MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

(a component unit of the Commonwealth of Massachusetts)

REPORT ON AUDITS OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

YEARS ENDED JUNE 30, 2014 AND 2013

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YEARS ENDED JUNE 30, 2014 AND 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board
Massachusetts State College Building Authority
Boston, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Massachusetts State College Building Authority (the Authority), a component unit of the Commonwealth of Massachusetts, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of June 30, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Financial Statements as of June 30, 2013

The financial statements of Massachusetts State College Building Authority as of June 30, 2013, were audited by other auditors whose report dated September 24, 2013, expressed an unmodified opinion on those financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The statistical section contained on pages 41 through 45 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 7, 2014, 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 for the year ended June 30, 2014. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

CohnReznick LLP

Boston, Massachusetts
October 7, 2014

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
(a component unit of the Commonwealth of Massachusetts)
Management's Discussion and Analysis
For the Years Ended June 30, 2014, 2013 and 2012

Unaudited

The following discussion and analysis provides management's overview of the financial position of the Massachusetts State College Building Authority (the Authority) as of June 30, 2014, 2013 and 2012, and the results of its operations and cash flows for the years then ended. This management's discussion and analysis is unaudited and should be read in conjunction with the Authority's audited financial statements and notes, which are attached hereto.

Introduction

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

Pursuant to the Act and a Contract for Financial Assistance, Management and Services between the Commonwealth acting by and through the Board of Higher Education (BHE) (the Contract), the Authority annually sets and assesses rents and fees sufficient to provide for the payment of all costs of its facilities, including maintenance, operation, administration, reserves and to pay debt service on revenue bonds issued to finance its projects. The Authority receives no direct appropriation from the Commonwealth. Approximately 15,700 students reside in the 44 residential complexes owned by the Authority. These facilities house over one-third of full-time undergraduate students and comprise about 4.4 million square feet of space in approximately 96 separate structures on the nine state university campuses.

The 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 2013/14 and 2012/13, the number of students housed in on-campus housing owned by the Authority was 99.1% and 101% of design occupancy, respectively.

The following table shows average annual residence hall occupancy every other year from the 2000/01 through 2012/13 academic years (and includes 2013/14 academic year) and the average number of design occupancy beds for those periods.

Residence Halls Occupancy Table

	Academic Years							
State College	**2000/01**	**2002/03**	**2004/05**	**2006/07**	**2008/09**	**2010/11**	**2012/13**	**2013/14**
Bridgewater	106.0%	105.0%	105.0%	104.2%	104.5%	99.7%	98.9%	94.6%
Fitchburg	78.0%	95.0%	100.0%	101.7%	102.5%	103.8%	100.8%	99.6%
Framingham	93.0%	105.0%	100.0%	99.7%	101.0%	103.9%	100.3%	100.3%
Mass. College of Art & Design	103.0%	100.0%	99.0%	101.4%	99.8%	99.4%	99.3%	99.2%
Mass. College of Liberal Arts	68.0%	81.0%	88.0%	94.7%	87.9%	97.5%	91.1%	85.8%
Mass. Maritime Academy	81.0%	93.0%	96.0%	103.4%	94.3%	102.9%	107.9%	111.2%
Salem	102.0%	105.0%	100.0%	100.6%	104.2%	93.5%	106.7%	105.9%
Westfield	103.0%	109.0%	109.0%	108.3%	107.2%	104.3%	101.1%	98.1%
Worcester	103.0%	100.0%	96.0%	100.6%	102.0%	99.1%	101.9%	101.1%
Average Occupancy	**93.0%**	**101.0%**	**99.0%**	**102.5%**	**101.8%**	**100.6%**	**101.0%**	**99.1%**
Average Design Occupancy	**10,097**	**10,585**	**11,141**	**12,255**	**12,968**	**14,138**	**15,290**	**16,472**

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

Economic Factors

The seasonally adjusted unemployment rate for the Commonwealth of Massachusetts from which the state colleges primarily draw students was 5.5% at June 30, 2014 compared to 7.0% at June 30, 2013 and 6.0% at June 30, 2012. This compares to a national rate of 6.1% in 2014, 7.6% in 2013 and 8.2% in 2012, according to the U.S. Bureau of Labor Statistics.

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

In last few fiscal years, the Authority issued bonds during periods of historically low rates to generate new money for construction projects and to refund certain bonds to achieve interest cost savings. The Authority continued to strive to offer affordable residence options for students. Student rent for academic year 2013/14 and 2012/13 on Authority residence facilities compared favorably to both regional private and other public institutions. In 2013, Authority rents were the sixth lowest compared to 22 private regional institutions and third lowest when compared to seven regional public institutions.

Financial Statements

Ercolini & Company LLP has audited the Authority's financial statements since fiscal year 2005. On July 1, 2014, Ercolini & Company LLP combined practices with CohnReznick LLP.

The Authority's financial statements (pages 15 - 18 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 Universities 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). The Governmental Accounting Standards Board (GASB) Statements 34 and 35 require this method to be used.

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

Financial Highlights

- Total assets of the Authority grew from $1.2 billion to $1.3 billion at June 30, 2014, primarily due to an increase in investments to Authority-owned residence halls and an increase in accounts receivable reflecting major renovation and new construction projects on the university-owned student activity facilities. Sources of funds for these projects include bond funds and capital improvement reserves.
- For the year ended June 30, 2014, capital assets grew by $86.7 million due primarily to the continuation, completion, and commencement of major construction projects on Authority-owned residence halls. As of June 30, 2014, the Authority had projects totaling $113.6 million underway and in process attributable primarily to new residence halls under construction at Salem and Worcester State Universities and at Massachusetts Maritime Academy. Details of capital assets are provided on pages 12 - 13.

- Fiscal year 2014 activity also included major renovations and new construction projects on university-owned student activity facilities. Completed student activity facilities projects include the construction of a 39,000 square foot addition to the O'Keefe Center at Salem State that will house the Gassett Fitness and Recreation Center, and a 180-seat dining addition to the McCarthy Campus Center at Framingham State. Major projects underway include the continuation of interior improvements and upgrades in Hammond Campus Center at Fitchburg State, design of a new parking structure at Salem State, improvements to the Maple Street Athletic Fields at Framingham State, and construction of new surface parking and renovation of the 1812 House at Framingham State.
- Operating Revenues increased $8.6 million in fiscal year 2014 from fiscal year 2013 due to increased assessment revenues used to fund debt obligations, Authority operations, and deposits to capital reserves.
- In January 2014, the Authority issued $130.9 million Series 2014A Bonds at a true interest cost of 4.15% to provide new money to finance new residential capacity at Salem State University and Massachusetts Maritime Academy, improvements to student activity facilities at Fitchburg, Framingham and Salem State Universities and Massachusetts Maritime Academy, and renewal and adaption of residence halls at Bridgewater, Fitchburg and Westfield State Universities and Massachusetts Maritime Academy. In addition, the bonds provided funds to supplement an academic facility project at Massachusetts College of Art and Design that is being managed by the Commonwealth and principally funded with Commonwealth general obligation bonds.
- In March 2014, the Authority issued $3 million Community College Program Series 1 bonds to provide funds to supplement the financing of an academic facility project at Mount Wachusett Community College, which is being managed by the Commonwealth and will be principally funded with approximately $37.9 million of Commonwealth general obligation bonds.

Financial Analysis

Statements of Net Position (Deficiency in Net Position)

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

Summary – Statements of Net Position At June 30, 2014, 2013 and 2012

	June 30, 2014	June 30, 2013	June 30, 2012
Current assets	$ 111,395,181	$ 106,897,415	$ 119,521,033
Capital assets, net	838,679,462	751,957,559	657,341,390
Other noncurrent assets	362,245,675	329,714,958	280,598,687
Total assets	1,312,320,318	1,188,569,932	1,057,461,110
Deferred outflows of resources	29,011,586	30,695,287	32,352,432
Current liabilities	102,401,186	94,183,457	93,724,420
Noncurrent liabilities	1,260,725,004	1,147,325,860	1,011,911,462
Total liabilities	1,363,126,190	1,241,509,317	1,105,635,882
Net position:			
Net investment in capital assets	(3,080,091)	405,186	1,380,597
Restricted	905,631	2,231,469	2,415,383
Unrestricted	(19,619,826)	(24,880,753)	(19,618,320)
Deficiency in net position	$ (21,794,286)	$ (22,244,098)	$ (15,822,340)

- Total assets at June 30, 2014 increased 10.4% when compared to total assets at June 30, 2013. This primarily reflects continued additions to capital assets and increased receivables for the university-owned portions of the Series 2014A Bond issue. Cash and cash equivalents increased by $0.7 million as a result of proceeds of the Series 2014A Bonds held as cash offset by continued spending of other project funds. Investments decreased by $9.4 million as a result of purchases and maturities of investments in the 2014A and 2012C Bond funds. The maturities of such investments were scheduled to meet the projected spending schedules of the residence halls under construction at Massachusetts Maritime Academy and Worcester and Salem State Universities. Accounts receivable increased by $45.8 million as a result of the portion of Series 2014A Bonds issued to fund university-owned projects.
- Total assets at June 30, 2013 increased 12.4% when compared to total assets at June 30, 2012. This primarily reflects continued additions to capital assets and increased receivables for the university-owned portions of the Series 2012C Bond issue. Cash and cash equivalents increased by $15.0 million as a result of proceeds of the Series 2012A and 2012C Bonds held as cash offset by continued spending of other project funds. Investments decreased by $30.4 million as a result of purchases and maturities of investments in the Series 2012A and 2012C Bond funds along with unrealized losses on market valuations. The maturities of such investments were scheduled to meet the projected spending schedules of the residence halls under construction at Bridgewater and Westfield State Universities. Accounts receivable increased by $51.2 million as a result of the portion of Series 2012C Bonds issued to fund university-owned projects. The increase to accounts receivable was net of a transfer of a $1.4 million Authority-owned capital asset at MCLA to the Commonwealth, acting by and through the Division of Capital Asset Management.

