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

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

June 30, 2016 and 2015

CohnReznick
Accounting • Tax • Advisory

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

Index

Independent Auditor's Report

To the Board
Massachusetts State College Building Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Massachusetts State College Building Authority (the "Authority"), a component unit of the Commonwealth of Massachusetts, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension benefit schedules on pages 4 to 14 and 51 to 52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Authority's basic financial statements. The statistical section contained on pages 54 to 58 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 25, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 25, 2016

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, 2016 and 2015, and the results of its operations and cash flows for the years then ended. This management's discussion and analysis is unaudited and should be read in conjunction with the Authority's audited financial statements and notes, which are attached hereto.

Introduction

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

Pursuant to the Act and a Contract for Financial Assistance, Management and Services between the Commonwealth acting by and through the Board of Higher Education ("BHE") (the "Contract"), the Authority annually sets and assesses rents and fees sufficient to provide for the payment of all costs of its facilities, including maintenance, operation, administration, reserves and to pay debt service on revenue bonds issued to finance its projects. The Authority receives no direct appropriation from the Commonwealth. As of June 30, 2016, approximately 16,600 students reside in the 55 residential complexes owned by the Authority. These facilities house over 40% of full-time undergraduate students and comprise about 4.5 million square feet of space on the nine state university campuses.

The 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 2015/16 and 2014/15, the number of students housed in on-campus housing owned by the Authority was 97.6% and 97.5% of design occupancy, respectively.

The following table shows average annual residence hall occupancy every other year from the 2002/03 through 2014/15 and 2015/16 academic years and the average number of design occupancy beds for those periods.

Residence Halls Occupancy Table

State College	Academic Years 2002/03	2004/05	2006/07	2008/09	2010/11	2012/13	2014/15	2015/16
Bridgewater	105.0%	105.0%	104.2%	104.5%	99.7%	98.9%	99.2%	96.7%
Fitchburg	95.0%	100.0%	101.7%	102.5%	103.8%	100.8%	103.1%	101.0%
Framingham	105.0%	100.0%	99.7%	101.0%	103.9%	100.3%	97.9%	97.9%
Mass. College of Art & Design	100.0%	99.0%	101.4%	99.8%	99.4%	99.3%	98.6%	98.2%
Mass. College of Liberal Arts	81.0%	88.0%	94.7%	87.9%	97.5%	91.1%	85.7%	78.6%
Mass. Maritime Academy	93.0%	96.0%	103.4%	94.3%	102.9%	107.9%	92.5%	100.5%
Salem	105.0%	100.0%	100.6%	104.2%	93.5%	106.7%	106.8%	99.7%
Westfield	109.0%	109.0%	108.3%	107.2%	104.3%	101.1%	98.3%	102.4%
Worcester	100.0%	96.0%	100.6%	102.0%	99.1%	101.9%	86.6%	94.0%
Average Occupancy	**101.0%**	**99.0%**	**102.5%**	**101.8%**	**100.6%**	**101.0%**	**97.5%**	**97.6%**
Design Occupancy	**10,585**	**11,141**	**12,255**	**12,968**	**14,138**	**15,290**	**16,458**	**16,773**

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 4.2% at June 30, 2016 compared to 4.7% at June 30, 2015 and 5.5% at June 30, 2014. This compares to a national rate of 4.9% in 2016, 5.3% in 2015 and 6.1% in 2014, according to the U.S. Bureau of Labor Statistics.

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

In the last several fiscal years, the Authority issued bonds during periods of historically low rates to generate new money for construction projects and to refund certain bonds to achieve interest cost savings. The Authority continued to strive to offer affordable residence options for students. Student rent for academic year 2015/16 and 2014/15 on Authority residence facilities compared favorably to both regional private and other public institutions. In the fall of 2015, Authority rents were the fifth lowest compared among 40 private regional institutions and third lowest when compared among seven regional public institutions.

Financial Statements

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

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

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

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

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

Financial Highlights

- Total assets of the Authority were $1.33 billion at June 30, 2016, down slightly from $1.38 billion at June 30, 2015, primarily due to an increase in investments to Authority-owned residence halls offset by a decrease in restricted cash and investments and a slight decrease in accounts receivable reflecting renovation and construction projects on the college-owned student activity facilities. Sources of funds for these projects include bond funds and capital improvement reserves.

- For the year ended June 30, 2016, capital assets grew by $44.4 million due primarily to the continuation, completion, and commencement of construction projects on Authority-owned residence halls. Details of capital assets are provided on page 13.

- Fiscal year 2016 activity also included renovations and new construction projects on student activity facilities. Operating Revenues increased $2.3 million in fiscal year 2016 from fiscal year 2015 due to increased assessment revenues used to fund debt obligations, Authority operations, and deposits to capital reserves.

- In December 2015, the Authority issued $15.9 million Series 2015A at a true interest cost of 3.1%. The proceeds of the Series 2015A provided funds for acquisition of three separate properties on behalf of Framingham State, renewal and adaption projects for various residence halls at Fitchburg State, Massachusetts College of Liberal Arts and Westfield State and student activity projects at Massachusetts College of Liberal Arts.

- In February 2016, the Authority issued $177.3 million in Series 2016A Refunding Bonds with a true interest cost of 3.2%. These bonds refunded bonds originally issued in 2008 and 2009 to generate net present value debt service savings of $28 million or 14.7% of the refunded bonds.

- Beginning with fiscal year 2015, the Authority implemented GASB 68, which requires the Authority to report the net pension liability which is the difference between the total pension liability and the value of the assets available in the pension plan's trust to pay pension benefits. The Commonwealth calculated an increase to the Authority's proportionate share of the Commonwealth's net pension liability in fiscal year 2016 compared to fiscal year 2015. This increase is primarily due to a lower investment rate of return assumption and the effect of the Commonwealth's early retirement incentive program. The fiscal year 2016 share of the net pension liability is .0289% or $3.3 million for fiscal year 2016, .0253% or $1.9 million for fiscal year 2015 and .0264% or $2.3 million for fiscal year 2014. The Authority invests it retirement trust fund with the Commonwealth's Pension Reserve Investment Trust ("PRIT"). This investment was valued at $4.2 million as of June 30, 2016 and is more than adequate to fund the Authority's net pension liability of $3.3 million.

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 colleges and consequently they are not available to be used to liquidate liabilities. In fiscal year 2002, the Authority began depreciating its capital assets in accordance with GASB Statements 34 and 35. At that time, the initial accumulated depreciation of $81.45 million represented the depreciation on its capital assets dating back to 1963. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets in accordance with guidelines established by the Commonwealth.

