,474,886 | (66,253) |
| Payments from (deposits to) funds held for others | 15,418,201 | (4,298,983) |
| Principal paid on capital debt | (26,913,668) | (45,528,659) |
| Interest paid on capital debt | (48,870,363) | (47,075,228) |
| Net cash used in capital and related financing activities | (24,844,931) | (54,492,435) |
| Cash flows from investing activities | | |
| Proceeds from sales and maturities of investments | 33,372,303 | 58,696,792 |
| Purchases of investments | (47,690,170) | (36,134,474) |
| Interest on investments | 8,048,072 | 5,353,189 |
| Net cash (used in) provided by investing activities | (6,269,795) | 27,915,507 |
| Net increase in cash and cash equivalents | 27,996,163 | 2,125,004 |
| Cash and cash equivalents, beginning of year | 59,862,212 | 57,737,208 |
| Cash and cash equivalents, end of year | $ 87,858,375 | $ 59,862,212 |

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

**Statements of Cash Flows**
**Years Ended June 30, 2022 and 2021**

| | 2022 | 2021 |
|---|---|---|
| Reconciliation of operating income (loss) to net cash provided by operating activities | | |
| Operating income | $ 60,522,331 | $ 38,994,802 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | |
| Depreciation | 45,585,151 | 45,963,988 |
| Amortization of deferred lease revenue | (40,256,181) | (56,920,815) |
| Change in net pension liability | (1,985,863) | 269,863 |
| Change in net OPEB liability | (711,413) | (348,724) |
| Changes in assets and liabilities | | |
| Accounts receivable | (3,618,626) | 1,110,286 |
| Prepaid expenses | (358,280) | (307,715) |
| Accounts payable and accrued liabilities | (36,135) | (169,241) |
| Accrued payroll and compensated absences | (30,095) | 109,488 |
| Net cash provided by operating activities | $ 59,110,889 | $ 28,701,932 |

**Supplemental cash flows information**

**Schedule of noncash investing, capital and financing activities**

| | 2022 | 2021 |
|---|---|---|
| Acquisition of capital assets | $ 18,510,286 | $ 13,628,377 |
| Accounts payable thereon | | |
| Beginning of year | 3,131,368 | 2,017,957 |
| End of year | (3,205,760) | (3,131,368) |
| Net interest incurred and earned, capitalized in construction in progress | - | (277,195) |
| Payments for capital assets | $ 18,435,894 | $ 12,237,771 |
| Contractor accounts payable related to State University capital projects on State University-owned property | $ 1,033,109 | $ 689,725 |
| Unrealized gain (loss) on investment securities | $ (6,992,982) | $ (1,621,731) |

See Notes to Financial Statements.

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

**Statements of Fiduciary Net Position - Fiduciary Fund**
**June 30, 2022 and 2021**

Assets

| | OPEB Trust Fund | |
|---|---|---|
| | 2022 | 2021 |
| Investments | | |
| Mutual funds | | |
| PRIT Fund Core Asset Allocation | $ 685,649 | $ - |
| Total assets | $ 685,649 | $ - |

Net Position

| | | |
|---|---|---|
| Restricted for | | |
| OPEB benefits | $ 685,649 | $ - |
| Total net position | $ 685,649 | $ - |

See Notes to Financial Statements.

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

**Statements of Changes in Fiduciary Net Position - Fiduciary Fund**
**Years Ended June 30, 2022 and 2021**

| | OPEB Trust Fund | |
|---|---|---|
| | 2022 | 2021 |
| Additions | | |
| Contributions | | |
| Employer | $ 750,000 | $ - |
| Total contributions | 750,000 | - |
| Investment income (loss) | | |
| Change in fair value of investments | (70,332) | - |
| Realized gains (losses) | 1,261 | |
| Interest and dividends | 5,628 | - |
| Total investment income (loss) | (63,443) | - |
| Less investment expenses | (908) | - |
| Net investment income (loss) | (64,351) | - |
| Total additions | 685,649 | - |
| Total deductions | - | - |
| Change in net position | 685,649 | - |
| Net position, beginning of year | - | - |
| Net position, end of year | $ 685,649 | $ - |

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 proprietary fund and fiduciary fund 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 and lease liabilities 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, 2022 and 2021.

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 establishes investment policy, but delegates to the Finance and Audit Committee of the Authority the direction of 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, 2022 and 2021, 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 16,900 students in 2022 and 2021, 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 are expensed 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 2022 and 2021, the Authority incurred $1,135,831 and $2,268,147, respectively, of bond issuance costs.

**Fringe benefits**
The Authority participates in the Commonwealth's fringe benefit programs, including health insurance, unemployment, pension and other postemployment benefits 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.

### Other postemployment benefits

For purposes of measuring the net postemployment benefits other than pensions ("OPEB") liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, the information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the Authority's OPEB plan. The Authority authorized the establishment of an OPEB trust which received its initial deposit in fiscal year 2022.

### 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 capitalized interest costs incurred during the construction period of qualifying property assets in 2021. 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 2022 and 2021, total interest costs were accounted for as follows:

| | 2022 | 2021 |
|---|---|---|
| Total interest incurred | $ 44,638,403 | $ 45,970,252 |
| Amortization of bond premium | (5,631,379) | (5,642,023) |
| Amortization of deferred loss | 3,810,882 | 3,501,226 |
| Less: capitalized portion of interest incurred | - | (280,088) |
| Interest expense | $ 42,817,906 | $ 43,549,367 |
| Capitalized portion of interest incurred | $ - | $ 280,088 |
| Less interest income on unused funds from tax-exempt borrowings | - | (2,893) |
| Net capitalized interest | $ - | $ 277,195 |

### 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 2021 financial statements to conform to the 2022 presentation.

### Change in accounting principle

For 2022, the Authority implemented GASB Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the Authority's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the Authority's 2022 financial statements but had no effect on the beginning net position of the Authority since the right to use asset equaled the amount of the lease liability, and the lease receivable equaled the deferred inflow of resources.

The impact of implementing GASB Statement No. 87 on the Authority's financial statements is further discussed in Notes 14 and 15.

## Note 2 - Cash and Cash Equivalents and Investments

### Credit risk

Credit risk includes the risk that securities in which the Authority has invested 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's 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, and 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. As of June 30, 2022, $250,000 of the Authority's bank balances held by Citizens were covered by FDIC insurance and the remaining balance of $60,971,509 was collateralized by securities held by the pledging financial institution's trust department or agent but not in MSCBA's name. As of June 30, 2021, $250,000 of the

Authority's bank balances held by Citizens were covered by FDIC insurance and the remaining balance of $36,694,978 was collateralized by securities held by the pledging financial institution's trust department or agent but not in MSCBA's name.

The Authority does not have a formal deposit policy for custodial credit risk with U.S. Bank. As of June 30, 2022 and 2021, the fair market value of the Authority's cash equivalent balances with U.S. Bank of $26,636,814 and $22,917,234, respectively, were exposed to custodial credit risk because they were uninsured and uncollateralized. These funds were invested in U.S. Bank money market deposit accounts and Fidelity Institutional Money Market Government Fund 57 ("Fund 57") as of June 30, 2022 and 2021. Fund 57 invests primarily in U.S. government securities, repurchase agreements, and may invest in reverse repurchase agreements guaranteed by U.S. Treasury obligations. Fund 57 seeks to preserve the investment value of $1 per share and the investment securities maintain a weighted average maturity of 60 days or less. Fund 57 was not rated for average credit quality at June 30, 2022 and 2021.

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, 2022 and 2021: General Allocation (holds units of other accounts), Domestic Equity, Core Fixed Income, Value-Added Fixed Income, International Equity, Emerging Markets, Real Estate, Real Assets, Timberland, Timber/Natural Resources, Hedge Funds and Private Equity Investments. The funds held in the amount of $6,272,923 and $6,625,831 as of June 30, 2022 and 2021, respectively, with PRIT are intended to be used to fund the net pension and OPEB liability. These funds were not rated for average credit quality at June 30, 2022 and 2021.

The Authority's investments are held at U.S. Bank, Citizens and PRIT and are represented by the following at June 30, 2022 and 2021:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Cost | Fair value | Cost | Fair value |
| U.S. Government Agencies | $ 14,934,803 | $ 15,162,440 | $ 14,967,758 | $ 15,328,486 |
| State taxable bonds | 16,155,000 | 17,866,383 | 16,155,000 | 21,940,007 |
| U.S. Treasuries | 29,699,416 | 30,615,639 | 15,655,151 | 18,701,138 |
| Mutual funds | 5,914,280 | 6,272,923 | 5,607,773 | 6,625,831 |
| | $ 66,703,499 | $ 69,917,385 | $ 52,385,682 | $ 62,595,462 |

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, 2022, 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 | $ 7,538,900 | $ 7,538,900 | $ - | $ - | $ - | Aaa |
| Federal Home Loan Mortgage Corp. MTN ("FHLMCMTN") U.S. Govt. Issues | 7,019,986 | 7,019,986 | - | - | - | Aaa |
| Federal Farm Credit Banks ("FFCB") U.S. Govt. Issues | 603,554 | - | 603,554 | - | - | Aaa |
| Various Massachusetts ST Bonds | 17,866,383 | - | - | 3,381,874 | 14,484,509 | Aa1 |
| U.S. Government Securities - | | | | | | |
| Treasury Notes | 19,400,223 | 12,875,187 | 6,525,036 | - | - | Aaa |
| Treasury Bonds | 8,144,877 | - | 383,145 | - | 7,761,732 | Aaa |
| Treasury Bills | 3,070,539 | 3,070,539 | - | - | - | Aaa |
| Total | $ 63,644,462 | $ 30,504,612 | $ 7,511,735 | $ 3,381,874 | $ 22,246,241 | |