- Reserves for capital improvements, multi-purpose and operating purposes as of June 30, 2014 were $26.4 million compared to $27.8 million as of June 30, 2013. Debt service reserve funds totaled $87.8 million as of June 30, 2014 compared to $79.9 million as of June 30, 2013. These reserves are included in the Statements of Net Position in the cash and cash equivalents and investments categories.
- Reserves for capital improvements, multi-purpose and operating purposes as of June 30, 2013 were $27.8 million compared to $24.1 million as of June 30, 2012. Debt service reserve funds totaled $79.9 as of June 30, 2013 compared to $83.2 million as of June 30, 2012, such decrease reflecting unrealized losses in market value. These reserves are included in the Statements of Net Position in the cash and cash equivalents and investments categories.
- Capital assets are discussed on pages 12 - 13.
- Total liabilities at June 30, 2014 increased 9.8% as compared to total liabilities at June 30, 2013, due primarily to an increase in bonds payable and accounts payable. Bonds payable increased to $1.3 billion at June 30, 2014 from $1.2 billion at June 30, 2013 as a result of the issuance of Series 2014A Bonds offset by the payment of principal on outstanding bonds.
- Total liabilities at June 30, 2013 increased 12.3% as compared to total liabilities at June 30, 2012, due primarily to an increase in bonds payable and accrued accounts payable. Bonds payable increased to $1.2 billion at June 30, 2013 from $968.4 million at June 30, 2012 as a result of the issuance of Series 2012C Bonds offset by the payment of principal on outstanding bonds.
- 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 university. Interest payments received from the universities are recognized as investment income by the Authority.
- Debt administration is discussed on pages 13 - 14.
- A deficiency in total net position exists due primarily to depreciation and interest expenses exceeding operating and non-operating revenues over a period of time. The net position at June 30, 2014 increased by $.4 million compared to the net position at June 30, 2013. The deficiency at June 30, 2013 was $6.4 million more than the deficiency at June 30, 2012, primarily reflecting an increase in unrealized losses on investments of $4.5 million. Pursuant to the Authority's investment policy, the Authority invests in highly rated securities with the intent to preserve the principal investment. These investments are subject to fluctuations in market value from year to year, but the Authority's intent is to hold these investments to maturity for use in paying project costs and debt obligations. The Authority's investment in capital assets is reported net of related debt and depreciation (a non-cash operating expense). The change in net position for the year ended June 30, 2014 and 2013, respectively, excluding depreciation was an increase in net position of $34.2 million and $23.5 million.

Statements of Revenues, Expenses and Changes in Net Position

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

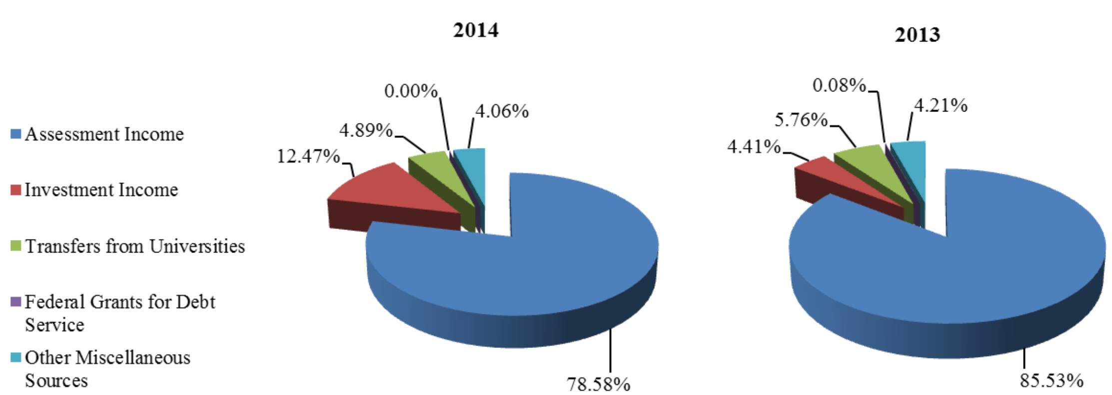
Summary - Operating and Non-Operating Revenues and Expenses

	Fiscal year ended June 30		
	2014	2013	2012
Total operating revenues	$ 68,251,998	$ 59,688,197	$ 56,084,274
Total operating expenses	36,500,936	32,672,238	31,119,276
Operating income	31,751,062	27,015,959	24,964,998
Nonoperating expenses, net	(31,301,250)	(33,437,717)	(21,326,213)
Increase (decrease) in net position	449,812	(6,421,758)	3,638,785
Net position - beginning of the year	(22,244,098)	(15,822,340)	(19,461,125)
Net position - end of the year	$ (21,794,286)	$ (22,244,098)	$ (15,822,340)

- Operating revenues grew from $59.7 million at June 30, 2013 to $68.3 million at June 30, 2014, due primarily to an increase in assessment revenues.
- Operating revenues grew from $56.1 million at June 30, 2012 to $59.7 million at June 30, 2013, due primarily to a $3.6 million increase in assessment revenues.
- Other revenue sources include investment income on project funds and reserves and transfers from state universities in support of capital projects, and interest subsidy from the U.S. Treasury relating to the Authority's outstanding Build America Bonds. The 6.4% decrease in fiscal year 2014 nonoperating expenses is primarily due to increased interest expense on outstanding bonds offset by an increase in investment income. The fiscal year 2013 56.8% increase in nonoperating expenses primarily reflects unrealized losses on investments as of June 30, 2013 and increased interest expense on outstanding bonds.

The charts below compare total revenue for fiscal year 2014 with fiscal year 2013.

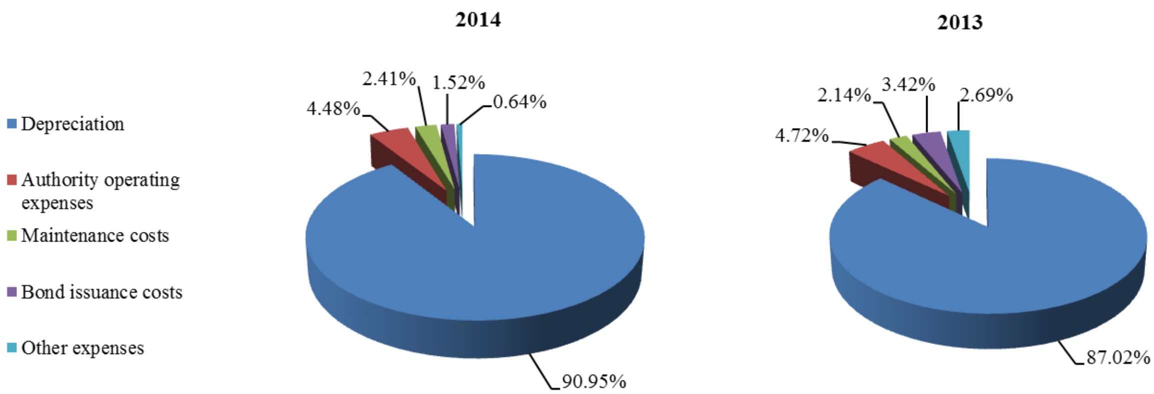
Summary - Total Revenue Fiscal Years 2014 and 2013



- Operating expenses include depreciation, maintenance and renewal and adaption to capital assets and operating expenses associated with Authority operations.
- In fiscal year 2014, depreciation expense was $33.7 million as compared to $29.9 million in fiscal year 2013. The increase in depreciation expense of $3.8 million is due to the additional depreciable assets brought into use in fiscal year 2014, including major improvements and renewal and adaption at several campuses.
- In fiscal year 2013, depreciation expense was $29.9 million as compared to $28.6 million in fiscal year 2012. The increase in depreciation expense of $1.3 million is due to the additional depreciable assets brought into use in fiscal year 2013, including major improvements and renewal and adaption at several campuses.
- Maintenance costs increased by $156,862 from fiscal year 2013 primarily due to increased property and liability insurance premium expenses. The Authority's other expenses decreased $190,964 from fiscal year 2014 compared to 2013, due primarily to a decrease in general legal services and consulting fees.
- Approximately 7% of fiscal year 2013 operating expenses were for maintenance costs and Authority operating expenses, including property and liability insurance premium expenses. The Authority's operating expenses increased $140,300 from fiscal year 2013 compared to 2012, due primarily to an increase in general legal services.
- The primary components of net nonoperating revenues (expenses) are annual interest expense incurred on the Authority's debt obligations, less investment income used to offset debt service requirements. Interest expense increased by 19% in fiscal year 2014 compared to 2013 due primarily to increased interest payments associated with the Series 2012B and 2012C Bonds offset by increased premium amortization associated with the Series 2014A Bonds. Net investment income increased from $3.0 million in fiscal year 2013 to $10.8 million in fiscal year 2014, due to unrealized gain on investments for fiscal year 2014 compared to a loss on investments for fiscal year 2013, and an increase on interest income earned on accounts receivables due from university-owned projects. Interest expense increased by 8.9% in fiscal year 2013 compared to 2012 due primarily to increased interest payments associated with the Series 2009B and 2012A Bonds offset by increased premium amortization associated with the Series 2012A, 2012B, and 2012C Bonds. Net investment income decreased from $12.6 million in fiscal year 2012 to $3.0 million in fiscal year 2013, due to unrealized losses on investments as of June 30, 2013.
- Net nonoperating expenses for fiscal year 2014 were $31.3 million compared to $33.4 million for fiscal year 2013. The change results primarily from increased net investment income, increased interest expense on debt offset by decreased bond issuance expense and increased transfers from state universities.
- Net nonoperating expenses at June 30, 2013 were $33.4 million compared to $21.3 million at June 30, 2012. The change results primarily from decreased net investment income, a capital asset transfer to the Commonwealth, and increased interest expense on debt offset by decreased bond issuance expense and increased transfers from state universities.

The charts below compare total expenses, excluding interest expense, for fiscal year 2014 with fiscal year 2013.