Summary - Statements of Net Position at June 30, 2016, 2015 and 2014

	June 30, 2016	2015	2014
Current assets	$ 82,104,520	$ 158,099,142	$ 111,395,181
Capital assets, net	942,065,389	897,680,190	838,679,462
Other noncurrent assets	308,663,522	324,224,428	362,245,675
Total assets	1,332,833,431	1,380,003,760	1,312,320,318
Deferred outflows of resources	44,825,869	27,865,455	29,011,586
Current liabilities	72,499,240	94,516,484	102,401,186
Noncurrent liabilities	1,332,697,067	1,341,892,109	1,263,075,483
Total liabilities	1,405,196,307	1,436,408,593	1,365,476,669
Deferred inflows of resources	156,831	465,724	-
Net position:			
Net investment in capital assets	(26,840,022)	(12,717,572)	(3,080,091)
Restricted	1,365	905,721	905,631
Unrestricted	(855,181)	(17,193,251)	(21,970,305)
Deficiency in net position	$ (27,693,838)	$ (29,005,102)	$ (24,144,765)

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

- Total assets at June 30, 2015 increased 5.2% when compared to total assets at June 30, 2014. This primarily reflects continued additions to capital assets and increased receivables for the college-owned portions of the Series 2014B and C Bond issues. Cash and cash equivalents increased by $6.6 million as a result of proceeds of the Series 2014B and C Bonds held as cash offset by continued spending of other project funds. Investments decreased by $74 million as proceeds of the Series 2014B and 2014C Bond issues were primarily held as cash and equivalents offset by purchases and maturities of investments in the Series 2014A Bond funds. Accounts receivable increased by $23.5 million as a result of the portion of Series 2014B and C Bonds issued to fund college-owned projects.

- Reserves for capital improvements, multi-purpose and operating purposes as of June 30, 2016 were $22.3 million compared to $25.3 million as of June 30, 2015. Debt service reserve funds totaled $88 million as of June 30, 2015 compared to $96.6 million. This reduction is attributable to the use of debt service reserve funds in excess of the required level of reserves being applied as a source of funds to the Refunding Bond Series 2016A.

- Reserves for capital improvements, multi-purpose and operating purposes as of June 30, 2015 were $25.3 million compared to $26.4 million as of June 30, 2014. Debt service reserve funds totaled $96.6 million as of June 30, 2015 compared to $87.7 million as of June 30, 2014. These reserves are included in the Statements of Net Position in the cash and cash equivalents and investments categories.

- Capital assets are discussed on page 13.

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

- Total liabilities at June 30, 2015 increased 5.2% as compared to total liabilities at June 30, 2014, due to an increase in bonds payable. Bonds payable increased $84.1 million to $1.37 billion as a result of the issuance of Series 2014B, Series 2014C and Series 2014D Bonds offset by the payment of principal on outstanding bonds and defeasance of refunded bonds. In addition, in compliance with GASB 68, the Authority has recorded $1.9 million and $2.4 million in net pension liability as of June 30, 2015 and June 30, 2014, respectively. As of June 30, 2015 and June 30, 2014, the Authority had $4.4 million and $4.2 million, respectively, invested in the Pension Reserve Investment Trust Fund (see Note 2), the sole purpose of which is to provide for current and future pension liabilities of the Authority.

- 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 to 14.

- A deficiency in total net position exists primarily due to depreciation and interest expenses exceeding operating and non-operating revenues over a period of time. The net position at June 30, 2016 increased by $1.3 million compared to the net position at June 30, 2015. This increase is due to increases to assessment revenues, net investment income and a net transfers from State Universities offset by an increase in depreciation, insurance premiums and bond issuance costs. The net position at June 30, 2015 decreased by $4.9 million compared to the net position at June 30, 2014 due primarily to an increase in depreciation and interest expense. 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 years ended June 30, 2016 and 2015, excluding depreciation, was an increase in net position of $43 million and $34 million, respectively.

Statements of Revenues, Expenses and Changes in Net Position

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

Summary - Operating and Non-Operating Revenues and Expense

	Fiscal year ended June 30		
	2016	2015	2014
Total operating revenues	$ 77,130,457	$ 74,813,069	$ 68,251,998
Total operating expenses	45,145,972	42,435,206	36,500,936
Operating income	31,984,485	32,377,863	31,751,062
Nonoperating expenses, net	(30,673,221)	(37,238,200)	(31,301,250)
Increase (decrease) in net position	1,311,264	(4,860,337)	449,812
Net position - beginning of the year	(29,005,102)	(24,144,765)	(22,244,098)
Restatement	-	-	(2,350,479)
Net position - end of the year	$ (27,693,838)	$ (29,005,102)	$ (24,144,765)

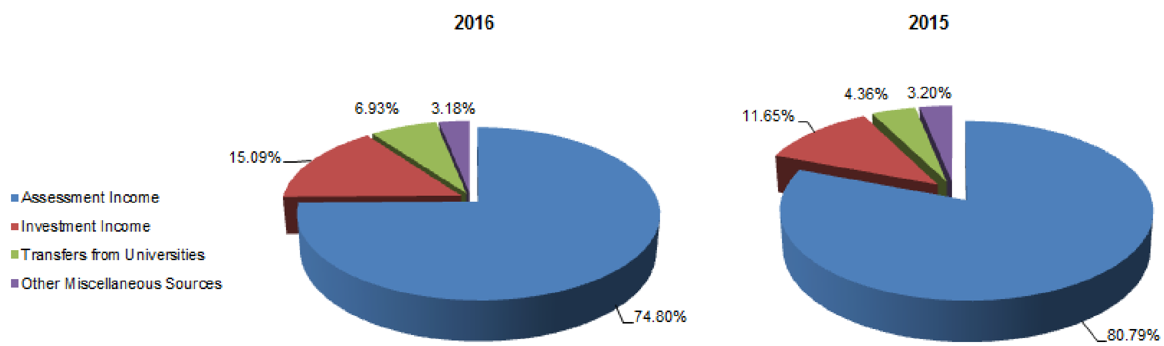
- Operating revenues grew from $74.8 million at June 30, 2015 to $77.1 million at June 30. 2016 due primarily to an increase in assessment revenues.

- Operating revenues grew from $68.3 million at June 30, 2014 to $74.8 million at June 30, 2015, due primarily to an 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 18% decrease in nonoperating expenses in fiscal year 2016 is due to the $4.7 million increase in net investment income and transfers from State Universities offset slightly by an increase in interest costs and bond issuance costs. The 19.0% increase in nonoperating expenses in fiscal year 2015 is due to increased interest expense on outstanding bonds.

The charts below compare total revenue for fiscal year 2016 with fiscal year 2015:

Summary - Total Revenue Fiscal Years 2016 and 2015



- Operating expenses include depreciation, maintenance and renewal and adaption to capital assets and operating expenses associated with Authority operations.

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

- In fiscal year 2015, depreciation expense was $38.9 million as compared to $33.7 million in fiscal year 2014. The increase in depreciation expense of $5.2 million is due to the additional depreciable assets brought into use in fiscal year 2015, including major improvements and renewal and adaption at several campuses.