At June 30, 2021, 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 | $ 7,598,480 | $ 7,598,480 | $ - | $ - | $ - | Aaa |
| Federal Home Loan Mortgage Corp. MTN ("FHLMCMTN") U.S. Govt. Issues | 7,064,975 | 7,064,975 | - | - | - | Aaa |
| Federal Farm Credit Banks ("FFCB") U.S. Govt. Issues | 665,031 | - | 665,031 | - | - | Aaa |
| Various Massachusetts ST Bonds | 21,940,007 | - | - | 3,943,934 | 17,996,073 | Aa1 |
| U.S. Government Securities - | | | | | | |
| Treasury Notes | 18,701,138 | 8,075 | 9,386,917 | - | 9,306,146 | Aaa |
| Total | $ 55,969,631 | $ 14,671,530 | $ 10,051,948 | $ 3,943,934 | $ 27,302,219 | |

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, 2022 and 2021 are held by US Bank as custodian and, therefore, are subject to custodial credit risk as follows:

| | 2022 | 2021 |
|---|---|---|
| U.S. Government Agencies | $ 15,162,440 | $ 15,328,486 |
| State taxable bonds | 17,866,383 | 21,940,007 |
| U.S. Treasuries | 30,615,639 | 18,701,138 |
| | 63,644,462 | 55,969,631 |
| Less insured amounts | (500,000) | (500,000) |
| | $ 63,144,462 | $ 55,469,631 |

The Authority's 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, 2022:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investment Assets: | | | | |
| U.S. Government Agencies | $ 15,162,440 | $ - | $ - | $ 15,162,440 |
| State taxable bonds | 17,866,383 | - | - | 17,866,383 |
| U.S. Treasuries | 30,615,639 | - | - | 30,615,639 |
| Mutual funds | - | 6,272,923 | - | 6,272,923 |
| Total investment assets | $ 63,644,462 | $ 6,272,923 | $ - | $ 69,917,385 |

The Authority's investments at fair value measurement are as follows at June 30, 2021:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investment Assets: | | | | |
| U.S. Government Agencies | $ 15,328,486 | $ - | $ - | $ 15,328,486 |
| State taxable bonds | 21,940,007 | - | - | 21,940,007 |
| U.S. Treasuries | 18,701,138 | - | - | 18,701,138 |
| Mutual funds | - | 6,625,831 | - | 6,625,831 |
| Total investment assets | $ 55,969,631 | $ 6,625,831 | $ - | $ 62,595,462 |

## Note 3 - Accounts Receivable

Accounts receivable include the following at June 30, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Debt service receivables | $ 202,092,292 | $ 198,451,720 |
| Interest receivable on investments | 484,612 | 422,950 |
| Other miscellaneous receivables | 14,022 | 92,443 |
| Build America Bonds interest subsidy receivable | 309,053 | 314,227 |
| | $ 202,899,979 | $ 199,281,340 |

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 both fiscal 2022 and 2021, no accounts receivable, net of unearned interest income, were added in connection with projects at the State Universities.

The components of the Authority's debt service receivables in these State College-owned projects as of June 30, 2022 and 2021 are as follows:

| | 2022 | 2021 |
|---|---|---|
| Total payments to be received | $ 248,942,630 | $ 248,072,247 |
| Less: unearned income | (46,850,338) | (49,620,527) |
| Net debt service receivables in State College-owned projects | $ 202,092,292 | $ 198,451,720 |

The following table sets forth the total payments to be received under these agreements as of June 30, 2022:

| Year ending June 30: | |
|---|---|
| 2023 | $ 19,433,657 |
| 2024 | 19,917,382 |
| 2025 | 20,429,853 |
| 2026 | 19,028,936 |
| 2027 | 18,239,576 |
| 2028 - 2032 | 82,432,277 |
| 2033 - 2037 | 43,165,429 |
| 2038 - 2042 | 17,113,101 |
| 2043 - 2047 | 6,294,287 |
| 2048 - 2052 | 2,888,132 |
| Total | $ 248,942,630 |

## Note 4 - Capital Assets

Capital assets activity for the year ended June 30, 2022 is as follows:

| | 2022 | | | |
|---|---|---|---|---|
| | Totals June 30, 2021 | Additions | Reclassifications and reductions | Totals June 30, 2022 |
| Capital Assets | | | | |
| Land | $ 19,398,146 | $ - | $ (294,228) | $ 19,103,918 |
| Construction in progress | 6,457,938 | 17,555,488 | (9,427,822) | 14,585,604 |
| Total not being depreciated | 25,856,084 | 17,555,488 | (9,722,050) | 33,689,522 |
| Buildings and improvements | 1,352,013,622 | - | (5,245,121) | 1,346,768,501 |
| Furnishings and equipment | 63,997,908 | - | (2,371,593) | 61,626,315 |
| Computer equipment | - | 2,238 | - | 2,238 |
| Total depreciable assets | 1,416,011,530 | 2,238 | (7,616,714) | 1,408,397,054 |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | (574,455,129) | (42,978,185) | 12,707,232 | (604,726,082) |
| Furnishings and equipment | (42,714,632) | (2,606,966) | - | (45,321,598) |
| Computer equipment | - | - | - | - |
| Total accumulated depreciation | (617,169,761) | (45,585,151) | 12,707,232 | (650,047,680) |
| Total depreciable capital assets, net | 798,841,769 | (45,582,913) | 5,090,518 | 758,349,374 |
| Lease Assets | | | | |
| Buildings and improvements | 2,751,297 | - | - | 2,751,297 |
| Total lease assets | 2,751,297 | - | - | 2,751,297 |
| Less accumulated amortization: | | | | |
| Buildings and improvements | (250,118) | (250,118) | - | (500,236) |
| Total accumulated amortization | (250,118) | (250,118) | - | (500,236) |
| Total lease assets, net | 2,501,179 | (250,118) | - | 2,251,061 |
| Capital assets, net | $ 827,199,032 | $ (28,277,543) | $ (4,631,532) | $ 794,289,957 |

Capital assets activity for the year ended June 30, 2021 is as follows:

| | 2021 | | | |
|---|---|---|---|---|
| | Totals June 30, 2020 | Additions | Reclassifications and reductions | Totals June 30, 2021 |
| Capital Assets | | | | |
| Land | $ 21,569,817 | $ - | $ (2,171,671) | $ 19,398,146 |
| Construction in progress | 23,544,321 | 11,913,422 | (28,999,805) | 6,457,938 |
| Total not being depreciated | 45,114,138 | 11,913,422 | (31,171,476) | 25,856,084 |
| Buildings and improvements | 1,323,549,026 | - | 28,464,596 | 1,352,013,622 |
| Furnishings and equipment | 62,282,953 | 1,714,955 | - | 63,997,908 |
| Total depreciable assets | 1,385,831,979 | 1,714,955 | 28,464,596 | 1,416,011,530 |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | (531,566,158) | (43,074,915) | 185,944 | (574,455,129) |
| Furnishings and equipment | (39,825,559) | (2,889,073) | - | (42,714,632) |
| Total accumulated depreciation | (571,391,717) | (45,963,988) | 185,944 | (617,169,761) |
| Total depreciable capital assets, net | 814,440,262 | (44,249,033) | 28,650,540 | 798,841,769 |
| Lease Assets | | | | |
| Buildings and improvements | 2,751,297 | - | - | 2,751,297 |
| Total lease assets | 2,751,297 | - | - | 2,751,297 |
| Less accumulated amortization: | | | | |
| Buildings and improvements | - | (250,118) | - | (250,118) |
| Total accumulated amortization | - | (250,118) | - | (250,118) |
| Total lease assets, net | 2,751,297 | (250,118) | - | 2,501,179 |
| Capital assets, net | $ 862,305,697 | $ (32,585,729) | $ (2,520,936) | $ 827,199,032 |

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, 2022 and 2021.

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 $28,700,000 and $12,400,000, respectively, as of June 30, 2022 and 2021.

## Note 5 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following at June 30, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Capital assets and construction payables | $ 3,205,760 | $ 3,131,368 |
| Accrued bond interest payable | 7,333,720 | 7,701,264 |
| Construction reserve payable | - | 100,001 |
| Contractor payables for State College-owned assets | 1,033,109 | 689,725 |
| Authority operating expenses | 48,978 | 49,433 |
| | $ 11,621,567 | $ 11,671,791 |

## Note 6 - Interagency Payables

Under the provisions of the Community College Program Series 1 and Series 2, the State University Program Series 2022A, 2021B, 2021A, 2019A, 2017C, 2017A, 2015A, 2014C, 2014B, 2014A, 2012C, 2012A, 2010B, 2009C, 2009A, 2008A, 2006A, 2005A, 2003A and 1999A 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, 2022 and 2021, the Authority has an aggregate liability for Interagency payables of $32,135,693 and $7,668,294, respectively.