Summary – Total Expenses (excluding Interest Expense) Fiscal Years 2014 and 2013



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		
	2014	2013	2012
Cash received from operations	$ 68,251,998	$ 59,587,821	$ 56,084,385
Cash expended for operations	(2,856,299)	(3,390,939)	(2,471,344)
Net cash provided by operations	65,395,699	56,196,882	53,613,041
Net cash provided by (used in) capital and related financing activities	(78,889,611)	(70,229,142)	8,580,151
Net cash provided by (used in) investing activities	14,229,051	29,014,317	(99,240,088)
Net increase (decrease) in cash and cash equivalents	735,139	14,982,057	(37,046,896)
Cash and cash equivalents, beginning of year	99,487,472	84,505,415	121,552,311
Cash and cash equivalents, end of year	$ 100,222,611	$ 99,487,472	$ 84,505,415

- Cash and cash equivalents were $100.2 million at June 30, 2014 compared to $99.5 million at June 30, 2013. This $.7 million increase is due primarily to receipt of proceeds of the 2014A Bonds, the net cash provided by the purchase and maturity of certain project fund investments, and funds held for the benefit of the state universities offset by payments for capital assets of the Authority and state universities.
- Cash and cash equivalents were $99.5 million at June 30, 2013 compared to $84.5 million at June 30, 2012. This $15.0 million increase is due primarily to receipt of proceeds of the 2012C Bonds, the net cash provided by the purchase and maturity of certain project fund

investments, and funds held for the benefit of the state universities offset by payments for capital assets of the Authority and state universities.

- Net cash provided by operations exceeded the cash expended for operations in fiscal year 2014. The $8.7 million increase in cash received from assessments was a result of higher residence hall revenue and was offset by decreased insurance premiums and legal fees for fiscal year 2014 compared to 2013.
- Net cash provided by operations exceeded the cash expended for operations in fiscal year 2013. The $3.7 million increase in cash received from assessments was a result of higher residence hall revenue. The increase in cash expended for operations is primarily due to insurance premiums for fiscal year 2014 prepaid in 2013, and increased payments for miscellaneous expenses.
- Net cash used in capital and related financing activities was $78.9 million in fiscal year 2014 compared to $70.2 million in fiscal year 2013. The net change between years is primarily attributable to an increase in payments for principal and debt, a decrease in proceeds from bond issuance and a decrease of payments on University owned assets.
- Net cash used in capital and related financing activities was $70.2 million in fiscal year 2013 compared to net cash provided by capital and related financing activities of $8.6 million in fiscal year 2012. The net change between years is primarily attributable to increased payments for both Authority and University-owned assets which increased by $26.9 and $36.6 million, respectively.
- Net cash provided by investing activities was $14.2 million in fiscal year 2014 compared to net cash provided by investing activities of $29 million in fiscal year 2013. The fiscal year 2014 activity is due primarily to the maturity of investments for the Series 2012C Bonds proceeds offset in part by the purchase of investments with the Series 2014A Bonds proceeds.
- Net cash provided by investing activities was $29.0 million in fiscal year 2013 compared to net cash used in investing activities of $99.2 million in fiscal year 2012. The fiscal year 2013 activity is due primarily to the maturity of investments for the Series 2012A Bonds proceeds offset in part by the purchase of investments with the Series 2012C Bonds proceeds.

Capital Assets

The Authority's investment in capital assets as of June 30, 2014 was $838.7 million net of accumulated depreciation compared to $752.0 million as of June 30, 2013. Capital assets include land, buildings and improvements thereon, furnishings and equipment. Capital assets comprised approximately 64% of total assets at June 30, 2014 and 63% at June 30, 2013. During the years ended June 30, 2014 and 2013, the Authority had net additions to capital assets of $120.4 million and $124.5 million, respectively, in constructing new assets and improvements on assets already in service, inclusive of construction in progress. The major components of Capital Assets are presented below.

- Construction in progress represents the balance of additions to Authority assets for projects currently underway. The construction in progress balance was $113.6 million at June 30, 2014 compared to $134.4 million at June 30, 2013. The $20.8 million decrease in construction in progress was due primarily to the nearly completed new residence halls at Bridgewater and Westfield State Universities with additions at June 30, 2013 of $59.3 million and $48.1 million, respectively, capitalized at June 30, 2014. This was offset in part by the nearly complete new residence hall at Worcester State with additions of approximately $45 million at June 30, 2014.

- The buildings and improvements balance was $983.5 million at June 30, 2014 compared to $849.9 million at June 30, 2013. The $133.6 million increase in buildings and improvements was due primarily to the new residence halls coming on line for Westfield and Bridgewater State Universities and the Massachusetts Maritime Academy.
- The furnishings and equipment balance was $48.5 million at June 30, 2014 compared to $42.7 million at June 30, 2013. The $5.8 million increase in furnishings and equipment was attributable to purchases across the state universities.
- Land was $6.1 million at June 30, 2014 and $4.2 million at June 30, 2013 reflecting the purchase of two parcels in Framingham. These purchases are part of a larger on-going project to purchase and develop surface parking at Framingham State University.

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, 2014 and 2013, respectively, such commitments were approximately $34.0 million and $69.5 million.

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

Debt Administration

The Act authorizes the Authority to issue bonds to finance the design and construction of residence facilities, dining commons, parking, athletic, cultural, and other student activity facilities at the state colleges. These 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. 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, 2014, the Authority had $1.3 billion in principal amount of bonds outstanding compared to $1.2 billion and $968.4 million at June 30, 2013 and 2012, respectively. The outstanding bond obligations carried unamortized premium balances of $76.1, $68.3 and $63.0 million, respectively, as of June 30, 2014, 2013 and 2012. The $7.8 million increase in fiscal year 2014 is attributable to the issuance of $130.9 million in Series 2014A Bonds and $3 million in Community College Bonds, Series 1 and offset by principal payments made during the fiscal year. All of the outstanding bonds carry fixed interest rates payable semi-annually on May and November 1st. For all state university program bonds, principal is payable annually on May 1st, with a final maturity of 2049. Principal is payable semi-annually on May 1 and November 1 for the Community College Bonds, Series 1 bonds. The Authority's outstanding debt has no associated interest rate exchange agreements. Of the amount outstanding, $114.3 million are taxable Build America Bonds for which the Authority receives a 35% interest rate subsidy directly from the U.S. Treasury. In fiscal year 2014 and 2013, a portion of the Authority's interest rate subsidy was reduced due to the federal government budgetary sequestration. The sequestration is expected to continue through the federal fiscal year 2023. The balance of the outstanding bonds is tax-exempt. $15.1 million of the outstanding bonds are guaranteed by the Commonwealth with a final maturity of 2016.

The Authority's state university program bonds have credit ratings of Aa2 and AA from Moody's and Standard & Poor's, respectively. The Community College Program, Series 1 bonds are not rated.

Requests for Information

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

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
(a component unit of the Commonwealth of Massachusetts)

STATEMENTS OF NET POSITION (DEFICIENCY IN NET POSITION)

JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Current assets		
Cash and cash equivalents	**$ 39,361,143**	$ 38,480,098
Restricted cash and cash equivalents	**57,193,555**	54,732,239
Restricted investments, including amounts held by bond trustee	**5,070,033**	6,082,762
Accounts receivable, net	**9,128,737**	7,018,923
Prepaid expenses	**641,713**	583,393
Total current assets	**111,395,181**	106,897,415
Noncurrent assets		
Restricted cash and cash equivalents	**3,667,913**	6,275,135
Restricted investments, including amounts held by bond trustee	**158,577,181**	166,926,046
Accounts receivable, net	**200,000,581**	156,313,777
Capital assets, net	**838,679,462**	751,957,559
Deposit	**-**	200,000
Total noncurrent assets	**1,200,925,137**	1,081,672,517
Total assets	**1,312,320,318**	1,188,569,932
DEFERRED OUTFLOWS OF RESOURCES		
Deferred losses on refunding of debt	**29,011,586**	30,695,287
Total deferred outflows of resources	**29,011,586**	30,695,287
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**33,196,953**	30,021,274
Accrued payroll	**23,116**	57,557
Interagency payables	**34,812,976**	35,790,287
Compensated absences	**84,554**	87,748
Current portion of bonds payable	**34,283,587**	28,226,591
Total current liabilities	**102,401,186**	94,183,457
Noncurrent liabilities		
Accounts payable and accrued liabilities	**211,182**	260,571
Compensated absences	**103,261**	89,897
Interagency payables	**8,774,515**	6,112,469
Bonds payable, net of current portion	**1,251,636,046**	1,140,862,923
Total noncurrent liabilities	**1,260,725,004**	1,147,325,860
Total liabilities	**1,363,126,190**	1,241,509,317
DEFERRED INFLOWS OF RESOURCES	**-**	-
Total deferred inflows of resources	**-**	-
NET POSITION (DEFICIENCY IN NET POSITION)		
Net investment in capital assets	**(3,080,091)**	405,186
Restricted:		
Expendable:		
Capital projects	**905,631**	2,231,469
Unrestricted	**(19,619,826)**	(24,880,753)
Total net position (deficiency in net position)	**($ 21,794,286)**	($ 22,244,098)

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, 2014 AND 2013

	2014	2013
OPERATING REVENUES		
Income from contracts for financial assistance, management, and services	$ 67,825,646	$ 59,081,652
Federal grants for debt service	-	58,414
Other miscellaneous revenues	426,352	548,131
Total operating revenues	68,251,998	59,688,197
OPERATING EXPENSES		
Maintenance costs	892,832	735,970
Authority operating expenses	1,660,599	1,621,486
Depreciation	33,711,899	29,888,212
Other expenses	235,606	426,570
Total operating expenses	36,500,936	32,672,238
Operating income	31,751,062	27,015,959
NONOPERATING REVENUES (EXPENSES)		
Net investment income	10,763,298	3,045,359
Interest expense	(48,795,255)	(41,151,521)
Bond issuance costs	(564,385)	(1,175,271)
Net transfers (to)/from State Universities	4,221,388	3,981,309
Net transfers (to)/from DCAM	-	(497,294)
Build America Bonds interest subsidy	2,161,590	2,302,924
Miscellaneous nonoperating revenue	912,114	56,777
Net nonoperating revenues (expenses)	(31,301,250)	(33,437,717)
INCREASE (DECREASE) IN NET POSITION	449,812	(6,421,758)
NET POSITION (DEFICIENCY IN NET POSITION), BEGINNING OF YEAR	(22,244,098)	(15,822,340)
NET POSITION (DEFICIENCY IN NET POSITION), END OF YEAR	($ 21,794,286)	($ 22,244,098)