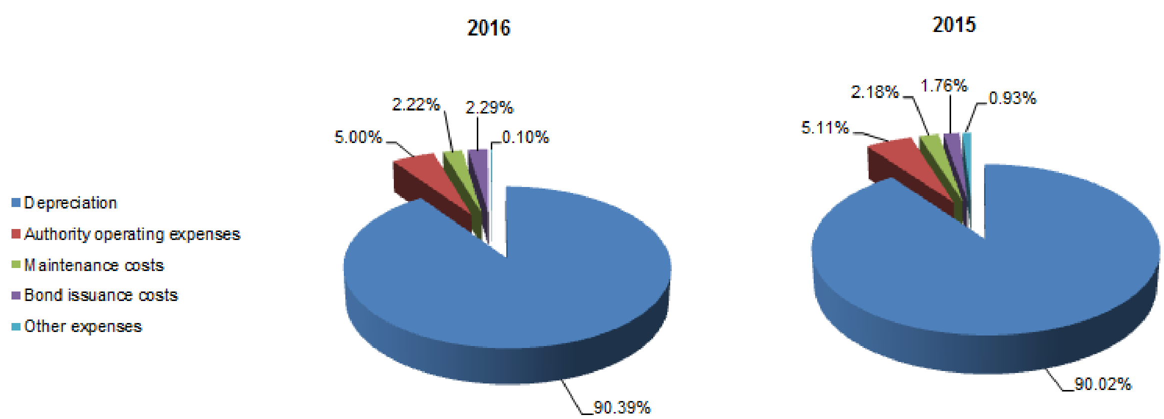
- In fiscal year 2016, the $85,092 increase in maintenance costs are due primarily to increased property, liability and flood insurance premium expenses. The Authority's other expenses decreased $252,370 due to a decrease in consulting fees.

- In fiscal year 2015, maintenance costs increased by $46,724 from fiscal year 2014 primarily due to increased property and liability insurance premium expenses. The Authority's other expenses increased $715,248 due to increases to payroll and general legal services and consulting fees.

- 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 0.9% in fiscal year 2016 due primarily to increased interest costs associated with the Series 2014B and 2014C Bonds. Interest expense increased by 9.7% in fiscal year 2015 compared to 2014 due primarily to increased interest costs associated with the Series 2014A Bonds offset by increased premium amortization associated with the Series 2014B and Series 2014C Bonds. Net investment income increased to $15.3 million in fiscal year 2016 from $10.7 million in fiscal year 2015 due to the transfer of certain reserves held in cash to investment vehicles. Net investment income was essentially unchanged in fiscal year 2015 when compared to fiscal year 2014.

The charts below compare total expenses, excluding interest expense, for fiscal year 2016 with fiscal year 2015:

Summary - Total Expenses (excluding Interest Expense) Fiscal Years 2016 and 2015



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		
	2016	2015	2014
Cash received from operations	$ 77,130,457	$ 74,813,069	$ 68,251,998
Cash expended for operations	(3,253,757)	(3,512,151)	(2,856,299)
Net cash provided by operations	73,876,700	71,300,918	65,395,699
Net cash provided by (used in) capital and related financing activities	(165,228,405)	(89,881,844)	(78,889,611)
Net cash provided by (used in) investing activities	14,922,753	77,525,095	14,229,051
Net increase (decrease) in cash and cash equivalents	(76,428,952)	58,944,169	735,139
Cash and cash equivalents, beginning of year	159,166,780	100,222,611	99,487,472
Cash and cash equivalents, end of year	$ 82,737,828	$ 159,166,780	$ 100,222,611

- Cash and cash equivalents were $82.7 million at June 30, 2016 compared to $159.2 million at June 30, 2015. This $76.4 million decrease is due primarily to project fund spending from the Series 2014A, 2014B and 2014C Bonds offset slightly by the receipt of $11.5 million in proceeds from the Series 2015A Bonds. Cash and cash equivalents were $159.2 million at June 30, 2015 compared to $100.2 million at June 30, 2014. This $59 million increase is due primarily to receipt of proceeds of the 2014B and 2014C Bonds.

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

- Net cash used in capital and related financing activities was $165.2 million compared to $89.9 million in fiscal year 2015. The change between years is primarily attributable to a $67 million increase in proceeds from bond issuance and a slight increase in transfers from State Universities. These were offset by the $211 million transfer from the escrow relating to the Refunding Bonds Series 2016A, and increases to principal and interest paid. Net cash used in capital and related financing activities was $89.9 million in fiscal year 2015 compared to $78.9 million in fiscal year 2014. The net change between years is primarily attributable to an increase in proceeds from bond issuance offset by the issuance of Refunding Bonds Series 2014D, and a reduction in payments for capital assets offset by an increase in principal and interest paid on outstanding debt.

- Net cash provided by investing activities was $14.9 million in fiscal year 2016 compared to $77.5 million in fiscal year 2015. The $62.6 million reduction in net cash is due to the $53.4 million reduction in sale of investments offset by a $9.3 million increase in the purchase of investments. Net cash provided by investing activities was $77.5 million in fiscal year 2015 compared to $14.2 million in fiscal year 2014. The increased fiscal year 2015 activity is due to reduction in the proceeds from sales and maturities of investments offset by a large reduction in the purchase of investments.

Capital Assets

The Authority's investment in capital assets as of June 30, 2016 was $942.1 million, net of accumulated depreciation, compared to $897.7 million as of June 30, 2015 and $838.7 million as of June 30, 2014. Capital assets include land, buildings and improvements thereon, furnishings and equipment. Capital assets comprised approximately 71% of total assets at June 30, 2016, 65% at June 30, 2015 and 64% at June 30, 2014. During the years ended June 30, 2016 and 2015, the Authority had additions to capital assets of $86.1 million and $97.9 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 $16.7 million at June 30, 2016 compared to $26.2 million at June 30, 2015. The decrease in construction in progress was due primarily to the addition of the nearly completed new residence hall at Framingham State University offset by an additional $9.9 million of assets being capitalized at June 30, 2015. The buildings and improvements balance was $1.25 billion at June 30, 2016 compared to $1.16 billion at June 30, 2015 and $983.5 million at June 30, 2014. The $88.2 million increase in buildings and improvements was due primarily to the new residence hall coming on line for Salem State University.

- The furnishings and equipment balance was $55.3 million at June 30, 2016 compared to $53 million at June 30, 2015 and $48.5 million at June 30, 2014. The $2.3 million increase in furnishings and equipment in fiscal year 2016 was attributable to purchases across the state universities.

- Land was $11.6 million at June 30, 2016, $6.6 million at June 30, 2015 and $6.1 million at June 30, 2014 reflecting the purchase of parcels in Framingham and Bourne on behalf of Framingham State University and Massachusetts Maritime Academy, respectively.

The Authority has entered into various commitments for the purchase of equipment, construction of certain facilities and other improvements relating to both Authority assets and university-owned assets. As of June 30, 2016 and 2015, respectively, such commitments were approximately $27.5 million and $55.1 million.

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

Debt Administration

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

As of June 30, 2016, the Authority had $1.2 billion in principal amount of bonds outstanding compared to $1.3 billion and $1.2 billion at June 30, 2015 and 2014, respectively. The outstanding bond obligations carried unamortized premium balances of $117.7, $93.2 and $76.1 million, respectively, as of June 30, 2016, 2015 and 2014. The $100 million decrease in bonds outstanding in fiscal year 2016 is attributable to the issuance of $15.935 million in Series 2015A and $177.315 million in Refunding Bonds Series 2016A and offset by principal payments made during the fiscal year and the defeasement of refunded bonds. 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, which was issued in fiscal year 2014. The Authority's outstanding debt has no associated interest rate exchange agreements. Of the amount outstanding, $114.3 million are taxable Build America Bonds for which the Authority was to receive a 35% interest rate subsidy directly from the U.S. Treasury. In fiscal years 2016, 2015 and 2014, a portion of the Authority's interest rate subsidy was reduced by approximately 7.3% due to the federal government budgetary sequestration. The balance of the Authority's outstanding bonds is tax-exempt. $7.8 million of the outstanding bonds at June 30, 2015 were guaranteed by the Commonwealth and were entirely paid off on May 1, 2016, the final maturity. As of June 30, 2016, the Authority has no Commonwealth-guaranteed debt outstanding and no future authorization to issue any.