## 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, 2022:

| | 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 | 3/5/2003 | $ 117,513,022 | 2.00 - 5.50 | 2003 - 2039 | 12.57% | $ 56,974,607 | $ 3,155,950 | $ 60,130,557 |
| Series 2009C, Build America Bonds | 12/22/2009 | 66,410,000 | 4.58 - 5.93 | 2018 - 2040 | 5.82% | 59,900,000 | - | 59,900,000 |
| Series 2010B, Build America Bonds | 12/17/2010 | 47,880,000 | 4.89 - 6.54 | 2020 - 2040 | 6.28% | 39,260,000 | - | 39,260,000 |
| Refunding Series 2011A | 6/8/2011 | 51,610,000 | 2.00 - 5.00 | 2012 - 2025 | 5.00% | 10,785,000 | 635,007 | 11,420,007 |
| Series 2014A | 1/7/2014 | 130,875,000 | 2.00 - 5.00 | 2015 - 2048 | 4.96% | 14,275,000 | 627,437 | 14,902,437 |
| Series 2014B | 12/17/2014 | 91,375,000 | 3.00 - 5.00 | 2016 - 2044 | 5.00% | 16,880,000 | 1,694,708 | 18,574,708 |
| Series 2014C | 12/17/2014 | 10,065,000 | 3.00 - 5.00 | 2016 - 2034 | 5.00% | 7,475,000 | 910,439 | 8,385,439 |
| Series 2015A | 12/17/2015 | 15,935,000 | 2.00 - 5.00 | 2017 - 2036 | 4.94% | 10,505,000 | 1,338,526 | 11,843,526 |
| Refunding Series 2016A | 2/25/2016 | 177,315,000 | 4.00 - 5.00 | 2019 - 2049 | 4.00% | 62,780,000 | 7,164,653 | 69,944,653 |
| Series 2017A | 1/25/2017 | 20,590,000 | 3.00 - 4.00 | 2018 - 2027 | 3.73% | 17,140,000 | 793,319 | 17,933,319 |
| Series 2017B | 12/21/2017 | 10,590,000 | 4.00 - 5.00 | 2019 - 2038 | 4.69% | 9,345,000 | 1,226,161 | 10,571,161 |
| Series 2017C | 12/21/2017 | 7,565,000 | 2.10 - 3.60 | 2019 - 2038 | 3.36% | 6,460,000 | - | 6,460,000 |
| Refunding Series 2017D | 12/21/2017 | 66,225,000 | 4.00 - 5.00 | 2019 - 2038 | 4.41% | 60,640,000 | 6,495,262 | 67,135,262 |
| Series 2019A | 1/23/2019 | 15,440,000 | 3.00 - 5.00 | 2019 - 2039 | 3.87% | 14,415,000 | 849,024 | 15,264,024 |
| Refunding Series 2019B | 1/23/2019 | 52,355,000 | 4.00 - 4.10 | 2019 - 2041 | 4.02% | 46,785,000 | 672,578 | 47,457,578 |
| Refunding Series 2019C | 11/19/2019 | 233,620,000 | 1.686 - 3.373 | 2020 - 2043 | 2.81% | 227,940,000 | - | 227,940,000 |
| Refunding Series 2020A | 7/1/2020 | 395,735,000 | 1.044 - 3.072 | 2024 - 2049 | 2.47% | 394,930,000 | - | 394,930,000 |
| Series 2021A | 7/22/2021 | 16,825,000 | 2.125 - 5.00 | 2022 - 2051 | 4.82% | 16,825,000 | 1,004,985 | 17,829,985 |
| Series 2021B | 7/22/2021 | 2,265,000 | 2.00 - 5.00 | 2022 - 2041 | 5.78% | 2,265,000 | 265,011 | 2,530,011 |
| Refunding Series 2022A | 2/15/2022 | 107,155,000 | 4.00 - 5.00 | 2023 -2052 | 2.20% | 107,155,000 | 22,749,852 | 129,904,852 |
| Total Project Revenue Bonds | | 1,673,453,022 | | | | 1,182,734,607 | 49,582,912 | 1,232,317,519 |
| Community College Program Bonds | | | | | | | | |
| Series 1 | 3/6/2014 | 3,000,000 | 4.25 | 2015 - 2034 | 4.20% | 2,110,000 | - | 2,110,000 |
| Series 2 | 1/20/2017 | 3,055,000 | 1.84 - 3.35 | 2021 - 2036 | 2.53% | 2,405,954 | - | 2,405,954 |
| Total Community College Program Bonds | | 6,055,000 | | | | 4,515,954 | - | 4,515,954 |
| Total Bonds | | $ 1,679,508,022 | | | | $1,187,250,561 | $ 49,582,912 | $1,236,833,473 |

*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, 2021:

| | 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 | 3/5/2003 | $ 117,513,022 | 2.00 - 5.50 | 2003 - 2039 | 11.62% | $ 61,231,169 | $ 3,573,928 | $ 64,805,097 |
| Series 2009C, Build America Bonds | 12/22/2009 | 66,410,000 | 4.58 - 5.93 | 2018 - 2040 | 5.82% | 60,550,000 | - | 60,550,000 |
| Series 2010B, Build America Bonds | 12/17/2010 | 47,880,000 | 4.89 - 6.54 | 2020 - 2040 | 6.28% | 40,390,000 | - | 40,390,000 |
| Refunding Series 2011A | 6/8/2011 | 51,610,000 | 2.00 - 5.00 | 2012 - 2025 | 5.00% | 13,610,000 | 1,174,486 | 14,784,486 |
| Series 2012A | 1/4/2012 | 154,345,000 | 3.00 - 5.00 | 2013 - 2022 | 5.08% | 1,085,000 | 51,881 | 1,136,881 |
| Refunding Series 2012B | 3/1/2012 | 149,275,000 | 3.00 - 5.00 | 2018 - 2022 | 5.11% | 2,855,000 | 193,540 | 3,048,540 |
| Series 2012C | 12/20/2012 | 153,840,000 | 2.00 - 5.00 | 2014 - 2042 | 2.91% | 115,265,000 | 5,663,020 | 120,928,020 |
| Series 2014A | 1/7/2014 | 130,875,000 | 2.00 - 5.00 | 2015 - 2025 | 5.00% | 16,595,000 | 992,846 | 17,587,846 |
| Series 2014B | 12/17/2014 | 91,375,000 | 3.00 - 5.00 | 2016 - 2028 | 5.00% | 18,060,000 | 2,192,617 | 20,252,617 |
| Series 2014C | 12/17/2014 | 10,065,000 | 3.00 - 5.00 | 2016 - 2034 | 5.00% | 7,695,000 | 1,042,737 | 8,737,737 |
| Refunding Series 2014D | 12/17/2014 | 36,110,000 | 1.00 - 5.00 | 2015 - 2021 | 0.00% | - | - | - |
| Series 2015A | 12/17/2015 | 15,935,000 | 2.00 - 5.00 | 2017 - 2036 | 4.77% | 10,760,000 | 1,501,934 | 12,261,934 |
| Refunding Series 2016A | 2/25/2016 | 177,315,000 | 4.00 - 5.00 | 2019 - 2030 | 3.91% | 68,835,000 | 9,174,215 | 78,009,215 |
| Series 2017A | 1/25/2017 | 20,590,000 | 3.00 - 4.00 | 2018 - 2037 | 3.72% | 17,540,000 | 896,137 | 18,436,137 |
| Series 2017B | 12/21/2017 | 10,590,000 | 4.00 - 5.00 | 2019 - 2038 | 4.68% | 9,535,000 | 1,362,997 | 10,897,997 |
| Series 2017C | 12/21/2017 | 7,565,000 | 2.10 - 3.60 | 2019 - 2038 | 3.37% | 6,615,000 | - | 6,615,000 |
| Refunding Series 2017D | 12/21/2017 | 66,225,000 | 4.00 - 5.00 | 2019 - 2040 | 4.41% | 61,605,000 | 7,143,056 | 68,748,056 |
| Series 2019A | 1/23/2019 | 15,440,000 | 3.00 - 5.00 | 2019 - 2039 | 2.01% | 14,695,000 | 945,648 | 15,640,648 |
| Refunding Series 2019B | 1/23/2019 | 52,355,000 | 4.00 - 4.10 | 2019 - 2041 | 4.02% | 47,595,000 | 733,654 | 48,328,654 |
| Refunding Series 2019C | 11/19/2019 | 233,620,000 | 1.686 - 3.373 | 2022 - 2043 | 2.81% | 229,055,000 | - | 229,055,000 |
| Refunding Series 2020A | 7/1/2020 | 395,735,000 | 1.044 - 3.072 | 2022 - 2049 | 4.94% | 395,735,000 | - | 395,735,000 |
| Total Project Revenue Bonds | | 2,004,668,022 | | | | 1,199,306,169 | 36,642,696 | 1,235,948,865 |
| Community College Program Bonds | | | | | | | | |
| Series 1 | 3/6/2014 | 3,000,000 | 4.25 | 2015 - 2034 | 3.54% | 2,234,152 | - | 2,234,152 |
| Series 2 | 1/20/2017 | 3,055,000 | 1.84 - 3.35 | 2021 - 2036 | 3.14% | 2,548,909 | - | 2,548,909 |
| Total Community College Program Bonds | | 6,055,000 | | | | 4,783,061 | - | 4,783,061 |
| Total Bonds | | $ 2,010,723,022 | | | | $1,204,089,230 | $ 36,642,696 | $1,240,731,926 |

*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 |
|---|---|---|---|
| 2023 | $ 51,352,202 | $ 48,600,870 | $ 99,953,072 |
| 2024 | 52,552,907 | 45,615,246 | 98,168,153 |
| 2025 | 55,913,594 | 43,814,311 | 99,727,905 |
| 2026 | 57,222,666 | 41,805,206 | 99,027,872 |
| 2027 | 58,763,084 | 39,834,482 | 98,597,566 |
| 2028 - 2032 | 319,831,380 | 143,067,426 | 462,898,806 |
| 2033 - 2037 | 301,469,729 | 80,507,896 | 381,977,625 |
| 2038 - 2042 | 218,224,999 | 31,089,604 | 249,314,603 |
| 2043 - 2047 | 56,545,000 | 6,540,859 | 63,085,859 |
| 2048 - 2052 | 15,375,000 | 850,227 | 16,225,227 |
| Total | $ 1,187,250,561 | $ 481,726,127 | $ 1,668,976,688 |
| Plus: Unamortized premiums | 49,582,912 | | |
| | $ 1,236,833,473 | | |

**Defeasance of debt**
From time-to-time, the Authority issues refunding bonds or utilizes cash to defease outstanding bonds. The proceeds of the refunding bonds or cash 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 $7,127,124 and $8,131,211 were unamortized as of June 30, 2022 and 2021, respectively. During 2021, deferred losses of $435,701 were recognized as a result of the 2020A bond refunding. 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, 2022, the assets held in escrow for the repayment of the remaining Series 1999A Bonds have an aggregate market value of $50,911,142 with an unpaid principal balance, plus accreted interest of $56,340,000.

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 $212,211 and $392,498 were unamortized as of June 30, 2022 and 2021, respectively. During 2021, deferred losses of $345,943 were recognized as a result of the 2020A bond refunding. 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 $86,185 was unamortized as of 2021. During 2020, deferred losses of $7,675,715 were recognized as a result of the 2019C bond refunding. During 2021, deferred losses of $503,602 were recognized as a result of the 2020A bond refunding. 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 final payment for the non-called 2012B Bonds was May 1, 2022, and the refunding escrow assets were used to pay the callable bonds on the call date.

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. During 2021, deferred losses of $178,677 were recognized as a result of the 2020A bond refunding. 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. All remaining maturities were refunded by the 2020A Bonds, and are being paid out of the refunding escrow until the call date on May 1, 2025.