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, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITES		
Cash received from contracts for financial assistance, management, and services	**$ 67,825,646**	$ 59,081,652
Federal grants for debt service	**-**	58,414
Other miscellaneous receipts	**426,352**	447,755
Payments for maintenance costs	**(935,823)**	(1,360,949)
Payments for operating expenses	**(890,914)**	(894,986)
Payments to employees	**(793,956)**	(708,434)
Payments for other expenses	**(235,606)**	(426,570)
Net cash provided by (used in) operating activities	**65,395,699**	56,196,882
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from bond issuance	**145,221,862**	162,774,761
Build America Bonds interest subsidy	**2,190,999**	2,302,924
Payments of bond issuance costs	**(564,385)**	(1,175,271)
Payments for capital assets	**(114,398,067)**	(116,854,913)
Miscellaneous receipts	**912,114**	56,777
Release from (payment to) escrow for deposit on capital assets	**200,000**	(200,000)
Collections of debt service receivables	**11,887,914**	8,417,939
Transfer of funds from State Universities	**4,221,388**	3,981,309
Payments from funds held for others	**(53,674,284)**	(68,409,449)
Funds received and held for others	**3,181,693**	8,967,539
Principal paid on capital debt	**(24,825,000)**	(21,450,000)
Interest paid on capital debt	**(53,243,845)**	(48,640,758)
Net cash provided by (used in) capital and related financing activities	**(78,889,611)**	(70,229,142)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	**175,481,025**	230,397,641
Purchases of investments	**(164,496,420)**	(204,509,321)
Interest on investments	**3,244,446**	3,125,997
Net cash provided by (used in) investing activities	**14,229,051**	29,014,317
Net increase (decrease) in cash and cash equivalents	**735,139**	14,982,057
Cash and cash equivalents, beginning of year	**99,487,472**	84,505,415
Cash and cash equivalents, end of year	**$ 100,222,611**	$ 99,487,472

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

	2014	2013
Operating income	**$ 31,751,062**	$ 27,015,959
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	**33,711,899**	29,888,212
Changes in assets and liabilities:		
Prepaid expenses	**(58,320)**	(583,393)
Accounts payable and accrued liabilities	**15,329**	(141,962)
Accrued payroll and compensated absences	**(24,271)**	18,066
Net cash provided by (used in) operating activities	**$ 65,395,699**	$ 56,196,882

See notes to financial statements.

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
(a component unit of the Commonwealth of Massachusetts)

STATEMENTS OF CASH FLOWS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

Supplemental cash flows information

Schedule of noncash investing, capital and financing activities

2014

Acquisition of capital assets	**$ 120,433,802**
Accounts payable thereon:	
Beginning of year	**15,221,483**
End of year	**(17,644,901)**
Net interest incurred and earned, capitalized in construction in progress	**(3,612,317)**
Payments for capital assets	**$ 114,398,067**
Accounts receivable and Interagency payables related to State College capital projects on State College owned property	**$ 51,774,504**
Unearned interest income on accounts receivable related to State College capital projects on State College owned property	**$ 22,133,964**
Contractor accounts payable related to State College capital projects on State College owned property	**$ 4,049,685**
Unrealized gain (loss) on investment securities	**$ 1,623,011**

2013

Acquisition of capital assets	$ 125,984,692
Accounts payable thereon:	
Beginning of year	11,636,385
End of year	(15,221,483)
Net interest incurred and earned, capitalized in construction in progress	(5,544,681)
Payments for capital assets	$ 116,854,913
Transfer of capital asset to DCAM	$ 1,480,311
Accounts receivable and Interagency payables related to State College capital projects on owned property	$ 54,914,986
Unearned interest income on accounts receivable related to State College capital projects on owned property	$ 17,488,249
Contractor accounts payable related to capital projects on owned property	$ 4,452,507
Unrealized gain (loss) on investment securities	($ 4,550,087)

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 universities and community college segment 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 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 operates on the basis of a Contract for Financial Assistance, Management and Services with the Board of Higher Education of the Commonwealth (BHE), in which the BHE commits the State Colleges to meet the statutory and financial obligations related to the projects.

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

Basis of presentation

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

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

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

1. Summary of significant accounting policies - continued

Net position

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

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

- **Restricted:**

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

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

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

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

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

Use of estimates

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

Cash equivalents

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

1. Summary of significant accounting policies - continued

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, 2014 and 2013.

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 Authority's Retirement Trust was established outside of the Trust Agreement and is invested given the three objectives of safety, return on investment, and liquidity. The Board will support the investment of the Retirement Trust consistent with applicable law. The Board shall establish investment policy, but delegate to the Finance and Audit Committee of the Authority to direct the 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, 2014 and 2013, as management considers all amounts fully collectible.

Capital assets

The accompanying financial statements include the transactions of all of the Authority's capital assets, which include residence halls for approximately 15,700 students in 2014 and 14,860 students in 2013, some with dining facilities, at the State Universities.

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

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

1. Summary of significant accounting policies - continued

Bond issuance costs

Bond issuance costs are expensed as incurred. During fiscal 2014 and 2013, the Authority incurred $564,385 and $1,175,271, respectively, of bond issuance costs.

Interest expense and capitalization

The Authority capitalizes interest costs incurred during the construction period of qualifying property assets. The amount of interest costs capitalized on qualifying assets acquired with proceeds of tax-exempt borrowings consists of all interest costs of the borrowing less any interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowings from the date of the borrowing until the assets are ready for their intended use. Bond premiums are amortized to interest expense on a straight-line basis over the terms of the related bonds. Deferred losses on bond refundings are amortized to interest expense principally on the effective interest method over the terms of the old trust or new trust agreements, whichever is shorter. During fiscal 2014 and 2013, total interest costs were accounted for as follows:

	2014	2013
Total interest incurred	**$ 54,334,211**	$ 48,844,879
Amortization of bond premium	**(3,566,743)**	(3,606,708)
Amortization of deferred loss	**1,683,701**	1,657,145
Less: capitalized portion of interest incurred	**(3,655,914)**	(5,743,795)
Interest expense	**$ 48,795,255**	$ 41,151,521
Capitalized portion of interest incurred	**$ 3,655,914**	$ 5,743,795
Less: interest income on unused funds from tax-exempt borrowings	**(43,597)**	(199,114)
Net capitalized interest	**$ 3,612,317**	$ 5,544,681

Fringe benefits

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

1. Summary of significant accounting policies - continued

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.

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 2013 financial statements to conform to the 2014 presentation.

Recently adopted accounting pronouncements

In April, 2013, the GASB issued GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, the primary objective of which is to improve the accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The Statement enhances comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees and enhances the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This Statement also augments the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. The requirements of GASB Statement No. 70 are effective for financial statements for fiscal years beginning after June 15, 2013 with earlier application encouraged. The Authority's adoption of this statement in fiscal 2014 had no material impact on the Authority's financial statements.

Recent accounting pronouncements not yet adopted

In June, 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, the primary objective of which is to improve accounting and financial reporting by state and local governments for pensions by requiring governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The requirements of GASB Statement No. 68 are effective for financial statements for fiscal years beginning after June 15, 2014 with earlier application encouraged.

In November, 2013, the GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB Statement No.

1. Summary of significant accounting policies - continued

Recent accounting pronouncements not yet adopted - continued

68. The Statement requires that at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68.

The Authority is currently evaluating the impact of GASB Statements No. 68 and 71 on its fiscal year 2015 financial statements.

2. Cash and cash equivalents, and investments

Credit risk

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

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

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it.

The Authority has two primary commercial banking relationships: RBS Citizens, N.A. (Citizens) is the Authority's primary depository bank, U.S. Bank National Association (U.S. Bank) is the Authority's trustee bank and holds all bond and related funds pursuant to the Trust Agreement. The Authority is party to a third party custodian agreement in which Citizens provides the Authority with collateral equal to the Authority's uninsured deposits and the custodian provides safekeeping services and holds the collateral on behalf of and for the benefit of the Authority. Pursuant to the agreement, eligible collateral is limited to only those obligations which are guaranteed as to the payment of principal and interest by the United States of America. All of the Authority's bank balances held by Citizens of $51,739,380 and $55,117,922 as of June 30, 2014 and 2013, respectively, were secured and fully collateralized pursuant to this agreement.

2. Cash and cash equivalents, and investments - continued

Custodial credit risk - continued

The Authority does not have a formal deposit policy for custodial credit risk with U.S. Bank. As of June 30, 2014 and 2013, respectively, the fair market value of the Authority's cash equivalent balances with U.S. Bank of $57,502,461 and $58,381,080, respectively, were exposed to custodial credit risk because they were uninsured and uncollateralized. The funds at U.S. Bank were invested in Fidelity Institutional Money Market Government Fund 57 (the Fund 57) which invests primarily in U.S. government securities, repurchase agreements, and may invest in reverse repurchase agreements guaranteed by U.S. Treasury obligations. The 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. The fund was not rated for average credit quality at June 30, 2014 and June 30, 2013.

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, 2014: General Allocation (holds units of other accounts), Domestic Equity, Core Fixed Income, Value-Added Fixed Income, International Equity, Emerging Markets, Real Estate, Timer/Natural Resources, Hedge Funds and Private Equity Investments. These funds were not rated for average credit quality at June 30, 2014.