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, 2016 and 2015

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 36,204,106	$ 45,997,222
Restricted cash and cash equivalents	34,335,605	100,952,901
Accounts receivable, net	10,693,091	10,463,395
Prepaid expenses	871,718	685,624
Total current assets	82,104,520	158,099,142
Noncurrent assets		
Restricted cash and cash equivalents	12,198,117	12,216,657
Restricted investments, including amounts held by trustee	82,921,885	89,873,961
Accounts receivable, net	213,543,520	222,133,810
Capital assets, net	942,065,389	897,680,190
Total noncurrent assets	1,250,728,911	1,221,904,618
Total assets	1,332,833,431	1,380,003,760
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows for pensions	894,266	21,114
Deferred losses on refunding of debt	43,931,603	27,844,341
Total deferred outflows of resources	44,825,869	27,865,455

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

Statements of Net Position (Deficiency in Net Position)
June 30, 2016 and 2015

	2016	2015
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 21,399,240	$ 28,810,868
Accrued payroll	93,820	12,717
Interagency payables	10,034,329	23,930,315
Interagency loan payable	-	1,200,000
Compensated absences	108,682	105,388
Current portion of bonds payable	40,863,169	40,457,196
Total current liabilities	72,499,240	94,516,484
Noncurrent liabilities		
Accounts payable and accrued liabilities	-	262,254
Compensated absences	125,883	116,869
Interagency payables	9,656,401	10,117,698
Bonds payable, net of current portion	1,319,628,052	1,329,517,011
Net pension liability	3,286,731	1,878,277
Total noncurrent liabilities	1,332,697,067	1,341,892,109
Total liabilities	1,405,196,307	1,436,408,593
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows for pensions	156,831	465,724
Total deferred inflows of resources	156,831	465,724
NET POSITION (DEFICIENCY IN NET POSITION)		
Net investment in capital assets	(26,840,022)	(12,717,572)
Restricted		
Expendable		
Capital projects	1,365	905,721
Unrestricted	(855,181)	(17,193,251)
Total net position (deficiency in net position)	$ (27,693,838)	$ (29,005,102)

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, 2016 and 2015

	2016	2015
OPERATING REVENUES		
Income from contracts for financial assistance, management, and services	$ 76,187,363	$ 74,214,554
Other miscellaneous revenues	943,094	598,515
Total operating revenues	77,130,457	74,813,069
OPERATING EXPENSES		
Maintenance costs	1,024,658	939,566
Authority operating expenses	2,312,194	2,208,557
Depreciation	41,762,241	38,884,197
Other expenses	46,879	402,886
Total operating expenses	45,145,972	42,435,206
Operating income	31,984,485	32,377,863
NONOPERATING REVENUES (EXPENSES)		
Net investment income	15,374,812	10,702,249
Interest expense	(54,345,047)	(53,529,051)
Bond issuance costs	(1,058,566)	(761,121)
Net transfers to/from State Universities	7,056,055	4,009,535
Build America Bonds interest subsidy	2,200,443	2,189,322
Miscellaneous nonoperating revenue	99,082	150,866
Net nonoperating revenues (expenses)	(30,673,221)	(37,238,200)
INCREASE (DECREASE) IN NET POSITION	1,311,264	(4,860,337)
NET POSITION (DEFICIENCY IN NET POSITION), BEGINNING OF YEAR	(29,005,102)	(24,144,765)
NET POSITION (DEFICIENCY IN NET POSITION), END OF YEAR	$ (27,693,838)	$ (29,005,102)

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, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contracts for financial assistance, management, and services	$ 76,187,363	$ 74,214,554
Other miscellaneous receipts	943,094	598,515
Payments for maintenance costs	(1,214,503)	(897,160)
Payments for operating expenses	(1,160,452)	(1,334,997)
Payments to employees	(831,923)	(877,108)
Payments for other expenses	(46,879)	(402,886)
Net cash provided by (used in) operating activities	73,876,700	71,300,918
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from bond issuance	227,033,367	159,719,227
Cash paid to bond trustee related to advanced refunding	(211,084,156)	(42,356,537)
Build America Bonds interest subsidy	2,200,443	2,188,638
Payments of bond issuance costs	(1,058,566)	(761,121)
Payments for capital assets	(87,674,862)	(99,959,200)
Miscellaneous receipts	99,082	150,866
Collections of debt service receivables	17,097,555	15,391,449
Transfer of funds from State Universities	7,056,055	4,009,535
Funds received for interagency loan payable	-	1,200,000
Repayment of interagency loan payable	(1,200,000)	-
Payments from funds held for others	(22,365,548)	(45,911,925)
Funds received and held for others	3,945,698	5,062,272
Principal paid on capital debt	(36,461,773)	(30,449,959)
Interest paid on capital debt	(62,815,700)	(58,165,089)
Net cash provided by (used in) capital and related financing activities	(165,228,405)	(89,881,844)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	62,180,174	115,624,517
Purchases of investments	(51,071,603)	(41,860,343)
Interest on investments	3,814,182	3,760,921
Net cash provided by (used in) investing activities	14,922,753	77,525,095
Net increase (decrease) in cash and cash equivalents	(76,428,952)	58,944,169
Cash and cash equivalents, beginning of year	159,166,780	100,222,611
Cash and cash equivalents, end of year	$ 82,737,828	$ 159,166,780

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

Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income	$ 31,984,485	$ 32,377,863
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	41,762,241	38,884,197
Change in unfunded net pension liability	226,408	(27,592)
Changes in assets and liabilities		
Prepaid expenses	(186,094)	(43,911)
Accounts payable and accrued liabilities	(3,751)	86,318
Accrued payroll and compensated absences	93,411	24,043
Net cash provided by (used in) operating activities	$ 73,876,700	$ 71,300,918

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

Statements of Cash Flows
Years Ended June 30, 2016 and 2015

Supplemental cash flows information

Schedule of noncash investing, capital and financing activities

2016

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

2015

Acquisition of capital assets	$ 97,884,925
Accounts payable thereon:	
Beginning of year	17,644,901
End of year	(12,610,725)
Net interest incurred and earned, capitalized in construction in progress	(2,959,901)
Payments for capital assets	$ 99,959,200
Accounts receivable and Interagency payables related to State College capital projects on State College owned property	$ 31,749,837
Unearned interest income on accounts receivable related to State College capital projects on State College owned property	$ 14,937,708
Contractor accounts payable related to State College capital projects on State College owned property	$ 4,048,870
Unrealized gain (loss) on investment securities	$ (9,079)

See Notes to Financial Statements.