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 $3,581,466 and $4,586,005 were unamortized as of June 30, 2022 and 2021, respectively. During 2022, deferred losses of $159,723 were recognized as a result of a partial defeasance on June 16, 2022. During 2021, deferred losses of $7,958,732 were recognized as a result of the 2020A bond refunding. During 2019, the Authority exercised the call options to fully redeem the related unpaid principal of the 2009A bonds in the amount of $107,980,000. During 2018, the Authority exercised the call options to fully redeem the related unpaid principal of the 2008A bonds in the amount of $82,825,000. As of both the years ended June 30, 2022 and 2021, the assets held in escrow for the repayment of the remaining Series 2008A and 2009A Bonds have an aggregate market value of $1, with the principal balance paid as of 2019.

The Refunding Series 2017D Bonds refunded portions of the Authority's Series 2009B Bonds. These bonds were refinanced to achieve a total reduction of debt service at issuance of $19,934,951 and a net present value economic savings at issuance of $12,745,369. The refunding resulted in a deferred outflow of resources at issuance of $2,771,434, of which $1,828,189 and $2,010,520 were unamortized as of June 30, 2022 and 2021, respectively. During 2021, deferred losses of $99,667 were recognized as a result of the 2020A bond refunding. During 2020, the Authority exercised the call options to fully redeem the related unpaid principal of the 2009B bonds in the amount of $70,275,000. As of June 30, 2020, the assets held in escrow were fully used for the repayment of the remaining Series 2009B Bonds.

The Refunding Series 2019B Bonds refunded portions of the Authority's Series 2012A Bonds. These bonds were refinanced to achieve a total increase of debt service at issuance of $2,891,916 and a net present value economic savings at issuance of $133,946. The refunding resulted in a deferred outflow of resources at issuance of $2,252,897, of which $1,644,568 and $1,793,910 were unamortized as of June 30, 2022 and 2021, respectively. During 2021, deferred losses of $94,723 were recognized as a result of the 2020A bond refunding. As of June 30, 2021, the assets held in escrow for the repayment of the remaining Series 2012A Bonds had an aggregate market value of $46,685,687, with an unpaid principal balance of $45,275,000 at June 30, 2021. As of June 30, 2022, the assets held in escrow were fully used for the repayment of those portions of the Series 2012A Bonds.

The Refunding Series 2019C Bonds refunded portions of the Authority's Series 2012A and 2012B Bonds. These bonds were refinanced to achieve a total reduction of debt service at issuance of $29,159,706 and a net present value economic savings at issuance of $22,116,569. The refunding resulted in a deferred outflow of resources at issuance of $1,289,017, of which $1,051,791 and $1,140,740 were unamortized as of June 30, 2022 and 2021, respectively. During 2021, deferred losses of $17,797 were recognized as a result of the 2020A bond refunding. As of June 30, 2021, the assets held in escrow for the repayment of the remaining Series 2012A and 2012B Bonds have an aggregate market value of $222,104,244, with an unpaid principal balance of $215,315,000. As of June 30, 2022, the assets held in escrow were fully used for the repayment of those portions of the Series 2012A and 2012B Bonds.

The 2020A Refunding Bonds refunded portions of the Series 2003B, 2009C, 2010B, 2011A, 2012A, 2012B, 2012C, 2014A, 2014B, 2014C, 2015A, 2016A, 2017A, 2017B, 2017C, 2017D, 2019A, 2019B, and 2019C Bonds. Additionally, the 2020A Refunding Bonds refunded the entire 2014D Refunding Bonds Series. These bonds were refinanced to achieve a total increase in debt service at issuance of $933,443 and a net present value economic savings at issuance of $26,782,222. The refunding resulted in a deferred outflow of resources at issuance of $21,245,986, of which $18,867,237 and $20,181,548 were unamortized as of June 30, 2022 and 2021, respectively. During 2022, deferred losses of $15,299 and $24,124 were recognized as a result of the partial defeasances in September 2021 and June 2022, respectively. As of June 30, 2022 and 2021, the assets held in escrow for the repayment of the remaining Series Bonds have an aggregate market value of $296,314,894 and $333,381,800, respectively, with an unpaid principal balance of $269,840,000 and $293,325,000, respectively.

On July 28, 2020, $2,425,000 of the Series 2015A Project Revenue Bonds were cash defeased due to a sale of property to the Commonwealth through the Division of Capital Asset Management and Maintenance. The maturities defeased included portions of the May 1, 2021 to May 1, 2036 maturities. The coupon rates ranged from 2.00% to 5.00%. The defeasance escrow is invested in SLGS to the call date of November 1, 2024. As of June 30, 2022 and 2021, the assets held in escrow for the repayment of the remaining Series Bonds have an aggregate market value of $2,474,625 and $2,918,175, respectively, with an unpaid principal balance of $2,210,000 and $2,320,000, respectively.

On September 10, 2021, $70,000 of the Series 2012C Project Revenue Bonds, $165,000 of the 2014A Project Revenue Bonds, and $295,000 of the 2020A Refunding Revenue Bonds were cash defeased due to a sale of property. The maturities defeased included portions of the May 1, 2022 to May 1, 2039 maturities. The coupon rates ranged from 1.512% to 5.00%. The defeasance escrow is invested in Treasury securities to the respective call dates or maturity dates. As of June 30, 2022, the assets held in escrow for the repayment of the remaining Series Bonds have an aggregate market value of $426,223, with an unpaid principal balance of $510,000.

On June 16, 2022, $2,810,000 of the Series 2016A Refunding Revenue Bonds and $505,000 of the 2020A Refunding Revenue Bonds were cash defeased due to termination of the ground lease with the Commonwealth through the Division of Capital Asset Management and Maintenance. The maturities defeased included portions of the May 1, 2023 to May 1, 2049 maturities. The coupon rates ranged from 1.412% to 4.00%. The defeasance escrow is invested in SLGS to the call dates or maturity dates. As of June 30, 2022, the assets held in escrow for the repayment of the remaining Series Bonds have an aggregate market value of $3,416,670, with an unpaid principal balance of $3,315,000.

The Refunding Series 2022A Bonds refunded portions of the Authority's Series 2012C Bonds. These bonds were refinanced to achieve a total reduction of debt service at issuance of $7,731,903 and a net present value economic savings at issuance of $6,072,107. The refunding resulted in a deferred outflow of resources at issuance of $3,588,228, of which $3,588,228 were unamortized as of June 30, 2022. As of June 30, 2022, the assets held in escrow were fully used for the repayment of those portions of the Series 2012A Bonds.

**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 or debt service 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 were deposited 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 were deposited 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. On June 25, 2020, a forward delivery agreement termination letter was signed with SunTrust Bank for $3.8 million. These funds were deposited to the debt service fund on July 1, 2020.

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, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Unamortized balance, beginning | $ 36,642,696 | $ 84,103,328 |
| Current year additions | 24,097,882 | - |
| Unamortized premium on bonds refunded | (5,193,454) | (41,443,288) |
| Defeased premium refunded | (332,833) | (375,321) |
| Current year amortization | (5,631,379) | (5,642,023) |
| Unamortized balance, ending | $ 49,582,912 | $ 36,642,696 |

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, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Balance, beginning | $ 38,322,617 | $ 30,212,698 |
| Current year additions | 3,588,228 | 21,245,986 |
| Current year refunded | (7,375,605) | (9,634,842) |
| Current year amortization | (3,810,882) | (3,501,225) |
| Balance, ending | $ 30,724,358 | $ 38,322,617 |

**Note 8 - Long-term Liabilities**

Long-term liabilities at June 30, 2022 consisted of the following:

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Beginning balance | Additions | Reductions | Ending balance | Current portion |
| Bonds payable, par | $1,204,089,230 | $ 126,245,000 | $ (143,083,669) | $ 1,187,250,561 | $ 51,352,202 |
| Unamortized premiums | 36,642,696 | 24,097,882 | (11,157,666) | 49,582,912 | 7,091,032 |
| Total bonds payable | 1,240,731,926 | 150,342,882 | (154,241,335) | 1,236,833,473 | 58,443,234 |
| Interagency payables | 7,668,294 | 33,754,332 | (9,286,933) | 32,135,693 | 25,836,866 |
| Net pension liability | 4,302,195 | - | (1,708,392) | 2,593,803 | - |
| Net OPEB liability | 1,657,305 | - | (1,397,062) | 260,243 | - |
| Lease liability | 2,564,126 | - | (176,217) | 2,387,909 | 210,346 |
| Other liabilities | | | | | |
| Compensated absences | 344,562 | 415,262 | (456,998) | 302,826 | 269,736 |
| Total long-term liabilities | $1,257,268,408 | $ 184,512,476 | $ (167,266,937) | $ 1,274,513,947 | $ 84,760,182 |

Long-term liabilities at June 30, 2021 consisted of the following:

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Beginning balance | Additions | Reductions | Ending balance | Current portion |
| Bonds payable, par | $1,152,249,286 | $ 395,735,000 | $ (343,895,056) | $ 1,204,089,230 | $ 26,938,668 |
| Unamortized premiums | 84,103,328 | - | (47,460,632) | 36,642,696 | 5,653,329 |
| Total bonds payable | 1,236,352,614 | 395,735,000 | (391,355,688) | 1,240,731,926 | 32,591,997 |
| Interagency payables | 12,365,366 | 608,596 | (5,305,668) | 7,668,294 | 762,581 |
| Net pension liability | 3,935,112 | 367,083 | - | 4,302,195 | - |
| Net OPEB liability | 1,586,181 | 71,124 | - | 1,657,305 | - |
| Lease liability | 2,751,297 | - | (187,171) | 2,564,126 | 198,573 |
| Other liabilities | | | | | |
| Compensated absences | 252,594 | 111,060 | (19,092) | 344,562 | 175,957 |
| Total long-term liabilities | $1,257,243,164 | $ 396,892,863 | $ (396,867,619) | $ 1,257,268,408 | $ 33,729,108 |

## Note 9 - Net Position

The net investment in capital assets of $(142,427,617) at June 30, 2022, includes the effect of deferring the recognition of the losses on bond refundings. The $30,724,358 balance of the deferred outflows of resources on refunding of debt at June 30, 2022 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, 2022 and 2021, on a natural classification basis, are comprised of the following:

| | 2022 | 2021 |
|---|---|---|
| Insurance | $ 1,530,011 | $ 1,512,604 |
| Compensation | 1,375,150 | 1,374,254 |
| Supplies and service | 1,065,922 | 993,655 |
| Pension and OPEB expenses | (843,835) | 124,893 |
| Depreciation | 45,585,151 | 45,963,988 |
| Amortization of deferred loss on receivables | 277,471 | 42,613 |
| | $ 48,989,870 | $ 50,012,007 |

## 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 except for State Police which is 12% 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, $211,499, $203,754 and $215,188 for the years ended June 30, 2022, 2021 and 2020, respectively, which equaled the required contributions each year.