The Authority's investments are held at U.S. Bank, Citizens and PRIT and are represented by the following at June 30, 2014 and 2013:

	2014		2013	
	Cost	**Fair Value**	Cost	Fair Value
U.S. Government Agencies	**$ 66,032,459**	**$ 67,312,461**	$ 61,604,762	$ 62,939,792
Commercial paper	**59,129,875**	**59,219,253**	65,464,241	65,515,978
State taxable bonds	**17,475,000**	**20,615,092**	17,475,000	19,404,207
U.S. Treasuries	**11,100,022**	**12,254,866**	24,234,551	25,148,831
Mutual funds	**4,056,592**	**4,245,542**	-	-
	$ 157,793,948	**$ 163,647,214**	$ 168,778,554	$ 173,008,808

2. Cash and cash equivalents, and investments - continued

Custodial credit risk - continued

At June 30, 2014, 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 Value**	**Less Than 1**	**1-5**	**6-10**	**Greater Than 10**	**Credit Rating**
Fannie Mae Corporation (FNMA) U.S. Govt. Issues	$ 400,424	$ 400,424	$ -	$ -	$ -	Aaa
Fannie Mae Corporation (FNMA) discount notes	17,644,696	17,644,696	-	-	-	Aaa
Federal Home Loan Banks (FHLB) U.S. Govt. Issues	12,731,218	9,920,338	2,810,880	-	-	Aaa
Strip Coupon Bonds - U.S. Govt. Issues	6,073,351	3,487,994	-	2,585,357	-	Aaa
Federal Home Loan Mortgage Corp. (FHLMC) U.S. Govt. Issues	16,635,513	1,827,466	14,808,047	-	-	Aaa
Federal Farm Credit Banks (FFCB) U.S. Govt. Issues	13,827,259	-	5,997,970	7,829,289	-	Aaa
Commercial Paper (Natixus & Societe Generale)	59,219,253	59,219,253	-	-	-	P-1
Various Massachusetts ST Bonds	20,615,092	-	1,461,901	-	19,153,191	Aaa - Aa2
U.S. Government Securities - Treasury Notes	412,100	412,100	-	-	-	Aaa
U.S. Government Securities - Treasury Notes	8,042,834	53,925	-	-	7,988,909	Aaa
U.S. Government Securities - Treasury State & Local	3,799,932	3,799,932	-	-	-	Aaa
Total	$159,401,672	$ 96,766,128	$ 25,078,798	$ 10,414,646	$ 27,142,100	

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.

2. Cash and cash equivalents, and investments - continued

Concentration

The Authority holds two commercial paper investments at June 30, 2014, which amount to approximately $44,100,000 and $15,100,000, respectively.

3. Accounts receivable

Accounts receivable include the following at June 30, 2014 and 2013:

	2014	2013
Debt service receivables	**$ 208,088,284**	$ 162,243,065
Interest receivable on investments	**676,945**	696,137
Build America Bonds interest subsidy receivable	**364,089**	393,498
	$ 209,129,318	$ 163,332,700

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 College with ownership of the underlying asset to also own any related improvements to these facilities. Under this policy, the Authority recognizes as accounts receivable the minimum payments, net of unearned interest income, to be received from the State Colleges. Conversely, the State Colleges recognize a corresponding liability to the Authority.

During fiscal 2014, accounts receivable, net of unearned interest income, totaling $51,774,504 were recorded in connection with projects at six State Colleges. During fiscal 2013, accounts receivable, net of unearned interest income, totaling $54,914,986 were recorded in connection with projects at six State Colleges and a capital asset transfer to the Commonwealth (see Note 4). A corresponding Interagency payable was also recorded by the Authority in both years as discussed further in Note 6.

The components of the Authority's debt service receivables in these State College-owned projects as of June 30, 2014 and 2013 are as follows:

	2014	2013
Total payments to be received	**$ 287,364,595**	$ 225,335,835
Less: unearned income	**(79,276,311)**	(63,092,770)
Net debt service receivables in State College-owned projects	**$ 208,088,284**	$ 162,243,065

3. Accounts receivable - continued

The following table sets forth the total payments to be received under these agreements as of June 30, 2014:

Year ending June 30:	
2015	$ 15,743,141
2016	15,744,999
2017	15,738,089
2018	15,664,193
2019	15,651,478
2020 - 2024	79,210,239
2025 - 2029	77,652,624
2030 - 2034	43,067,642
2035 - 2039	6,527,067
2040 - 2042	2,365,123
Total	$ 287,364,595

4. Capital assets

Capital assets activity for the years ended June 30, 2014 and 2013 are as follows:

	2014			
	Totals June 30, 2013	**Additions**	**Reclassifications And Reductions**	**Totals June 30, 2014**
Land	**$ 4,223,228**	**$ 1,873,341**	**$ -**	**$ 6,096,569**
Construction in progress	**134,363,807**	**108,410,067**	**(129,204,143)**	**113,569,731**
Total not being depreciated	**138,587,035**	**110,283,408**	**(129,204,143)**	**119,666,300**
Buildings and improvements	**849,912,995**	**4,342,821**	**129,204,143**	**983,459,959**
Furnishings and equipment	**42,704,525**	**5,807,573**	**-**	**48,512,098**
Total depreciable assets	**892,617,520**	**10,150,394**	**129,204,143**	**1,031,972,057**
Total capital assets	**1,031,204,555**	**120,433,802**	**-**	**1,151,638,357**
Less accumulated depreciation:				
Buildings and improvements	**(260,603,048)**	**(30,866,228)**	**-**	**(291,469,276)**
Furnishings and equipment	**(18,643,948)**	**(2,845,671)**	**-**	**(21,489,619)**
Total accumulated depreciation	**(279,246,996)**	**(33,711,899)**	**-**	**(312,958,895)**
Capital assets, net	**$ 751,957,559**	**$ 86,721,903**	**$ -**	**$ 838,679,462**

4. Capital assets - continued

	2013			
	Totals June 30, 2012	Additions	Reclassifications and Reductions	Totals June 30, 2013
Land	$ 3,832,388	$ 390,840	$ -	$ 4,223,228
Construction in progress	43,016,119	119,412,874	(28,065,186)	134,363,807
Total not being depreciated	46,848,507	119,803,714	(28,065,186)	138,587,035
Buildings and improvements	819,047,784	4,280,336	26,584,875	849,912,995
Furnishings and equipment	40,803,883	1,900,642	-	42,704,525
Total depreciable assets	859,851,667	6,180,978	26,584,875	892,617,520
Total capital assets	906,700,174	125,984,692	(1,480,311)	1,031,204,555
Less accumulated depreciation:				
Buildings and improvements	(233,138,665)	(27,464,383)	-	(260,603,048)
Furnishings and equipment	(16,220,119)	(2,423,829)	-	(18,643,948)
Total accumulated depreciation	(249,358,784)	(29,888,212)	-	(279,246,996)
Capital assets, net	$ 657,341,390	$ 96,096,480	($ 1,480,311)	$ 751,957,559

During 2013, the Authority transferred the real estate, personal property and improvements located at Ashland Street in North Adams, MA to The Commonwealth of Massachusetts, acting through its Division of Capital Asset Management (DCAM). This capital asset, with a cost basis of $1,480,311 was acquired and renovated by the Authority with the intended use of an administrative building for the Massachusetts College of Liberal Arts. In accordance with the Authority's accounting policy for capital and renovation projects for the State Colleges with ownership of the underlying asset, an accounts receivable from Massachusetts College of Liberal Arts was recorded in a net amount of $1,024,485 as well as an interagency payable to record the remaining funds held by the Authority on behalf of the University in the amount of $41,468. A noncash transfer of $497,294 was recognized upon the transfer of the capital asset.

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, 2014 and 2013.

As of June 30, 2014 and 2013, capital assets with a cost of approximately $71,500,000 and $63,800,000, respectively, were fully depreciated and still in service.

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 $34,000,000 and $69,500,000, respectively, as of June 30, 2014 and 2013.

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consisted of the following at June 30, 2014 and 2013:

	2014	2013
Capital assets and construction payables	**$ 17,644,901**	$ 15,221,483
Accrued bond interest payable	**11,484,249**	10,344,495
Arbitrage payable - long term	**211,182**	260,571
Contractor payables for State College owned assets	**4,049,685**	4,452,507
Authority operating and maintenance expenses	**18,118**	2,789
	$ 33,408,135	$ 30,281,845

6. Interagency payables

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

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

As of June 30, 2014 and 2013, the Authority has an aggregate liability for Interagency payables of $43,587,491 and $41,902,756, respectively.

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 programs for the State Universities and the Community Colleges. The Authority's outstanding debt is secured by either (i) a guarantee by the Commonwealth of Massachusetts to pay principal and interest, or (ii) revenues received by the Authority from State Colleges relating to Authority projects and other pledged funds. 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 Standard & Poors, respectively. The Authority's outstanding debt for the Community College Program is not rated.