Note 1 - Summary of significant accounting policies

Organization

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

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

Basis of presentation

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

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

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

Net position

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

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

- **Restricted:**

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

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

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

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

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

Use of estimates

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

Cash equivalents

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

Investments

Investments in marketable securities are stated at fair value. Realized and unrealized gains and losses are included in nonoperating revenues. Gains and losses on the disposition of investments are determined based on specific identification of securities sold or the average cost method. Investment income is recognized when earned and is generally credited to the trust fund holding the related assets. There were no significant realized gains or losses on investments during the years ended June 30, 2016 and 2015.

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 an investment advisor.

Accounts receivable
Accounts receivable are stated at the total amount of the future minimum payments to be received less unearned interest income. Interest income is recognized using the effective interest method. No allowance for doubtful accounts has been made as of June 30, 2016 and 2015, 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 16,800 students in 2016 and 16,500 students in 2015, 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.

Bond issuance costs
Bond issuance costs are expensed as incurred. During fiscal 2016 and 2015, the Authority incurred $1,058,566 and $761,121, respectively, of bond issuance costs.

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

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

Compensated absences

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

Interest expense and capitalization

The Authority 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 2016 and 2015, total interest costs were accounted for as follows:

	2016	2015
Total interest incurred	$ 62,083,263	$ 58,778,751
Amortization of bond premium	(7,621,910)	(3,848,587)
Amortization of deferred loss	2,060,233	1,717,196
Less: capitalized portion of interest incurred	(2,176,539)	(3,118,309)
Interest expense	$ 54,345,047	$ 53,529,051
Capitalized portion of interest incurred	$ 2,176,539	$ 3,118,309
Less: interest income on unused funds from tax-exempt borrowings	(94,745)	(158,408)
Net capitalized interest	$ 2,081,794	$ 2,959,901

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 2015 financial statements to conform to the 2016 presentation.

Note 2 - Cash and cash equivalents, and investments

Credit risk

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

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

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

The Authority has two primary commercial banking relationships: Citizens Bank, N.A. ("Citizens") is the Authority's primary depository bank, U.S. Bank National Association ("U.S. Bank") is the Authority's trustee bank and holds all bond and related funds pursuant to the Trust Agreement. The Authority is party to a third party custodian agreement in which Citizens provides the Authority with collateral equal to the Authority's uninsured deposits and the custodian provides safekeeping services and holds the collateral on behalf of and for the benefit of the Authority. Pursuant to the agreement, eligible collateral is limited to only those obligations which are guaranteed as to the payment of principal and interest by the United States of America. All of the Authority's bank balances held by Citizens of $34,909,552 and $40,948,472 as of June 30, 2016 and 2015, respectively, were secured and fully collateralized pursuant to this agreement.

The Authority does not have a formal deposit policy for custodial credit risk with U.S. Bank. As of June 30, 2016 and 2015, the fair market value of the Authority's cash equivalent balances with U.S. Bank of $46,900,798 and $118,568,122, respectively, were exposed to custodial credit risk because they were uninsured and uncollateralized. These funds were invested in Fidelity Institutional Money Market Government Fund 57 (the "Fund 57") and the Massachusetts Municipal Depository Trust ("MMDT"). Fund 57 invests primarily in U.S. government securities, repurchase agreements, and may invest in reverse repurchase agreements guaranteed by U.S. Treasury obligations. MMDT invests primarily in U.S. Government securities, bank obligations, commercial paper and municipal securities. Both the Fund 57 and MMDT seek to preserve the investment value of $1 per share and the investment securities maintain a weighted average maturity of 60 days or less. The funds were not rated for average credit quality at June 30, 2016 and June 30, 2015.

As of June 30, 2016, the fair value of the Authority's deposits held at the MMDT was $1,491,546. At June 30, 2016, the approximate percentage of the Authority's deposits held at the MMDT and the respective investment maturities in days were as follows: 54% at 30 days or less; 29% at 31-90 days; 11% at 91-180 days; and 6% at 181 days or more. At June 30, 2016, approximately 97% of the MMDT's cash portfolio had a credit quality rating of P1 and the remaining 3% had a credit quality rating of P2.

In addition to the commercial banking relationships, the Authority invests its retirement trust fund (Note 12) with the Massachusetts Pension Reserve Investment Trust ("PRIT"). PRIT consists of two investment funds, the Capital Fund and the Cash Fund. Each of these funds is managed, accounted for, and held separately by PRIT's custodian bank, Bank of New York ("BNY") Mellon. The Cash Fund consists of short-term investments, which are used to meet liquidity requirements. All Cash Fund earnings are reinvested. The Cash Fund maintains a stable net asset value of $1.00 per unit. The Capital Fund is invested in the General Allocation Account, which invests in all asset classes of PRIT in accordance with its asset allocation plan and investment policy guidelines. The Capital Fund serves as the investment portfolio of PRIT and consists of the following investments at June 30, 2016 and 2015: General Allocation (holds units of other accounts), Domestic Equity, Core Fixed Income, Value-Added Fixed Income, International Equity, Emerging Markets, Real Estate, Timberland, Timber/Natural Resources, Hedge Funds and Private Equity Investments. The funds held in the amount of $4,245,790 and $4,390,439 as of June 30, 2016 and 2015, respectively, with PRIT are intended to be used to fund the net pension liability. These funds were not rated for average credit quality at June 30, 2016 and 2015.

The Authority's investments are held at U.S. Bank, Citizens and PRIT and are represented by the following at June 30, 2016 and 2015:

	2016		2015	
	Cost	Fair value	Cost	Fair value
U.S. Government Agencies	$ 44,320,573	$ 46,018,901	$ 55,197,958	$ 56,584,117
State taxable bonds	17,475,000	23,152,004	17,475,000	20,690,016
U.S. Treasuries	6,821,484	9,505,190	6,821,484	8,209,389
Mutual funds	4,304,144	4,245,790	4,535,333	4,390,439
	$ 72,921,201	$ 82,921,885	$ 84,029,775	$ 89,873,961

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

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

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

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

At June 30, 2015, 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 Type	Fair market value	Investment maturities (in years): Less Than 1	1-5	6-10	Greater than 10	Credit rating
Fannie Mae Corporation ("FNMA") discount notes	$ 10,039,685	$ 10,039,685	$ -	$ -	$ -	Aaa
Federal Home Loan Banks ("FHLB") U.S. Govt. Issues	2,756,729	2,756,729	-	-	-	Aaa
Strip Coupon Bonds - U.S. Govt. Issues	2,686,055	-	-	2,686,055	-	Aaa
Federal Home Loan Mortgage Corp. MTN ("FHLMCMTN") U.S. Govt. Issues	14,582,126	2,109,675	12,472,451	-	-	Aaa
Federal Home Loan Mortgage Corp. ("FHLMC") U.S. Govt. Issues	7,063,951	7,063,951	-	-	-	Aaa
Federal Farm Credit Banks ("FFCB") U.S. Govt. Issues	11,855,460	2,003,300	1,999,620	7,852,540	-	Aaa
Federal Agri Mortgage Corp ("FAMC") U.S. Govt. Issues	7,600,111	7,600,111	-	-	-	Aaa
Various Massachusetts ST Bonds	20,690,016	-	1,430,616	-	19,259,400	Aaa - Aa2
U.S. Government Securities - Treasury Notes	8,209,389	-	-	-	8,209,389	Aaa
Total	$ 85,483,522	$ 31,573,451	$ 15,902,687	$ 10,538,595	$ 27,468,789	

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

The following Authority investments at June 30, 2016 and 2015 are held by US Bank as custodian and, therefore, are subject to custodial credit risk as follows:

	2016	2015
U.S. Government Agencies	$ 46,018,901	$ 56,584,117
State taxable bonds	23,152,004	20,690,016
U.S. Treasuries	9,505,190	8,209,389
	78,676,095	85,483,522
Less insured amounts	500,000	500,000
	$ 78,176,095	$ 84,983,522

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

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

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

Level 3 - Unobservable inputs for an asset or liability.