At June 30, 2022, the Authority reported a liability of $2,593,803 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the State's total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020 rolled forward to June 30, 2021. 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, 2022, the Authority's proportion was 0.02485%, which is a decrease of 0.00022% from its proportion measured as of June 30, 2021.

At June 30, 2021, the Authority reported a liability of $4,302,195 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the State's total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020. 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, 2021, the Authority's proportion was 0.02507%, which is a decrease of 0.00182% from its proportion measured as of June 30, 2020.

For the years ended June 30, 2022 and 2021, the Authority recognized pension expense of ($8,272) and $473,617, respectively.

At June 30, 2022, 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 | $ 176,830 | $ - |
| Net difference between projected and actual earnings on pension plan investments | - | 1,016,921 |
| Differences between expected and actual experience | 89,502 | 187,789 |
| Changes in proportion | 65,530 | 396,581 |
| Total | $ 331,862 | $ 1,601,291 |

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: | |
| 2023 | $ (277,297) |
| 2024 | (270,085) |
| 2025 | (330,345) |
| 2026 | (391,702) |
| Total | $ (1,269,429) |

At June 30, 2021, 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 | $ 243,928 | $ - |
| Net difference between projected and actual earnings on pension plan investments | 236,494 | - |
| Differences between expected and actual experience | 136,890 | 27,838 |
| Changes in proportion | 165,908 | 536,190 |
| Total | $ 783,220 | $ 564,028 |

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021. The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020. These valuations used the following assumptions each measurement date, unless otherwise noted:

1. (a) 7.00% and 7.15% investment rates of return for the June 30, 2021 and 2020 measurement dates, respectively, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year on the first $13,000 of allowance each year.

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

3. Mortality rates were as follows:

   (i) Pre-retirement - reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2020, set forward 1 year for females.

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

   (iii) Disability - the morality rate reflects the post-retirement mortality described above, set forward 1 year.

4. Experience studies were performed as follows:

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

Investment assets of MSERS are with the Pension Reserves Investment Trust ("PRIT") Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage.

Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2021 and 2020 are summarized in the following table:

| | | Long-term expected real rate of return | |
|---|---|---|---|
| Asset class | Target allocation | 2021 | 2020 |
| Global Equity | 39.00% | 4.80% | 4.80% |
| Core Fixed Income | 15.00% | 0.30% | 0.70% |
| Private Equity | 13.00% | 7.80% | 8.20% |
| Portfolio Completion Strategies | 11.00% | 2.90% | 3.20% |
| Real Estate | 10.00% | 3.70% | 3.50% |
| Value Added Fixed Income | 8.00% | 3.90% | 4.20% |
| Timberland/ Natural Resources | 4.00% | 4.30% | 4.10% |
| Total | 100.00% | | |

The discount rate used to measure the total pension liability for the measurement years ended June 30, 2021 and 2020 was 7.00% and 7.15%, respectively. 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 7.00% and 7.15% for the measurement years ended June 30, 2021 and 2020, respectively, 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 (6.00% and 6.15%, respectively) or 1-percentage-point higher (8.00% and 8.15%, respectively) than the current rate for each year:

| Measurement year ended | 1% decrease | Discount rate | 1% increase |
|---|---|---|---|
| June 30, 2020 | $ 5,668,408 | $ 4,302,195 | $ 3,179,275 |
| June 30, 2021 | 3,970,199 | 2,593,803 | 1,462,513 |

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 single-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.

Under Chapter 32A, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. 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, 2022, 2021 and 2020, were $106,288, $103,130 and $90,731, respectively, which equaled the required contributions each year. Required contributions include contributions for the total health plan costs for both active and retired employees.

At December 31, 2020, the Authority's plan membership consisted of the following:

| | |
|---|---|
| Retired members or beneficiaries currently receiving benefits | 7 |
| Active members | 12 |
| Inactive employees | 1 |
| Total plan members | 20 |

The Authority established a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 and partially funded the plan during fiscal year 2022. Employees are not required to make contributions to the plan. At June 30, 2022 and 2021, the Authority reported a net OPEB liability of $260,243 and $1,657,305, respectively. The components of the net OPEB liability were as follows:

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| Total OPEB liability | $ 945,892 | $ 1,657,305 |
| Plan fiduciary net position | (685,649) | - |
| Net OPEB liability | $ 260,243 | $ 1,657,305 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 72.49% | 0.00% |

The Authority's OPEB liability was measured at June 30, 2022 and 2020, respectively, and the total OPEB liability used to calculated the net OPEB liability was measured by an actuarial valuation as of December 31, 2020 rolled forward and backwards to June 30, 2022 and June 30, 2020, respectively.

The changes in OPEB liability for the plan for the years ended June 30, 2022 and 2021 are as follows:

| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
|---|---|---|---|
| Balance at June 30, 2021 | $ 1,657,305 | $ - | $ 1,657,305 |
| Changes for the year: | | | |
| Service cost | 106,288 | - | 106,288 |
| Interest | 40,425 | - | 40,425 |
| Differences between expected and actual experence | - | - | - |
| Changes of assumptions | (948,196) | - | (948,196) |
| Change in measurement date | 125,582 | - | 125,582 |
| Contributions - employer | - | 785,512 | (785,512) |
| Contributions - employee | - | - | - |
| Net investment income (loss) | - | (64,351) | 64,351 |
| Benefit payments | (35,512) | (35,512) | - |
| Net changes | (711,413) | 685,649 | (1,397,062) |
| Balance at June 30, 2022 | $ 945,892 | $ 685,649 | $ 260,243 |

| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
|---|---|---|---|
| Balance at June 30, 2020 | $ 1,586,181 | $ - | $ 1,586,181 |
| Changes for the year: | | | |
| Service cost | 103,730 | - | 103,730 |
| Interest | 58,628 | - | 58,628 |
| Differences between expected and actual experence | (249,271) | - | (249,271) |
| Changes of assumptions | 187,964 | - | 187,964 |
| Contributions - employer | - | 29,927 | (29,927) |
| Benefit payments | (29,927) | (29,927) | - |
| Net changes | 71,124 | - | 71,124 |
| Balance at June 30, 2021 | $ 1,657,305 | $ - | $ 1,657,305 |

For the years ended June 30, 2022 and 2021, the Authority recognized OPEB expense of $(366,379) and $(318,797), respectively. The recognized OPEB expense for both the years ended June 30, 2022 and 2021 are negative due to deferred inflows and outflows resulting in a change in OPEB liability.

At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred outflows of resources | Deferred inflows of resources |
|---|---|---|
| Changes of assumptions | $ 216,198 | $ 4,020,219 |
| Net difference between projected and actual earnings on OPEB plan investments | 62,120 | - |
| Differences between expected and actual experience | - | 186,957 |
| Total | $ 278,318 | $ 4,207,176 |

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

| | |
|---|---|
| Year ending June 30: | |
| 2023 | $ (503,015) |
| 2024 | (503,015) |
| 2025 | (503,015) |
| 2026 | (503,015) |
| 2027 | (518,545) |
| Thereafter | (1,398,253) |
| Total | $ (3,928,858) |

At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred outflows of resources | Deferred inflows of resources |
|---|---|---|
| Changes of assumptions | $ 250,584 | $ 4,240,507 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 4,243 |
| Differences between expected and actual experience | 173,660 | 232,502 |
| Total | $ 424,244 | $ 4,477,252 |

The total OPEB liability for the June 30, 2022 and 2020 measurement date was determined by an actuarial valuation as of December 31, 2020 rolled forward and backwards to June 30, 2022 and 2020, respectively. This valuation used the following assumptions:

1. The following annual healthcare cost trend rates: (a) for GIC non-Medicare plans, 6.60%, 6.50%, 6.40%, 6.20%, then 5.75% decreasing by 0.25% per year, 4.5% ultimate rate. For GIC Medicare plans, 4.80%, 4.70%, 4.60%, 4.70%, then 5.75% decreasing by 0.25% per year, 4.5% ultimate rate.

2. The mortality rate was in accordance with RP 2014 Healthy Annuitant Mortality Table projected generationally with scale MP-2020, gender distinct.

3. Wage inflation and salary increases of 3.0%.

4. Participation rates:

   i. 80% of active employees are assumed to elect retiree medical and life insurance coverage. 100% of all retirees who currently have health care coverage will continue with the same coverage, except those with POS/PPO coverage, 85% are assumed to move into the indemnity plan and 15% are assumed to move into HMO.

   ii. All future retirees are assumed to have Medicare coverage upon attainment of age 65.

   iii. 40% of future retirees are assumed to elect a GIC indemnity plan upon retirement, 50% are assumed to elect a POS/PPO plan upon retirement and 10% are assumed to elect a GIC HMO plan. 100% of future retirees are assumed to be eligible for Medicare, with 85% electing a GIC indemnity plan upon reaching age 65 and 15% electing a GIC HMO plan upon reaching age 65.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation as of June 30, 2022 and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

| Asset class | Target allocation | Long-term expected real rate of return 2022 |
|---|---|---|
| Domestic equity | 22.00% | 6.11% |
| International developed markets equity | 11.50% | 6.49% |
| International emerging markets equity | 4.50% | 8.12% |
| Core fixed income | 15.00% | 0.38% |
| High-yield fixed income | 8.00% | 2.48% |
| Real estate | 10.00% | 3.72% |
| Timber | 4.00% | 3.44% |
| Hedge fund, GTAA, Risk parity | 10.00% | 2.63% |
| Private equity | 15.00% | 9.93% |
| Total | 100.00% | |

The discount rates used to measure the total OPEB liability for the measurement years ended June 30, 2022 and 2020 were 7.00% and 2.21%, respectively. The discount rate for 2022 was determined using a building block method in which expected future rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The discount rate for 2020 was based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rate of AA/Aa or higher as shown in the Bond Buyer 20-Bond General Obligation Index.