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
(a component unit of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

7. Bonds payable - continued:

The following table summarizes the Authority's outstanding debt as of June 30, 2014:

	Issue Date	Par Amount	Interest Rates (%)	Due May 1,	Effective Interest Rates (%)*	Par Amount Outstanding	Unamortized Premiums	Total Bonds Payable
State University Program Bonds								
Commonwealth-Guaranteed Bonds								
Refunding Series 2004B	February 19, 2004	15,125,000	6.4 - 7.0	2015 - 2016	6.71	$ 15,125,000	$ 2,917,480	$ 18,042,480
Total Commonwealth-Guaranteed Bonds		15,125,000				15,125,000	2,917,480	18,042,480
Project Revenue Bonds								
Refunding Series 2003B	March 5, 2003	117,513,022	2.0 - 5.5	2003 - 2039	3.55	101,848,021	5,481,063	107,329,084
Series 2005A	March 23, 2005	36,875,000	3.0 - 5.0	2006 - 2017	4.00	5,285,000	69,565	5,354,565
Series 2006A	March 8, 2006	98,025,000	3.5 - 5.0	2007 - 2041	4.81	39,800,000	1,879,188	41,679,188
Series 2008A	March 12, 2008	95,670,000	3.0 - 5.0	2009 - 2038	4.93	89,315,000	1,985,348	91,300,348
Series 2009A	January 28, 2009	128,570,000	3.0 - 5.75	2010 - 2049	5.19	121,825,000	481,496	122,306,496
Series 2009B	December 22, 2009	82,085,000	2.0 - 5.0	2011 - 2040	4.79	77,970,000	3,094,197	81,064,197
Series 2009C, Build America Bonds	December 22, 2009	66,410,000	4.58 - 5.93	2018 - 2040	5.74	66,410,000	-	66,410,000
Series 2010A	December 17, 2010	12,120,000	3.0 - 5.0	2012 - 2018	4.44	7,295,000	571,265	7,866,265
Series 2010B, Build America Bonds	December 17, 2010	47,880,000	4.89 - 6.54	2020 - 2040	6.12	47,880,000	-	47,880,000
Refunding Series 2011A	June 8, 2011	51,610,000	2.0 - 5.0	2012 - 2025	4.97	49,190,000	6,146,055	55,336,055
Series 2012A	January 4, 2012	154,345,000	3.0 - 5.0	2013 - 2041	4.77	152,520,000	12,197,250	164,717,250
Refunding Series 2012B	March 1, 2012	149,275,000	3.0 - 5.0	2018 - 2043	4.69	149,275,000	21,579,122	170,854,122
Series 2012C	December 20, 2012	153,840,000	2.0 - 5.0	2014 - 2042	3.34	152,245,000	8,477,870	160,722,870
Series 2014A	January 7, 2014	130,875,000	2.0 - 5.0	2015 - 2048	4.75	130,875,000	11,181,713	142,056,713
Total Project Revenue Bonds		1,325,093,022				1,191,733,021	73,144,132	1,264,877,153
Total State University Program Bonds		1,340,218,022				1,206,858,021	76,061,612	1,282,919,633
Community College Program Bonds								
Series 1	March 6, 2014	3,000,000	4.25	2015 - 2034	4.44	3,000,000	-	3,000,000
Total Community College Program Bonds		3,000,000				3,000,000	-	3,000,000
Total Bonds		**$ 1,343,218,022**				**$ 1,209,858,021**	**$ 76,061,612**	**$ 1,285,919,633**

The following table summarizes the Authority's outstanding debt as of June 30, 2013:

	Issue Date	Par Amount	Interest Rates (%)	Due May 1,	Effective Interest Rates (%)*	Par Amount Outstanding	Unamortized Premiums	Total Bonds Payable
Commonwealth-Guaranteed Bonds								
Refunding Series 1994A (first lien)	November 9, 1994	$ 89,315,000	4.0 - 7.5	1995 - 2016	7.50	$ 6,824,999	$ 226,037	$ 7,051,036
Refunding Series 2004B	February 19, 2004	15,125,000	6.4 - 7.0	2015 - 2016	6.71	15,125,000	3,021,676	18,146,676
Total Commonwealth-Guaranteed Bonds		104,440,000				21,949,999	3,247,713	25,197,712
Project Revenue Bonds								
Refunding Series 2003B	March 5, 2003	117,513,022	2.0 - 5.5	2003 - 2039	3.57	103,408,022	5,701,042	109,109,064
Series 2004A	January 22, 2004	61,505,000	2.0 - 5.0	2005 - 2043	4.33	1,865,000	317,266	2,182,266
Series 2005A	March 23, 2005	36,875,000	3.0 - 5.0	2006 - 2017	4.00	6,920,000	94,098	7,014,098
Series 2006A	March 8, 2006	98,025,000	3.5 - 5.0	2007 - 2041	4.81	42,010,000	1,949,171	43,959,171
Series 2008A	March 12, 2008	95,670,000	3.0 - 5.0	2009 - 2038	4.90	90,625,000	2,068,649	92,693,649
Series 2009A	January 28, 2009	128,570,000	3.0 - 5.75	2010 - 2049	5.17	123,565,000	495,319	124,060,319
Series 2009B	December 22, 2009	82,085,000	2.0 - 5.0	2011 - 2040	4.77	79,110,000	3,213,972	82,323,972
Series 2009C, Build America Bonds	December 22, 2009	66,410,000	4.58 - 5.93	2018 - 2040	5.74	66,410,000	-	66,410,000
Series 2010A	December 17, 2010	12,120,000	3.0 - 5.0	2012 - 2018	4.24	8,950,000	720,255	9,670,255
Series 2010B, Build America Bonds	December 17, 2010	47,880,000	4.89 - 6.54	2020 - 2040	6.12	47,880,000	-	47,880,000
Refunding Series 2011A	June 8, 2011	51,610,000	2.0 - 5.0	2012 - 2025	4.96	51,175,000	6,712,207	57,887,207
Series 2012A	January 4, 2012	154,345,000	3.0 - 5.0	2013 - 2041	4.15	153,825,000	12,651,806	166,476,806
Refunding Series 2012B	March 1, 2012	149,275,000	3.0 - 5.0	2018 - 2043	4.69	149,275,000	22,327,531	171,602,531
Series 2012C	December 20, 2012	153,840,000	2.0 - 5.0	2014 - 2042	3.42	153,840,000	8,782,464	162,622,464
Total Project Revenue Bonds		1,255,723,022				1,078,858,022	65,033,780	1,143,891,802
Total Bonds		**$ 1,360,163,022**				**$ 1,100,808,021**	**$ 68,281,493**	**$ 1,169,089,514**

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

7. Bonds payable - continued

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
2015	$ 31,095,000	$ 58,559,037	$ 89,654,037
2016	36,416,780	56,890,126	93,306,906
2017	33,843,681	55,791,355	89,635,036
2018	38,755,000	51,912,599	90,667,599
2019	36,259,248	54,793,739	91,052,987
2020 – 2024	210,847,095	251,989,128	462,836,223
2025 – 2029	250,831,217	201,314,680	452,145,897
2030 – 2034	220,780,000	116,023,969	336,803,969
2035 – 2039	220,125,000	62,816,061	282,941,061
2040 – 2044	105,785,000	17,125,635	122,910,635
2045 – 2049	25,120,000	3,594,100	28,714,100
Total	1,209,858,021	$ 930,810,429	$ 2,140,668,450
Plus: Unamortized premiums	76,061,612		
	$ 1,285,919,633		

Defeasance of Debt

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

Commonwealth-Guaranteed Bonds

The Refunding Series 1994A Bonds refunded the Authority's Commonwealth guaranteed Series 1986 Bonds.

The Refunding Series 2004B Bonds refunded a portion of the Authority's Commonwealth guaranteed Series 1994A Bonds. These bonds were refinanced pursuant to an Option Agreement dated February 12, 1998 between the Authority and Lehman Brothers Special Financing, Inc. which gave Lehman the option, under certain circumstances, to cause the Authority to issue Commonwealth guaranteed bonds to refund the Series 1994A Bonds. The refunding resulted in a deferred outflow of resources at issuance of $130,950, of which $15,730 and $23,595 were unamortized as of June 30, 2014 and 2013, respectively.

7. Bonds payable - continued

Defeasance of Debt - continued

Project 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 $14,223,602 and $14,956,887 were unamortized as of June 30, 2014 and 2013, respectively. In November 2011 and May 2010, the Authority exercised call options to fully redeem the remaining unpaid principal of the Series 1999-1 and 2000-1 Bonds, respectively. As of June 30, 2014, the assets held in escrow for the repayment of the remaining Series 1999A Bonds have an aggregate market value of $88,305,430 with an unpaid principal balance, plus accreted interest, of $67,771,844.

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 $2,056,134 and $2,245,703 were unamortized as of June 30, 2014 and 2013, respectively. During 2014, the Authority exercised the call option to fully redeem the remaining 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 $12,716,120 and $13,469,102 were unamortized as of June 30, 2014 and 2013, respectively. As of June 30, 2014, the assets held in escrow for the repayment of the remaining Series 2003A, 2004A, 2005A, and 2006A Bonds have an aggregate market value of $70,571,945 with an unpaid principal balance, plus accreted interest, of $65,600,000. During 2014, the Authority exercised the call option to fully redeem the remaining unpaid principal of the 2004A 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 2008A Bonds, the Authority entered into debt service reserve fund investment agreements which provide for a guaranteed rate of return on the applicable debt service reserve funds to support the Authority’s future debt service payments. The agreements provide for termination under certain circumstances as more fully described in the agreements. Termination of the agreements may generate a gain or loss to the Authority depending on the nature and circumstances of the termination. The 2012B Refunding Bonds refunded a portion of the Series 2005A Bonds which necessitated that a portion ($1,800,000) of the original Series 2005A debt service reserve fund investment agreement be terminated. The funds received from this termination payment are being held in the Series 2005A Bonds Rebate Account.

7. Bonds payable - continued

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, 2014 and 2013:

	2014	2013
Unamortized balance, beginning	**$ 68,281,493**	$ 62,953,440
Current year additions	**11,346,862**	8,934,761
Current year amortization	**(3,566,743)**	(3,606,708)
Unamortized balance, ending	**$ 76,061,612**	$ 68,281,493

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, 2014 and 2013:

	2014	2013
Balance, beginning	**$ 30,695,287**	$ 32,352,432
Current year additions	**-**	-
Current year amortization	**(1,683,701)**	(1,657,145)
Balance, ending	**$ 29,011,586**	$ 30,695,287

8. Long-term liabilities

Long-term liabilities at June 30, 2014 and 2013 consisted of the following:

	2014				
	Beginning balance	**Additions**	**Reductions**	**Ending balance**	**Current portion**
Bonds payable, par	**$ 1,100,808,021**	**$ 133,875,000**	**$ (24,825,000)**	**$ 1,209,858,021**	**$ 31,095,000**
Unamortized premiums	**68,281,493**	**11,346,862**	**(3,566,743)**	**76,061,612**	**3,188,587**
Total bonds payable	**1,169,089,514**	**145,221,862**	**(28,391,743)**	**1,285,919,633**	**34,283,587**
Interagency payables	**41,902,756**	**51,956,198**	**(50,271,463)**	**43,587,491**	**34,812,976**
Other liabilities:					
Arbitrage payable	**260,571**	**-**	**(49,389)**	**211,182**	**-**
Compensated absences	**177,645**	**97,918**	**(87,748)**	**187,815**	**84,554**
Total long-term liabilities	**$ 1,211,430,486**	**$ 197,275,978**	**$ (78,800,343)**	**$ 1,329,906,121**	**$ 69,181,117**

	2013				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Bonds payable, par	$ 968,418,021	$ 153,840,000	$ (21,450,000)	$ 1,100,808,021	$ 24,825,000
Unamortized premiums	62,953,440	8,934,761	(3,606,708)	68,281,493	3,401,591
Total bonds payable	1,031,371,461	162,774,761	(25,056,708)	1,169,089,514	28,226,591
Interagency payables	46,424,408	62,858,041	(67,379,693)	41,902,756	35,790,287
Other liabilities:					
Arbitrage payable	97,005	163,566	-	260,571	-
Compensated absences	164,025	130,387	(116,767)	177,645	87,748
Total long-term liabilities	$ 1,078,056,899	$ 225,926,755	$ (92,553,168)	$ 1,211,430,486	$ 64,104,626

9. Net position

The net investment in capital assets of ($3,080,091) at June 30, 2014, includes the effect of deferring the recognition of the losses on bond refundings. The $29,011,586 balance of the deferred outflows of resources at June 30, 2014 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).