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

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

The Authority's investments at fair value measurement are as follows at June 30, 2015:

	Level 1	Level 2	Level 3	Total
Investment Assets:				
U.S. Government Agencies	$ 56,584,117	$ -	$ -	$ 56,584,117
State taxable bonds	20,690,016	-	-	20,690,016
U.S. Treasuries	8,209,389	-	-	8,209,389
Mutual funds	-	4,390,439	-	4,390,439
Total investment assets	$ 85,483,522	$ 4,390,439	$ -	$ 89,873,961

Note 3 - Accounts receivable

Accounts receivable include the following at June 30, 2016 and 2015:

	2016	2015
Debt service receivables	$ 223,160,130	$ 231,750,420
Interest receivable on investments	706,054	476,454
Other miscellaneous receivables	5,654	5,558
Build America Bonds interest subsidy receivable	364,773	364,773
	$ 224,236,611	$ 232,597,205

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

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

During fiscal 2016, accounts receivable, net of unearned interest income, totaling $1,238,081 was recorded in connection with a project at one state university. During fiscal 2015, accounts receivable, net of unearned interest income, totaling $31,749,837 were recorded in connection with projects at four state universities. 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, 2016 and 2015 are as follows:

	2016	2015
Total payments to be received	$ 301,031,526	$ 317,291,194
Less: Unearned income	(77,871,396)	(85,540,774)
Net debt service receivables in State College-owned projects	$ 223,160,130	$ 231,750,420

The following table sets forth the total payments to be received under these agreements as of June 30, 2016:

Year ending June 30:	
2017	$ 17,665,775
2018	17,705,325
2019	17,728,427
2020	17,779,931
2021	17,747,531
2022 - 2026	91,079,247
2027 - 2031	79,039,172
2032 - 2036	31,337,817
2037 - 2041	7,657,875
2042 - 2046	3,156,900
2047 - 2048	133,526
Total	$ 301,031,526

Note 4 - Capital assets

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

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

Capital assets activity for the year ended June 30, 2015 as follows:

	2015			
	Totals June 30, 2014	Additions	Reclassifications and reductions	Totals June 30, 2015
Land	$ 6,096,569	$ 454,966	$ -	$ 6,551,535
Construction in progress	113,569,731	91,802,927	(179,155,204)	26,217,454
Total not being depreciated	119,666,300	92,257,893	(179,155,204)	32,768,989
Buildings and improvements	983,459,959	1,180,526	179,155,204	1,163,795,689
Furnishings and equipment	48,512,098	4,446,506	-	52,958,604
Total depreciable assets	1,031,972,057	5,627,032	179,155,204	1,216,754,293
Total capital assets	1,151,638,357	97,884,925	-	1,249,523,282
Less accumulated depreciation:				
Buildings and improvements	(291,469,276)	(36,223,628)	-	(327,692,904)
Furnishings and equipment	(21,489,619)	(2,660,569)	-	(24,150,188)
Total accumulated depreciation	(312,958,895)	(38,884,197)	-	(351,843,092)
Capital assets, net	$ 838,679,462	$ 59,000,728	$ -	$ 897,680,190

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

The Authority has considered the requirements of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, and has noted no implications of this standard to the Authority's financial statements for the years ended June 30, 2016 and 2015.

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 $27,500,000 and $55,100,000, respectively, as of June 30, 2016 and 2015.

Note 5 - Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consisted of the following at June 30, 2016 and 2015:

	2016	2015
Capital assets and construction payables	$ 9,001,509	$ 12,610,725
Accrued bond interest payable	11,576,665	12,046,838
Arbitrage payable - long-term	-	262,254
Contractor payables for State College owned assets	720,382	4,048,870
Authority operating and maintenance expenses	100,684	104,435
	$ 21,399,240	$ 29,073,122

Note 6 - Interagency payables

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

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

As of June 30, 2016 and 2015, the Authority has an aggregate liability for Interagency payables of $19,690,730 and $34,048,013, respectively.

Interagency note payable

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

As of June 30, 2015, the Authority had a liability for Interagency note payable of $1,200,000.

Note 7 - Bonds payable

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

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

	Issue date	Par amount	Interest rates (%)	Due May 1,	Effective interest rates (%)*	Par amount outstanding	Unamortized premiums	Total bonds payable
Project Revenue Bonds								
Refunding Series 2003B	03/05/2003	$ 117,513,022	2.0 - 5.5	2003 - 2039	5.49	$ 96,331,241	$ 5,041,110	$ 101,372,351
Series 2008A	03/12/2008	95,670,000	3.0 - 5.0	2009 - 2038	6.12	3,570,000	464,326	4,034,326
Series 2009A	01/28/2009	128,570,000	3.0 - 5.75	2010 - 2049	6.45	8,765,000	105,023	8,870,023
Series 2009B	12/22/2009	82,085,000	2.0 - 5.0	2011 - 2040	4.82	75,075,000	2,854,647	77,929,647
Series 2009C, Build America Bonds	12/22/2009	66,410,000	4.58 - 5.93	2018 - 2040	5.74	66,410,000	-	66,410,000
Series 2010A	12/17/2010	12,120,000	3.0 - 5.0	2012 - 2018	4.72	3,785,000	273,285	4,058,285
Series 2010B, Build America Bonds	12/17/2010	47,880,000	4.89 - 6.54	2020 - 2040	6.12	47,880,000	-	47,880,000
Refunding Series 2011A	06/08/2011	51,610,000	2.0 - 5.0	2012 - 2025	5.00	40,945,000	5,013,751	45,958,751
Series 2012A	01/04/2012	154,345,000	3.0 - 5.0	2013 - 2041	4.77	149,610,000	11,288,138	160,898,138
Refunding Series 2012B	03/01/2012	149,275,000	3.0 - 5.0	2018 - 2043	4.69	149,275,000	20,082,304	169,357,304
Series 2012C	12/20/2012	153,840,000	2.0 - 5.0	2014 - 2042	3.23	143,495,000	7,868,682	151,363,682
Series 2014A	01/07/2014	130,875,000	2.0 - 5.0	2015 - 2048	4.88	126,870,000	10,521,117	137,391,117
Series 2014B	12/17/2014	91,375,000	3.0 - 5.0	2016 - 2044	4.98	91,085,000	14,433,624	105,518,624
Series 2014C	12/17/2014	10,065,000	3.0 - 5.0	2016 - 2034	4.90	9,885,000	1,643,501	11,528,501
Refunding Series 2014D	12/17/2014	36,110,000	1.0 - 5.0	2015 - 2041	4.63	33,725,000	4,881,855	38,606,855
Series 2015A	12/17/2015	15,935,000	2.0 - 5.0	2017 - 2036	4.52	15,935,000	2,698,831	18,633,831
Refunding Series 2016A	02/25/2016	177,315,000	4.0 - 5.0	2019 - 2049	4.63	177,315,000	30,549,786	207,864,786
Total Project Revenue Bonds		1,520,993,022				1,239,956,241	117,719,980	1,357,676,221
Community College Program Bonds								
Series 1	03/06/2014	3,000,000	4.25	2015 - 2034	4.21	2,815,000	-	2,815,000
Total Community College Program Bonds		3,000,000				2,815,000	-	2,815,000
Total Bonds		$ 1,523,993,022				$ 1,242,771,241	$ 117,719,980	$ 1,360,491,221