The following presents the Authority's net OPEB liability calculated using the discount rates of 7.00% and 2.21% for the measurement years ended June 30, 2022 and 2020, respectively, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for each year:

| Measurement year ended | 1% decrease | Current discount | 1% increase |
|---|---|---|---|
| June 30, 2020 | $ 1,971,050 | $ 1,657,305 | $ 1,408,052 |
| June 30, 2022 | 386,420 | 260,243 | 156,126 |

(a) - The discount rates as of June 30, 2022 are as follows: 7.00% (current); 6.00% (1% decrease) and 8.00% (1% increase)

(b) - The discount rates as of June 30, 2020 are as follows: 2.21% (current); 1.21% (1% decrease) and 3.21% (1% increase)

The following presents the Authority's net OPEB liability calculated using the healthcare cost trend rates of 6.60% for both the measurement years ended June 30, 2022 and 2020, as well as what the Authority's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for each year:

| Measurement year ended | 1% decrease | Current rate | 1% increase |
|---|---|---|---|
| June 30, 2020 | $ 1,393,119 | $ 1,657,305 | $ 2,003,298 |
| June 30, 2022 | 137,042 | 260,243 | 414,495 |

(a) - The healthcare cost trend rates as of June 30, 2022 and 2020 are as follows: for GIC non-Medicare plans, 6.60%, 6.50%, 6.40%, 6.20%, then 5.75% decreasing by 0.25% per year, 4.5% ultimate rate. For GIC Medicare plans, 4.80%, 4.70%, 4.60%, 4.70%, then 5.75% decreasing by 0.25% per year, 4.5% ultimate rate.

## Note 14 - Leases

The Authority is the lessor of multiple long-term leases to the state universities. These leases include residence halls and other facilities used by students of the Commonwealth's state universities. These obligations may include the costs of periodic renovations and improvements to the residence halls, as well as other major construction performed on campus, which has included athletic field construction and repair.

The lease receivable was calculated based upon the discounting of the future bond service payments using the average interest rate of the bond issuance associated with that lease. Each University, in accordance with a management and services agreement between the Authority and the Commonwealth of Massachusetts, is charged a revenue assessment that is based on a certified occupancy report, the current rent schedule and the design capacity for each of the residence halls, as well as debt service on instruments issued for dormitory and other major construction projects for the University. This revenue assessment is used by the Authority to pay principal and interest due on its long-term debt obligations and certain Authority operating costs. If the Authority refunds the bonds, any cost savings are passed on to the Universities. Leases expire at various times, as noted in the following chart. The lease term is completed when the final bond payment is made.

The following table summarizes the Authority's outstanding significant lease receivables as of June 30, 2022 and June 30, 2021:

| Bond Series Description | Commencement Date | Lease Term at Commencement (Years) | Lease Amount | Rate Type | Interest Rate | Lease Receivable 6/30/2022 | Lease Receivable 6/30/2021 |
|---|---|---|---|---|---|---|---|
| 2003B | 7/1/2020 | 16.8 | Varies | Implicit Rate | 5.38% - 5.50% | $ 56,193,668 | $ 60,406,030 |
| 2009C | 7/1/2020 | 17.8 | Varies | Implicit Rate | 4.58% - 5.93% | 56,740,177 | 57,222,174 |
| 2010B | 7/1/2020 | 17.8 | Varies | Implicit Rate | 4.89% - 6.54% | 18,033,360 | 18,633,518 |
| 2011A | 7/1/2020 | 2.8 | Varies | Implicit Rate | 5.00% | 10,542,216 | 13,328,748 |
| 2012A | 7/1/2020 | 18.8 | Varies | Implicit Rate | 4.00% - 5.00% | - | 407,500 |
| 2012B | 7/1/2020 | 1.8 | Varies | Implicit Rate | 5.00% | - | 2,116,260 |
| 2012C | 7/1/2020 | 19.8 | Varies | Implicit Rate | 2.00% - 5.00% | 5,000 | 81,556,732 |
| 2014A | 7/1/2020 | 25.8 | Varies | Implicit Rate | 4.50% - 5.00% | 7,500,000 | 8,775,000 |
| 2014B | 7/1/2020 | 21.8 | Varies | Implicit Rate | 4.00% - 5.00% | 10,003,798 | 10,703,473 |
| 2014C | 7/1/2020 | 11.8 | Varies | Implicit Rate | 4.00% - 5.00% | 6,970,000 | 7,175,169 |
| 2015A | 7/1/2020 | 13.8 | Varies | Implicit Rate | 2.00% - 5.00% | 12,090,000 | 12,325,194 |
| 2016A | 7/1/2020 | 26.8 | Varies | Implicit Rate | 4.00% - 5.00% | 54,310,696 | 59,843,976 |
| 2017A | 7/1/2020 | 14.8 | Varies | Implicit Rate | 3.00% - 5.00% | 13,875,000 | 14,198,975 |
| 2017B | 7/1/2020 | 15.8 | Varies | Implicit Rate | 4.00% - 5.00% | 9,345,000 | 9,537,500 |
| 2017D | 7/1/2020 | 17.8 | Varies | Implicit Rate | 4.00% - 5.00% | 60,640,000 | 61,605,000 |
| 2019A | 7/1/2020 | 16.8 | Varies | Implicit Rate | 3.00% - 5.00% | 10,235,000 | 10,432,500 |
| 2019B | 7/1/2020 | 18.8 | Varies | Implicit Rate | 4.00% - 4.10% | 46,785,000 | 47,595,000 |
| 2019C | 7/1/2020 | 20.8 | Varies | Implicit Rate | 1.69% - 3.37% | 198,598,098 | 199,448,928 |
| 2020A | 7/1/2020 | 26.8 | Varies | Implicit Rate | 1.04% - 3.07% | 336,411,433 | 337,216,433 |
| 2021A | 7/1/2021 | 28.8 | Varies | Implicit Rate | 2.00% - 5.00% | 16,825,000 | - |
| 2021B | 7/1/2021 | 18.8 | Varies | Implicit Rate | 2.00% - 5.00% | 1,360,000 | - |
| 2022A | 7/1/2021 | 29.8 | Varies | Implicit Rate | 4.00% - 5.00% | 71,681,103 | - |
| | | | | | | $ 998,144,549 | $1,012,528,110 |

For the year ended June 30, 2022, the Authority recognized $64,786,592 in lease revenue and $32,376,521 in lease interest revenues. For the year ended June 30, 2021, the Authority recognized $60,390,914 in lease revenue and $21,203,118 in lease interest revenues.

Future payments due to the Authority under the lease agreements with the state universities are as follows for the years ending June 30:

| Year ending June 30: | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 39,667,066 | $ 41,317,849 | $ 80,984,915 |
| 2024 | 39,310,416 | 39,165,107 | 78,475,523 |
| 2025 | 41,632,174 | 37,889,631 | 79,521,805 |
| 2026 | 43,758,145 | 36,463,293 | 80,221,438 |
| 2027 | 45,543,450 | 35,035,540 | 80,578,990 |
| 2028 - 2032 | 254,457,795 | 127,124,239 | 381,582,034 |
| 2033 - 2037 | 265,914,791 | 73,788,157 | 339,702,948 |
| 2038 - 2042 | 203,903,655 | 28,297,848 | 232,201,503 |
| 2043 - 2047 | 51,199,596 | 5,591,976 | 56,791,572 |
| 2048 - 2052 | 12,757,461 | 580,163 | 13,337,624 |
| Total | $ 998,144,549 | $ 425,253,803 | $ 1,423,398,352 |

On October 24, 2019, the Authority entered into a lease agreement with an unrelated third party for office space located in Boston, Massachusetts commencing on March 1, 2020. The leased area is approximately 5,319 square feet. The lease provides for a minimum annual base rent of $276,588 for the initial year (fiscal year 2021) of the lease agreement and increases $1 per rentable square foot per year, ultimately increasing to $329,776 in year eleven of the lease term. The initial year base rent reflects a one-month free rent period. The lease is for a term of 132 months and expires in February 2031. 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. During fiscal year 2022, the Authority adopted GASB 87 - *Leases*. Under the GASB standard, the Authority must recognize the lease as a right of use asset and an operating lease liability on the statements of net position. The adoption requires the lease liability to be measured at the present value of payments expected to be made during the lease term. The present value was calculated using an estimated incremental borrowing rate of 3.25%. Lease payments will be allocated between interest expense and a reduction to the lease liability. The lease liability was measured at $2,751,297 at July 1, 2020. As of June 30, 2022 and 2021, the lease liability balance was $2,387,909 and $2,564,126, respectively.

The right of use asset is measured as the initial amount of the lease liability, adjusted for certain lease allowances or other items. The lease asset was valued at $2,751,297 at July 1, 2020. The lease asset is amortized on a straight-line basis, over the remaining useful life of the lease. As of June 30, 2022 and 2021, the lease assets, net of amortization, was $2,251,061 and $2,501,179, respectively. Amortization expenses for both of the years ended June 30, 2022 and 2021 were $250,118. The reduction to lease liability was $176,217 and $187,171 for the years ended June 30, 2022 and 2021, respectively, along with lease interest expense of $83,334 and $89,417 for 2022 and 2021, respectively. For the years ended June 30, 2022 and 2021, additional rent amounted to $12,478 and $12,309, respectively.