The Authority is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. These funds are comprised of the following:

	2014	2013
Restricted - expendable:		
DCAM/MSCBA contract restricted for life safety and access improvements and repositioning of O'Connor Hall	**$ 905,631**	$ 2,231,469

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.

11. Operating expenses

The Authority's operating expenses for the years ended June 30, 2014 and 2013, on a natural classification basis, are comprised of the following:

	2014	2013
Compensation	**$ 771,238**	$ 727,813
Supplies and services	**2,017,799**	2,056,213
Depreciation	**33,711,899**	29,888,212
	$ 36,500,936	$ 32,672,238

12. Retirement plan

The Authority's full-time employees are covered by the Massachusetts State Employees' Retirement System (SERS and the Plan). SERS, a single employer defined benefit public employee retirement system, is administered by the Massachusetts State Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Chapter 32 of the General Laws of the Commonwealth of Massachusetts assigns the authority to establish and amend benefit provisions to the Massachusetts Legislature. For active Authority employees covered by SERS, 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

12. Retirement plan - continued

the Authority to the Massachusetts State Retirement Board amounted to $97,745, $93,243 and $84,452 for the years ended June 30, 2014, 2013 and 2012, respectively, which equaled the required contributions each year. Annual covered payroll was approximately 100% of annual total payroll for the Authority in 2014, 2013 and 2012.

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.

All full-time staff are covered by and must participate in SERS. Benefits fully vest after 10 years of full-time employment. An employee may receive retirement benefits after 20 years of service, or after 10 years of service and having attained the age of 55.

Based on State statute, covered employees of the Authority contribute an amount ranging from 5% to 9% (depending on date of employment) of their eligible compensation to SERS. Employees hired after January 1, 1979, are required to contribute an additional 2% for the eligible compensation over $30,000 per year. The Board of the Authority has voted to make actuarially determined contributions to a retirement trust fund.

In November 2013, Chapter 32 of the General Laws of the Commonwealth of Massachusetts, was amended to permit the Authority to invest its retirement trust fund in the Massachusetts Pension Reserves Investment Trust (PRIT). In February 2014, the Authority transferred its retirement fund investment to a PRIT maintained account investing in a PRIT general allocation mutual fund. An Actuarial Valuation and Review Report, dated as of January 1, 2014, concluded that the liabilities under the plan are fully funded for the period under review and no Authority contributions are required for this period.

13. Retiree health plan

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

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

13. Retiree health plan - continued

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, 2014, 2013, and 2012, were $111,347, $110,781 and $100,615, respectively, which equaled the required contributions each year. Required contributions include contributions for the total health plan costs for both active and retired employees.

14. Lease commitments and receivables

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

For the years ended June 30, 2014 and 2013, rent expense incurred, including additional costs for monthly storage and parking which are not provided under the terms of the lease agreement, amounted to $185,293 and $167,122, respectively.

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

Year ending June 30:	Amount
2015	$ 173,118
2016	173,118
2017	176,902
2018	184,470
2019	184,470
2020	122,980
	$ 1,015,058

On June 25, 2010, the Authority entered into a lease agreement with the Massachusetts College of Pharmacy and Health Sciences (MCPHS) for the purpose of leasing a portion of the dormitory residences of the new student residence hall at the Massachusetts College of Art and Design (MCAD) which was completed in May 2012. Occupancy of the leased space began in the Fall 2012 academic semester. The lease was amended as of May 9, 2012 to allow for, among other matters, additional bed spaces, revised extension terms and revised total rent payments. The cost of the portion of the property that is leased to MCPHS and included in buildings and improvements in the accompanying statements of net position (deficiency in net position) amounts to approximately $35,101,000 at both June 30, 2014 and 2013, with accumulated depreciation of $2,632,520 and $1,755,013 as of June 30, 2014 and 2013, respectively. In accordance with the lease agreement, MCPHS deposited $100,000 with the Authority in December 2009, which together with interest earned thereon, in the amount of $100,391, was credited towards the payment of MCPHS's first installment of annual rent during fiscal 2013.

14. Lease commitments and receivables - continued

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

On August 7, 2012, the Authority entered into a lease agreement with Harvard Vanguard Medical Associates, Inc. (Harvard Vanguard) to lease approximately 2,395 square feet of space at MCAD for the purpose of operating a student health services clinic. The cost of the property leased to Harvard Vanguard and included in buildings and improvements in the accompanying statements of net position (deficiency in net position) amounts to approximately $1,107,000 at both June 30, 2014 and 2013, with accumulated depreciation of $82,926 and $55,284 as of June 30, 2014 and 2013, respectively.

The lease agreement provides for an initial term of five years commencing in August 2012, and thereafter, at the option of Harvard Vanguard, may be extended for three additional, five year periods. The option to extend a term shall be exercised not less than one year prior to the expiration of the term then in effect. Annual rent shall be due in advance on the anniversary of the commencement date. Annual rent shall increase two and a half percent per year during the initial lease term and all extension periods.

The Authority has entered into an agreement with MCAD whereby the MCPHS and Harvard Vanguard lease payments will be made on a semiannual basis directly to MCAD, as payment of rent, and held in MCAD's residence hall trust fund and shall be used by MCAD for the operation of the leased property in a similar manner in which residence hall fees are used by the University and the Authority. In accordance with the lease agreement MCPHS and Vanguard paid MCAD $3,214,270 and $24,474, respectively, during fiscal 2014 and $3,214,270 and $24,474, respectively, during fiscal 2013. The Authority assesses annual obligations to MCAD, which include the pro rata share of the building occupied by MCPHS and Harvard Vanguard, on the same debt assessment basis the Authority uses for their other residence halls. The annual assessment included in income from contracts for financial assistance, management, and services in the accompanying statements of revenues, expenses and changes in net position for fiscal 2014 and 2013 related to these lease agreements amounted to $1,949,500 and $1,969,500, respectively.

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

Year ending June 30:	MCPHS	Harvard Vanguard	Total
2015	$ 3,214,270	$ 25,086	$ 3,239,356
2016	3,326,790	25,713	3,352,503
2017	2,692,858	26,356	2,719,214
2018	325,000	3,305	328,305
	$ 9,558,918	$ 80,460	$ 9,639,378

15. Transfers from State Universities

In March, 2013, the Authority entered into a funding agreement with Worcester State University (Worcester) related to the Authority's issuance of its Project Revenue Bonds, Series 2012C for the purpose, in part, of constructing a new dormitory, including a dining facility on Worcester's campus (Sheehan Hall). The agreement, among other matters, identifies Worcester's desire to increase the capacity of the dining facility in Sheehan Hall to meet the needs of the entire campus. As such, Worcester has agreed to provide supplemental funding up to a maximum amount of $7,000,000 to fund the costs of such increase in capacity. During fiscal years 2014 and 2013, the Authority received $2,500,000 each year from Worcester in accordance with the agreement. The agreement calls for the final funding portion of $2,000,000 to be received by the Authority from Worcester in fiscal 2015.

In addition, other transfers from State Universities received in the ordinary course of business totaled $1,721,388 and $1,481,309 for fiscal years 2014 and 2013, respectively.

16. Miscellaneous nonoperating revenue

As a result of a bankruptcy claim arising from lost earnings due to the termination of several investment agreements, the Authority received $912,114 during fiscal year 2014. The Authority recognized this partial settlement payment as miscellaneous nonoperating revenue in the accompanying 2014 statement of revenues, expenses and changes in net position. The Authority is still pursuing additional funds related to this claim. Subsequent to year end, the Authority has received approximately $90,000 of additional funds related to this claim.