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

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

Notes to Financial Statements
June 30, 2016 and 2015

The following table summarizes the Authority's outstanding debt as of June 30, 2015:

	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	02/19/2004	$ 15,125,000	6.4 - 7.0	2015 - 2016	7.30	$ 7,795,000	$ 2,813,285	$ 10,608,285
Total Commonwealth-Guaranteed Bonds		15,125,000				7,795,000	2,813,285	10,608,285
Project Revenue Bonds								
Refunding Series 2003B	03/05/2003	117,513,022	2.0 - 5.5	2003 - 2039	3.83	100,213,021	5,261,086	105,474,107
Series 2006A	03/08/2006	98,025,000	3.5 - 5.0	2007 - 2041	3.99	2,555,000	401,586	2,956,586
Series 2008A	03/12/2008	95,670,000	3.0 - 5.0	2009 - 2038	4.95	87,930,000	1,902,047	89,832,047
Series 2009A	01/28/2009	128,570,000	3.0 - 5.75	2010 - 2049	5.22	119,370,000	467,673	119,837,673
Series 2009B	12/22/2009	82,085,000	2.0 - 5.0	2011 - 2040	4.80	76,675,000	2,974,422	79,649,422
Series 2009C, Build America Bonds	12/22/2009	66,410,000	4.58 - 5.93	2018 - 2040	5.74	66,410,000	-	66,410,000
Series 2010A	12/17/2010	12,120,000	3.0 - 5.0	2012 - 2018	4.54	5,575,000	422,275	5,997,275
Series 2010B, Build America Bonds	12/17/2010	47,880,000	4.89 - 6.54	2020 - 2040	6.12	47,880,000	-	47,880,000
Refunding Series 2011A	06/08/2011	51,610,000	2.0 - 5.0	2012 - 2025	5.00	45,170,000	5,579,903	50,749,903
Series 2012A	01/04/2012	154,345,000	3.0 - 5.0	2013 - 2041	4.77	151,095,000	11,742,694	162,837,694
Refunding Series 2012B	03/01/2012	149,275,000	3.0 - 5.0	2018 - 2043	4.69	149,275,000	20,830,713	170,105,713
Series 2012C	12/20/2012	153,840,000	2.0 - 5.0	2014 - 2042	3.28	147,975,000	8,173,276	156,148,276
Series 2014A	01/07/2014	130,875,000	2.0 - 5.0	2015 - 2048	4.82	129,445,000	10,851,415	140,296,415
Series 2014B	12/17/2014	91,375,000	3.0 - 5.0	2016 - 2044	4.74	91,375,000	14,951,874	106,326,874
Series 2014C	12/17/2014	10,065,000	3.0 - 5.0	2016 - 2034	4.65	10,065,000	1,735,613	11,800,613
Refunding Series 2014D	12/17/2014	36,110,000	1.0 - 5.0	2015 - 2041	4.61	35,065,000	5,078,324	40,143,324
Total Project Revenue Bonds		1,425,768,022				1,266,073,021	90,372,901	1,356,445,922
Total State University Program Bonds		1,440,893,022				1,273,868,021	93,186,186	1,367,054,207
Community College Program Bonds								
Series 1	03/06/2014	3,000,000	4.25	2015 - 2034	4.50	2,920,000	-	2,920,000
Total Community College Program Bonds		3,000,000				2,920,000	-	2,920,000
Total Bonds		$ 1,443,893,022				$ 1,276,788,021	$ 93,186,186	$ 1,369,974,207

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

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

Year ending June 30:	Total principal	Total interest	Total debt service
2017	$ 35,803,683	$ 61,201,624	$ 97,005,307
2018	41,490,000	55,561,824	97,051,824
2019	39,544,248	58,333,564	97,877,812
2020	41,689,422	56,908,855	98,598,277
2021	43,357,720	55,375,557	98,733,277
2022 - 2026	248,123,262	210,665,361	458,788,623
2027 - 2031	268,517,906	194,740,548	463,258,454
2032 - 2036	220,395,000	120,677,448	341,072,448
2037 - 2041	222,965,000	47,866,948	270,831,948
2042 - 2046	68,845,000	9,611,775	78,456,775
2047 - 2051	12,040,000	988,800	13,028,800
Total	1,242,771,241	$ 871,932,304	$ 2,114,703,545
Plus: Unamortized premiums	117,719,980		
	$ 1,360,491,221		

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 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, which was fully amortized as of June 30, 2016 and $7,865 was unamortized as of June 30, 2015.

Refunding revenue bonds

The Refunding Series 2003B Bonds refunded the Authority's Series 1999A, 1999-1, and 2000-1 Bonds. These bonds were refinanced to achieve a total reduction of debt service at issuance of $1,769,263 and a present value economic gain at issuance of $729,611. The refunding resulted in a deferred outflow of resources at issuance of $21,535,590, of which $12,670,936 and $13,461,825 were unamortized as of June 30, 2016 and 2015, 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, 2016, the assets held in escrow for the repayment of the remaining Series 1999A Bonds have an aggregate market value of $98,763,193 with an unpaid principal balance, plus accreted interest, of $75,901,386.

The Refunding Series 2011A Bonds refunded portions of the Authority's Series 2003A and 2004A Bonds. These bonds were refinanced to achieve a total reduction of debt service at issuance of $3,518,799 and a present value economic gain at issuance of $2,822,354. The refunding resulted in a deferred outflow of resources at issuance of $2,638,154, of which $1,676,998 and $1,866,566 were unamortized as of June 30, 2016 and 2015, respectively. During 2014, the Authority exercised the call option to fully redeem the related unpaid principal of these bonds.

The Refunding Series 2012B Bonds refunded portions of the Authority's Series 2003A, 2004A, 2005A, and 2006A Bonds. These bonds were refinanced to achieve a total reduction of debt service at issuance of $20,587,474 and a present value economic gain at issuance of $13,285,676. The refunding resulted in a deferred outflow of resources at issuance of $14,347,581, of which $11,210,155 and $11,963,137 were unamortized as of June 30, 2016 and 2015, respectively. During 2016 and 2015, the Authority exercised the call options to fully redeem the related unpaid principal of the 2006A bonds and 2005A bonds, respectively.