The minimum annual lease payments, allocated between lease interest expense and the reduction of the operating lease liability, for subsequent fiscal years through maturity in February 2031 are as follows:

| Year ending June 30: | Lease Liability | Lease Interest | Total |
|---|---|---|---|
| 2023 | $ 210,346 | $ 76,880 | $ 287,226 |
| 2024 | 222,501 | 70,044 | 292,545 |
| 2025 | 235,051 | 62,813 | 297,864 |
| 2026 | 248,009 | 55,174 | 303,183 |
| 2027 | 261,388 | 47,114 | 308,502 |
| 2028-2031 | 1,210,614 | 98,940 | 1,309,554 |
| Total | $ 2,387,909 | $ 410,965 | $ 2,798,874 |

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 the Massachusetts College of Arts and Design ("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 is currently in negotiations to extend the lease with Plus One and the lease is currently on a month-to-month basis effective in July 2022.

The Authority has entered into an agreement with MCAD, whereby the Massachusetts College of Pharmacy and Health Services ("MCPHS") 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, Plus One paid MCAD $31,432 and $30,666 during fiscal 2022 and 2021, respectively. The Authority assesses annual obligations to MCAD, which include the pro rata share of the building occupied by Plus One, on the same debt assessment basis the Authority uses for their other residence halls.

## Note 15 - Restatement

In fiscal year 2022, the Authority adopted Governmental Accounting Standards Board ("GASB") Statement No. 87, *Leases*. There was no effect on the beginning net position (deficiency in net position) as of July 1, 2020 since the lease receivable was equal to the deferred inflows and the right to use asset was equal to the lease liability.

| | | |
|---|---|---|
| Net position (deficiency in net position), June 30, 2020 | $ | (30,324,600) |
| Adjustments: | | |
| Lease receivable | | 1,015,935,264 |
| Deferred inflows - leases | | (1,015,935,264) |
| Right to use asset | | 2,751,297 |
| Lease liability | | (2,751,297) |
| Restated net position (deficiency in net position), June 30, 2020 | $ | (30,324,600) |

The following financial statement line items for fiscal year 2021 were affected by the adoption of the new standard:

| | 2021 (as previously reported) | 2021 (as restated) | Effect of change |
|---|---|---|---|
| Statement of Net Position: | | | |
| Current portion of leases receivable | $ - | $ 20,718,162 | $ 20,718,162 |
| Leases receivable, net of current portion | - | 991,809,948 | 991,809,948 |
| Deferred lease revenue | - | 955,544,348 | 955,544,348 |
| Capital assets, net | 824,697,853 | 827,199,032 | 2,501,179 |
| Current portion of lease liability | - | 198,573 | 198,573 |
| Lease liability, net of current portion | - | 2,365,553 | 2,365,553 |
| Net investment in capital assets | (93,658,605) | (93,721,552) | (62,947) |
| Unrestricted net position (deficit) | 8,364,949 | 65,348,711 | 56,983,762 |
| Total net position (deficiency in net position) | (85,293,656) | (28,372,841) | 56,920,815 |
| Statement of Revenues, Expenses and Changes in Net Position: | | | |
| Income from contracts for financial assistance, management, and services | $ 31,838,236 | $ 88,821,994 | $ 56,983,758 |
| Authority operating expenses | 2,295,578 | 2,358,521 | 62,943 |
| Increase (decrease) in net position | (54,969,056) | 1,951,759 | 56,920,815 |

## Note 16 - Subsequent Events

On March 1, 2023, the Authority deposited an additional $300,000 into the OPEB Trust account at the SRBTF.

## Required 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 of the Commonwealth of Massachusetts
### June 30, 2022

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Authority's proportion of the collective net pension liability (asset) | 0.0249% | 0.0251% | 0.0269% | 0.0312% | 0.0299% | 0.0262% | 0.0289% | 0.0253% |
| Authority's proportionate share of the collective net pension liability (asset) | $ 2,593,803 | $ 4,302,195 | $ 3,935,112 | $ 4,121,111 | $ 3,828,162 | $ 3,612,661 | $ 3,286,731 | $ 1,878,277 |
| Authority's covered payroll | $ 1,531,698 | $ 1,512,594 | $ 1,537,249 | $ 1,705,680 | $ 1,787,296 | $ 1,704,399 | $ 1,459,312 | $ 1,431,639 |
| Authority's proportionate share of the collective net pension liability (asset) as a percentage of its covered payroll | 169.34% | 284.42% | 255.98% | 241.61% | 214.19% | 211.96% | 225.22% | 131.20% |
| Plan fiduciary net position as a percentage of the total pension liability | 77.54% | 62.48% | 66.28% | 67.91% | 67.21% | 63.48% | 67.87% | 76.32% |

* 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 2 and Notes to Required Supplementary Information.

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

## Supplementary Information

## Schedule of Authority Pension Contributions
## June 30, 2022

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 211,499 | $ 203,754 | $ 215,188 | $ 134,295 | $ 115,941 | $ 115,941 | $ 115,955 | $ 101,546 |
| Contributions in relation to the contractually required contribution | (211,499) | (203,754) | (215,188) | (134,295) | (115,941) | (115,941) | (115,955) | (101,546) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Authority's covered payroll | $ 1,531,698 | $ 1,512,594 | $ 1,537,249 | $ 1,705,680 | $ 1,787,296 | $ 1,704,399 | $ 1,459,312 | $ 1,431,639 |
| Contributions as a percentage of covered payroll | 13.81% | 13.47% | 14.00% | 7.87% | 6.49% | 6.80% | 7.95% | 7.09% |

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

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

## Supplementary Information

## Schedule of Changes in the Authority's Net OPEB Liability and Related Ratios
## June 30, 2022

| | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Total OPEB liability: | | | | |
| Service cost | $ 106,288 | $ 103,730 | $ 94,823 | $ 244,646 |
| Interest | 40,425 | 58,628 | 56,145 | 239,294 |
| Changes of benefit terms | - | - | - | - |
| Change in measurement date | 125,582 | - | - | - |
| Differences between expected and actual experence | - | (249,271) | - | (5,391,656) |
| Changes of assumptions | (948,196) | 187,964 | 93,930 | - |
| Benefits payments, including refunds of employee contributions | (35,512) | (29,927) | (29,317) | (137,071) |
| Net change in total OPEB liability | (711,413) | 71,124 | 215,581 | (5,044,787) |
| Total OPEB liability - beginning | 1,657,305 | 1,586,181 | 1,370,600 | 6,415,387 |
| Total OPEB liability - end (a) | $ 945,892 | $ 1,657,305 | $ 1,586,181 | $ 1,370,600 |
| Plan fiduciary net position: | | | | |
| Contributions - employer | $ 785,512 | $ 29,317 | $ 29,317 | $ 137,071 |
| Contributions - employee | - | - | - | - |
| Net investment income | (64,351) | - | - | - |
| Benefits payments, including refunds of employee contributions | (35,512) | (29,317) | (29,317) | (137,071) |
| Change in accounting for assets | - | - | - | - |
| Administrative expense | - | - | - | - |
| Other | - | - | - | - |
| Net change in plan Fiduciary Net Position | 685,649 | - | - | - |
| Plan Fiduciary Net Position - beginning | - | - | - | - |
| Plan Fiduciary Net Position - end (b) | $ 685,649 | $ - | $ - | $ - |
| Net OPEB Liability - end (a) - (b) | $ 260,243 | $ 1,657,305 | $ 1,586,181 | $ 1,370,600 |
| Plan Fiduciary Net Position as a percentage of Total OPEB Liability | 72.49% | 0.00% | 0.00% | 0.00% |
| Covered employee payroll | $ 1,531,698 | $ 1,512,594 | $ 1,537,249 | $ 1,705,680 |
| Plan Net OPEB Liability as a percentage of covered employee payroll | 16.99% | 109.57% | 103.18% | 80.36% |

* 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 2 and Notes to Required Supplementary Information.

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

**Supplementary Information**

**Schedule of Authority OPEB Contributions**
**June 30, 2022**

| | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Contractually required contribution | $ - | $ - | $ - | $ - |
| Contributions in relation to the contractually required contribution | (785,512) | - | - | - |
| Contribution deficiency (excess) | $ (785,512) | $ - | $ - | $ - |
| Authority's covered payroll | $ 1,531,698 | $ 1,512,594 | $ 1,537,249 | $ 1,705,680 |
| Contributions as a percentage of covered payroll | 51.28% | 0.00% | 14.00% | 0.00% |

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

The plan has been pay-as-you-go up until June 30, 2022. The Massachusetts State College Building Authority established a formal trust in the fiscal year ending June 30, 2022. The Massachusetts State College Building Authority’s current funding policy is not tied directly to the actuarially determined OPEB liability. As such, there was no Actuarially Determined Contribution calculated.

See Independent Auditor's Report on Page 2 and Notes to Required Supplementary Information.

## Note 1 - Changes in net pension benefit terms and assumptions

### FY2021 Changes in Actuarial Assumptions

Changes in benefit terms

None in 2021.

Changes in assumptions

The investment rate of return changed to 7.00% from 7.15%.

### FY2020 Changes in Actuarial Assumptions

Changes in benefit terms

None in 2020.

Changes in assumptions

The investment rate of return changed to 7.15% from 7.25%.

### FY2019 Changes in Actuarial Assumptions

Changes in benefit terms

None in 2019.

Changes in assumptions

The investment rate of return changed to 7.25% from 7.35%.

### FY2018 Changes in Actuarial Assumptions

Changes in benefit terms

None in 2018.

Changes in assumptions

The investment rate of return changed to 7.35% from 7.5%.

The mortality assumption changed as follows:

- Disability - was changed to reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016 set forward 1 year for females from RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct).

## Note 2 - Changes in net OPEB benefit terms and assumptions

### FY2022 Changes in Actuarial Assumptions

Changes in benefit terms

None in 2022.

Changes in assumptions

The discount rate was increased to 7.00% from 2.16%.

### FY2021 Changes in Actuarial Assumptions

Changes in benefit terms

None in 2021.

Changes in assumptions

The June 30, 2021 Total OPEB Liability was restated to reflect changing the measurement date from the beginning of the fiscal year to the end of the fiscal year.

The discount rate was decreased to 2.16% from 2.21%.