SUPPLEMENTAL INFORMATION

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
(a component unit of the Commonwealth of Massachusetts)

Supplemental Statistical Information - Unaudited

Schedule of Net Position (Deficiency) by Category

	2005	2006	2007	2008	2009	2010 (as restated)	2011 (as restated)	2012	2013	2014
Net investment in capital assets	$ (3,043,100)	$ (17,302,389)	$ (15,522,125)	$ (23,698,356)	$ (11,777,270)	$ (21,689,811)	$ (3,693,773)	$ 1,380,597	$ 405,186	$ (3,080,091)
Restricted - expendable	930,636	363,076	330,731	106,446	8,976	2,555,116	1,897,286	2,415,383	2,231,469	905,631
Unrestricted	(3,486,656)	8,790,712	5,913,292	12,275,407	(834,537)	585,170	(17,664,638)	(19,618,320)	(24,880,753)	(19,619,826)
Total Net Position (Deficiency)	**$ (5,599,120)**	**$ (8,148,601)**	**$ (9,278,102)**	**$ (11,316,503)**	**$ (12,602,831)**	**$ (18,549,525)**	**$ (19,461,125)**	**$ (15,822,340)**	**$ (22,244,098)**	**$ (21,794,286)**

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
(a component unit of the Commonwealth of Massachusetts)

Supplemental Statistical Information - Unaudited

Changes in Net Position

	2005	2006	2007	2008	2009	2010	2011 (as restated)	2012	2013	2014
Operating Revenue										
Income from assessments	$ 22,919,644	$ 27,045,308	$ 30,196,978	$ 33,715,219	$ 36,555,398	$ 42,453,490	$ 51,349,024	$ 55,373,353	$ 59,081,652	$ 67,825,646
Federal grants for debt service	211,890	211,890	211,890	211,890	211,890	211,890	211,890	211,886	58,414	-
Other miscellaneous revenue	62,811	128,063	119,862	174,592	216,054	119,636	568,661	499,035	548,131	426,352
Total operating revenue	**23,194,345**	**27,385,261**	**30,528,730**	**34,101,701**	**36,983,342**	**42,785,016**	**52,129,575**	**56,084,274**	**59,688,197**	**68,251,998**
Non-Operating Revenue										
Net investment income	2,826,980	3,898,869	4,864,785	5,009,751	4,674,885	6,393,208	3,977,455	12,643,482	3,045,359	10,763,298
Transfers (to)/from State Universities	527,740	978,769	536,914	347,388	1,684,693	440,267	3,352,687	3,050,414	3,981,309	4,221,388
Transfers (to)/from DCAM	-	-	-	-	-	-	-	-	(497,294)	-
State capital appropriations	-	-	-	-	-	6,881,873	-	-	-	-
Build America Bonds interest subsidy	-	-	-	-	-	700,809	1,887,838	2,360,991	2,302,924	2,161,590
Gain (loss) on sale of assets	-	-	-	-	-	-	400,141	-	-	-
Miscellaneous nonoperating revenue	-	-	-	-	-	-	201,756	546,385	56,777	912,114
Capital grants	-	-	-	344,224	34,255	293,073	-	-	-	-
Total non-operating revenue	**3,354,720**	**4,877,638**	**5,401,699**	**5,701,363**	**6,393,833**	**14,709,230**	**9,819,877**	**18,601,272**	**8,889,075**	**18,058,390**
Total Revenue	**26,549,065**	**32,262,899**	**35,930,429**	**39,803,064**	**43,377,175**	**57,494,246**	**61,949,452**	**74,685,546**	**68,577,272**	**86,310,388**
Operating Expenses										
Maintenance costs	(746,323)	(421,828)	(701,992)	(607,595)	(500,864)	(535,276)	(668,168)	(740,425)	(735,970)	(892,832)
Authority operating costs	(766,641)	(882,143)	(1,012,269)	(1,060,471)	(1,282,995)	(1,392,357)	(1,483,170)	(1,481,186)	(1,621,486)	(1,660,599)
Depreciation	(12,272,209)	(14,577,806)	(15,821,798)	(17,306,821)	(18,614,829)	(20,854,040)	(24,968,701)	(28,603,149)	(29,888,212)	(33,711,899)
Other expenses	(73,389)	(164,687)	(239,798)	(181,503)	(224,192)	(583,365)	(162,258)	(294,516)	(426,570)	(235,606)
Total operating expenses	**(13,858,562)**	**(16,046,464)**	**(17,775,857)**	**(19,156,390)**	**(20,622,880)**	**(23,365,038)**	**(27,282,297)**	**(31,119,276)**	**(32,672,238)**	**(36,500,936)**
Non-operating expense										
Interest expense	(14,829,322)	(18,470,702)	(18,901,258)	(22,373,377)	(23,668,900)	(27,717,084)	(34,798,750)	(37,776,890)	(41,151,521)	(48,795,255)
Bond issuance costs	(413,653)	(295,214)	(382,815)	(311,698)	(371,723)	(402,289)	(780,005)	(2,150,595)	(1,175,271)	(564,385)
Total non-operating expense	**(15,242,975)**	**(18,765,916)**	**(19,284,073)**	**(22,685,075)**	**(24,040,623)**	**(28,119,373)**	**(35,578,755)**	**(39,927,485)**	**(42,326,792)**	**(49,359,640)**
Total Expenses	**(29,101,537)**	**(34,812,380)**	**(37,059,930)**	**(41,841,465)**	**(44,663,503)**	**(51,484,411)**	**(62,861,052)**	**(71,046,761)**	**(74,999,030)**	**(85,860,576)**
Increase (decrease) in net position	**$ (2,552,472)**	**$ (2,549,481)**	**$ (1,129,501)**	**$ (2,038,401)**	**$ (1,286,328)**	**$ 6,009,835**	**$ (911,600)**	**$ 3,638,785**	**$ (6,421,758)**	**$ 449,812**

See independent auditor's report on supplemental statistical information on page 1.

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
(a component unit of the Commonwealth of Massachusetts)

Supplemental Statistical Information - Unaudited

Schedule of Revenue

Institution	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Bridgewater	$ 4,482,867	$ 4,795,486	$ 5,438,523	$ 7,822,115	$ 8,322,153	$ 10,167,907	$ 12,019,967	$ 12,980,504	$12,987,262	$16,281,766
Fitchburg	2,318,513	2,636,155	2,877,521	2,777,823	3,114,788	4,318,236	4,705,990	4,902,735	5,127,026	5,376,040
Framingham	2,539,490	3,107,535	3,601,883	3,566,123	4,296,966	4,440,318	4,923,218	6,695,874	7,103,882	7,959,801
Mass. College of Art	2,058,637	2,053,837	2,085,066	2,093,382	2,123,909	2,166,434	2,203,147	2,170,707	5,906,206	6,087,404
Mass. College of Liberal Arts	1,289,002	1,327,074	1,480,142	1,540,548	1,607,082	2,225,289	2,397,236	2,742,973	2,609,247	2,592,005
Mass. Maritime Academy	1,291,439	1,470,468	1,753,164	2,604,399	3,076,898	3,376,425	3,545,353	3,710,356	4,110,844	4,194,537
Salem	3,425,419	3,975,228	4,401,671	4,415,071	4,411,494	4,972,018	9,128,481	9,407,195	8,451,618	9,542,570
Westfield	2,744,803	4,563,833	4,979,345	5,002,812	5,552,861	6,264,556	6,649,381	6,943,818	7,402,580	9,996,056
Worcester	2,769,474	3,115,692	3,579,663	3,892,946	4,049,247	4,522,307	5,776,251	5,819,191	5,382,987	5,795,467
Total	$ 22,919,644	$ 27,045,308	$ 30,196,978	$ 33,715,219	$ 36,555,398	$ 42,453,490	$ 51,349,024	$ 55,373,353	$ 59,081,652	$ 67,825,646

See independent auditor's report on supplemental statistical information on page 1.

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
(a component unit of the Commonwealth of Massachusetts)

Supplemental Statistical Information - Unaudited

Room Rates of Residence Facilities

Institution	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Bridgewater	$3,002-4,808	$3,192-4,954	$3,560-5,138	$4,350-6,400	$5,100-6,656	$5,640-6,962	$5,800-7,100	$6,100-7,310	$6,300-7,460	$6,540-7,740
Fitchburg	$3,192-3,582	$3,414-3,840	$3,736-4,418	$3,812-$4,464	$4,160-5,170	$4,642-5,345	$4,782-6,000	$4,930-6,204	$5,100-6,420	$5,230-6,580
Framingham	$3,074-3,800	$3,504-4,336	$3,846-4,736	$4,034-4,974	$4,382-5,382	$4,755-5,755	$5,105-6,105	$5,495-8,250	$5,885-8,630	$6,085-8,830
Mass. College of Art	$5,450-8,614	$6,050-9,074	$6,400-9,300	$6,400-$9,300	$6,710-9,580	$6,777-9,676	$7,350-10,280	$7,610-10,640	$7,876-11,000	$8,030-11,220
Mass. College of Liberal Arts	$3,218-3,444	$3,266-3,530	$3,454-3,720	$3,622-$3,882	$3,800-4,202	$4,175-4,575	$4,375-4,875	$4,530-5,050	$4,740-5,140	$4,860-5,260
Mass. Maritime Academy	$2,886	$3,098	$3,366	$4,100	$4,668	$4,978	$5,125	$5,300	$5,470	$5,910
Salem	$3,242-6,030	$3,588-6,272	$3,948-6,568	$4,114-6,766	$4,610-7,445	$5,071-8,204	$5,730-9,110	$6,150-9,350	$6,570-9,320	$6,700-9,500
Westfield	$3,034-3,828	$3,264-5,750	$3,386-5,930	$3,588-5,990	$3,984-6,230	$4,303-6,516	$4,650-6,800	$4,800-7,100	$4,950-7,350	$5,250-7,500
Worcester	$3,692-5,900	$3,764-6,250	$4,046-6,294	$4,220-6,484	$4,880-6,847	$5,272-7,165	$6,150-7,487	$6,580-7,800	$6,750-7,800	$6,920-7,980

Occupancy as a Percentage of Design Capacity at Residence Facilities

Institution	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Bridgewater	105%	105%	104%	103%	104%	101%	100%	100%	99%	95%
Fitchburg	100%	100%	102%	104%	103%	105%	104%	100%	101%	100%
Framingham	100%	100%	100%	99%	101%	101%	104%	100%	100%	100%
Mass. College of Art	99%	98%	101%	99%	100%	100%	99%	100%	99%	99%
Mass. College of Liberal Arts	88%	89%	95%	89%	88%	94%	99%	94%	91%	86%
Mass. Maritime Academy	96%	99%	103%	92%	94%	100%	103%	106%	108%	111%
Salem	100%	103%	101%	100%	104%	106%	94%	102%	107%	106%
Westfield	109%	106%	108%	107%	107%	105%	104%	106%	101%	98%
Worcester	96%	97%	101%	100%	102%	102%	100%	103%	102%	101%
State University Average	**101%**	**100%**	**103%**	**101%**	**102%**	**102%**	**101%**	**101%**	**101%**	**99%**

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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
Boston, Massachusetts

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 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, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 7, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CohnReznick LLP

Boston, Massachusetts
October 7, 2014