### FY2020 Changes in Actuarial Assumptions

Changes in benefit terms

None in 2020.

Changes in assumptions

The discount rate was decreased to 2.21% from 3.50%.

### FY2019 Changes in Actuarial Assumptions

Changes in benefit terms

None in 2019.

Changes in assumptions

The discount rate was decreased to 3.50% from 3.87%.

### FY2018 Changes in Actuarial Assumptions

Changes in benefit terms

None in 2018.

Changes in assumptions

The methodology was changed such that liabilities were calculated separately from the Commonwealth.

The turnover, disability and pre-retirement mortality assumptions were eliminated and the retirement assumption was revised.

The per-capita claim costs were updated.

The trend assumptions were revised.

The discount rate was increased to 3.87% from 3.63%.

The mortality assumption changed as follows:

- Post-retirement - was changed to reflect the RP-2014 Healthy Annuitant Mortality table projected generationally using Scale MP-2018, gender distinct from RP-2014 Blue Collar Healthy Annuitant Mortality table projected generationally using Scale MP-2016 and set forward 1 year for females.

The participation rate assumptions changed to the following:

- 80% of active employees are assumed to elect retiree medical and life insurance coverage. 100% of all retirees who currently have health care coverage will continue with the same coverage, except those with POS/PPO coverage, 85% are assumed to move into the indemnity plan and 15% are assumed to move into the HMO.

- All future retirees are assumed to have Medicare coverage upon attainment of age 65.

- 40% of future retirees are assumed to elect a GIC indemnity plan upon retirement, 50% are assumed to elect a POS/PPO plan upon retirement and 10% are assumed to elect a GIC HMO plan. 100% of future retirees are assumed to be eligible for Medicare, with 85% electing a GIC indemnity plan upon reaching age 65 and 15% electing a GIC HMO plan upon reaching age 65.

The participation rate assumptions were formerly:

- 100% of all retirees who currently have health care coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over age 65 with POS/PPO coverage switch to HMO.

- All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.

- 80% of current and future contingent eligible participants will elect health care benefits at age 65, or current age if later.

- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

| | Retirement Age | |
|---|---|---|
| | Under 65 | Age 65 + |
| Indemnity | 40% | 85% |
| POS/PPO | 50% | 0% |
| HMO | 10% | 15% |

## Supplementary Information

## Statistical Information (Unaudited)

### Room Rates of Residence Facilities

| Institution | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| Bridgewater | $6,300-7,460 | $6,540-7,740 | $6,740-7,840 | $6,940-8,080 | $7,220-$8,400 | $7,510-8,862 | $7,698-9,128 | $7,948-9,425 | $8,099-10,024 | $8,100-10,220 |
| Fitchburg | $5,100-6,420 | $5,230-6,580 | $5,330-6,710 | $5,440-6,840 | $5,770-$7,900 | $6,044-8,273 | $6,331-8,666 | $6,331-9,034 | $6,600-10,000 | $6,600-10,000 |
| Framingham | $5,885-8,630 | $6,085-8,830 | $6,380-9,060 | $6,680-9,280 | $6,980-$9,580 | $7,280-9,880 | $7,560-10,160 | $7,840-10,440 | $8,040-13,640 | $8,040-13,640 |
| Mass. College of Art and Design | $7,876-11,000 | $8,030-11,220 | $8,190-11,440 | $8,350-11,670 | $8,560-$12,807 | $8,820-12,320 | $9,261-13,378 | $9,358-13,378 | $8,944-13,860 | $9,210-14,280 |
| Mass. College of Liberal Arts | $4,740-5,140 | $4,860-5,260 | $5,210-5,510 | $5,500-5,700 | $5,750-$5,950 | $6,050-6,250 | $5,000-6,550 | $5,000-6,850 | $6,900-7,196 | $7,040-7,340 |
| Mass. Maritime Academy | $5,470 | $5,910 | $6,440 | $6,790 | $7,130 | $7,340 | $7,560 | $7,790 | $8,004 | $8,200 |
| Salem | $6,570-9,320 | $6,700-9,500 | $6,980-9,900 | $7,280-10,320 | $7,570-$10,730 | $7,870-11,160 | $8,110-11,490 | $8,350-11,820 | $8,680-12,530 | $8,680-12,000 |
| Westfield | $4,950-7,350 | $5,250-7,500 | $5,510-8,350 | $5,730-8,680 | $5,940-$9,000 | $6,110-9,260 | $4,380-9,540 | $4,510-9,830 | $6,800-10,120 | $7,700-9,700 |
| Worcester | $6,750-7,800 | $6,920-7,980 | $7,090-8,180 | $7,270-8,370 | $7,485-$8,585 | $7,646-8,746 | $7,778-8,878 | $7,778-8,878 | $7,878-9,278 | $7,878-9,278 |

See Independent Auditor's Report on Page 2.

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

Supplementary Information

Statistical Information (Unaudited)

## Occupancy as a Percentage of Design Capacity at Residence Facilities

| Institution | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| Bridgewater | 99% | 95% | 99% | 97% | 96% | 95% | 95% | 96% | 37% | 81% |
| Fitchburg | 101% | 100% | 103% | 101% | 96% | 92% | 85% | 76% | 50% | 58% |
| Framingham | 100% | 100% | 98% | 98% | 94% | 93% | 90% | 88% | 33% | 64% |
| Mass. College of Art and Design | 99% | 99% | 99% | 98% | 99% | 99% | 96% | 100% | 65% | 98% |
| Mass. College of Liberal Arts | 91% | 86% | 86% | 79% | 77% | 74% | 71% | 73% | 46% | 43% |
| Mass. Maritime Academy | 108% | 111% | 93% | 101% | 105% | 102% | 102% | 101% | 57% | 95% |
| Salem | 107% | 106% | 107% | 100% | 96% | 96% | 90% | 79% | 37% | 63% |
| Westfield | 101% | 98% | 98% | 102% | 99% | 94% | 86% | 82% | 38% | 66% |
| Worcester | 102% | 101% | 87% | 94% | 92% | 96% | 96% | 96% | 50% | 78% |
| **State University Average** | **101%** | **99%** | **98%** | **98%** | **96%** | **94%** | **91%** | **88%** | **43%** | **71%** |

See Independent Auditor's Report on Page 2.

# 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 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 and the aggregate remaining fund information 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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 30, 2023.

## Report on 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") as a basis for designing 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 or significant deficiencies may exist that were not identified.

## Report on 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 financial statements. 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
May 30, 2023

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## Appendix C

FY 2022 Senior Management Compensation

| Title | Annual Salary FY 2022 |
| --- | --- |
| Executive Director | 263,114 |
| Deputy Director, Administration and Finance | 196,844 |

## Appendix D

Certified Sustainable Projects
as of June 30, 2022

| Campus | Building | Date | Beds | GSF | Certification |
|---|---|---|---|---|---|
| Bridgewater State University | Crimson Hall | 2009 | 400 | 138,000 | LEED Silver |
| Bridgewater State University | Pope Hall | 2010 | 337 | 75,177 | LEED Silver |
| Bridgewater State University | Scott Hall | 2010 | 269 | 67,390 | LEED Silver |
| Bridgewater State University | Weygand Hall | 2014 | 500 | 165,000 | LEED Gold |
| Fitchburg State University | Hammond Campus Center | 2017 | N/A | 157,831 | LEED Silver |
| Fitchburg State University | Mara Village Building 8 | 2010 | 104 | 38,000 | LEED Silver |
| Framingham State University | North Hall | 2012 | 400 | 127,500 | LEED Gold |
| Framingham State University | West Hall | 2017 | 316 | 95,922 | LEED Gold |
| MA College of Art and Design | Kennedy Campus Center | 2011 | N/A | 57,913 | LEED Gold |
| MA College of Art and Design | Treehouse Residence | 2015 | 493 | 147,004 | LEED Gold |
| MA Maritime Academy | Company 1 & 2 Expansion | 2008 | 168 | 33,120 | LEED Gold |
| MA Maritime Academy | Company 4 Expansion | 2015 | 196 | 35,435 | LEED Silver |
| MA Maritime Academy | New Cadet Housing | 2023* | 72 | 31,000 | LEED Silver (pending) |
| Salem State University | Marsh Hall | 2013 | 500 | 162,637 | LEED Gold |
| Salem State University | Viking Hall | 2015 | 353 | 117,276 | LEED Gold |
| Salem State University | North Campus Parking Structure | 2016 | N/A | 222,106 | Parksmart Bronze |
| Westfield State University | University Hall | 2013 | 410 | 134,000 | LEED Gold |
| Worcester State University | Dowden Hall Addition | 2011 | 403 | 41,640 | LEED Gold |
| Worcester State University | Sheehan Hall | 2017 | 400 | 150,000 | LEED Gold |
| **Total** | | | **4,580** | **1,380,647** | |

*Underway

## APPENDIX E

## MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

**Green Bond Guidelines**

June 14, 2022

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**Background**

The Massachusetts State College Building Authority (the Authority) anticipates issuing revenue bonds and utilizing the proceeds, in whole or in part, to finance environmentally sustainable capital projects or re-finance outstanding bonds issued to finance 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 (“GBP”)[1], voluntary guidelines published by the International Capital Markets Association (“ICMA”) 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; Process for Project Evaluation and Selection; Management of Proceeds; and Reporting.

Additionally, in 2015, the General Assembly of the United Nations adopted a resolution, *Transforming our world: the 2030 Agenda for Sustainable Development*, which identifies 17 Sustainable Development Goals (or the “UNSDGs”). The ICMA has published a document that creates a high-level mapping of The Green Bond Principles and Social Bond Principles to the 17 UNSDGs which illustrates the alignment of the two frameworks. Accordingly, while the Authority intends to manage these Green Bond Guidelines consistent with the ICMA Green Bond Principles, the Authority recognizes that the ICMA Green Bond Principles align and map to the UNSDGs and the Authority may reference each as part of the Authority’s review of project alignment with guidelines in its determination of issuance or allocation of Green Bonds.

**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.

The preliminary official statement and 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; 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.

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[1] International Capital Markets Association (ICMA), https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf, June 2021.