The Refunding Series 2014D Bonds refunded portions of the Authority's Series 2005A and 2006A Bonds. These bonds were refinanced to achieve a total reduction of debt service at issuance of $6,449,975 and a net present value economic savings at issuance of $3,604,695. The refunding resulted in a deferred outflow of resources at issuance of $244,383, of which $226,019 and $239,378 were unamortized as of June 30, 2016 and 2015, respectively. During 2016 and 2015, the Authority exercised the call options to fully redeem the remaining unpaid principal of the 2006A bonds and 2005A bonds, respectively.

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

Debt service reserve fund investment agreements

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

Unamortized bond premiums are reflected as an addition to the outstanding principal balance of the bonds payable and consisted of the following at June 30, 2016 and 2015:

	2016	2015
Unamortized balance, beginning	$ 93,186,186	$ 76,061,612
Current year additions	33,783,367	22,169,228
Unamortized premium on bonds refunded	(1,627,663)	(1,196,107)
Current year amortization	(7,621,910)	(3,848,547)
Unamortized balance, ending	$ 117,719,980	$ 93,186,186

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, 2016 and 2015:

	2016	2015
Balance, beginning	$ 27,844,341	$ 29,011,586
Current year additions	18,147,495	549,953
Current year amortization	(2,060,233)	(1,717,198)
Balance, ending	$ 43,931,603	$ 27,844,341

Note 8 - Long-term liabilities

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

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

Long-term liabilities at June 30, 2015 consisted of the following:

	2015				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Bonds payable, par	$ 1,209,858,021	$ 137,550,000	$ (70,620,000)	$ 1,276,788,021	$ 36,461,778
Unamortized premiums	76,061,612	22,169,268	(5,044,694)	93,186,186	3,995,418
Total bonds payable	1,285,919,633	159,719,268	(75,664,694)	1,369,974,207	40,457,196
Interagency payables	43,587,491	36,667,889	(46,207,367)	34,048,013	23,930,315
Interagency loan payable	-	1,200,000	-	1,200,000	1,200,000
Net pension liability	2,350,479	-	(472,202)	1,878,277	-
Other liabilities					
Arbitrage payable	211,182	51,072	-	262,254	-
Compensated absences	187,815	149,355	(114,913)	222,257	105,388
Total long-term liabilities	$ 1,332,256,600	$ 197,787,584	$ (122,459,176)	$ 1,407,585,008	$ 65,692,899

Note 9 - Net position

The net investment in capital assets of ($26,840,022) at June 30, 2016, includes the effect of deferring the recognition of the losses on bond refundings. The $43,931,603 balance of the deferred outflows of resources on refunding of debt at June 30, 2016 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:

	2016	2015
Restricted - expendable:		
DCAM/MSCBA contract restricted for life safety and access improvements and repositioning of O'Connor Hall	$ 1,365	$ 905,721

Note 10 - Contingencies

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

Note 11 - Operating expenses

The Authority's operating expenses for the years ended June 30, 2016 and 2015 on a natural classification basis, are comprised of the following:

	2016	2015
Compensation	$ 925,334	$ 901,151
Supplies and services	2,458,397	2,649,858
Depreciation	41,762,241	38,884,197
	$ 45,145,972	$ 42,435,206

Note 12 - Retirement plan

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

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

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

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

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

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

For active Authority employees covered by MSERS, the Authority is not required to make contributions to the Plan. For retired Authority employees, the Commonwealth computes the projected benefit obligation of the retired employee. The Authority is responsible to contribute any shortfall that exists as a result of this computation. The total amount paid by the Authority to the Massachusetts State Retirement Board amounted to $115,955, $101,546 and $97,745 for the years ended June 30, 2016, 2015 and 2014, respectively, which equaled the required contributions each year. Annual covered payroll was approximately 100% of annual total payroll for the Authority in 2016, 2015 and 2014.

At June 30, 2016 and 2015, the Authority reported a liability of $3,286,731 and $1,878,277, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2015 and 2014, respectively, and the State's total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Authority's proportion of the net pension liability was based on an effective contribution methodology which allocates total contributions amongst the employers in a consistent manner based on an employer's share of total covered payroll. At June 30, 2016 and 2015, the Authority's proportion was 0.02887% and 0.0253%, respectively.

For the years ended June 30, 2016 and 2015, the Authority recognized pension expense of $342,364 and $73,954, respectively. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	$ 569,194	$ -
Net difference between projected and actual earnings on pension plan investments	-	94,447
Differences between expected and actual experience	64,968	-
Changes in proportion	260,104	-
Changes in proportion from Commonwealth	-	62,384
Total	$ 894,266	$ 156,831

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

Year ended June 30:	
2017	$ 134,928
2018	134,928
2019	134,928
2020	242,230
2021	90,421
Total	$ 737,435

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015. This valuation used the following assumptions:

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

2. Salary increases are based on analyses of past experience but range from 3.5% to 9.0% depending on group and length of service.

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

4. Mortality rates were as follows:

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

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

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

Investment assets of MSERS are with the Pension Reserves Investment Trust ("PRIT") Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2015 and 2014 are summarized in the following table:

		Long-term expected real rate of return	
Asset class	Target allocation	2015	2014
Global equity	40.00%	6.90%	7.20%
Core fixed income	13.00%	2.40%	2.50%
Hedge funds	9.00%	5.80%	5.50%
Private equity	10.00%	8.50%	8.80%
Real estate	10.00%	6.50%	6.30%
Value added fixed income	10.00%	5.80%	6.30%
Portfolio completion strategies	4.00%	5.50%	N/A
Timber/natural resources	4.00%	6.60%	5.00%
Total	100.00%		

The discount rate used to measure the total pension liability for the measurement years ended June 30, 2015 and 2014 was 7.5% and 8.0%, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Authority's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5% and 8.0%, respectively, for the measurement years ended June 30, 2015 and 2014, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5% and 7.0%) or 1-percentage-point higher (8.5% and 9.0%) than the current rate:

Measurement year ended	1% decrease	Discount rate	1% increase
June 30, 2014	$ 2,719,244	$ 1,878,277	$ 1,156,463
June 30, 2015	4,467,055	3,286,731	2,267,739

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

Note 13 - Retiree health plan

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

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

Participating governments are contractually required to contribute at a rate assessed each year by GIC on a premium basis. The Authority's contributions to GIC for the years ended June 30, 2016, 2015, 2014, were $169,325, $111,110 and $111,347, respectively, which equaled the required contributions each year. Required contributions include contributions for the total health plan costs for both active and retired employees.

Note 14 - Lease commitments and receivables

On July 24, 2009, the Authority entered into a lease agreement with an unrelated third party for 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, 2016 and 2015, rent expense incurred, including additional costs for monthly storage and parking which are not provided under the terms of the lease agreement, amounted to $198,303 and $189,923, respectively.

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

Year ending June 30:	Amount
2017	$ 176,902
2018	184,470
2019	184,470
2020	122,980
	$ 668,822

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, 2016 and 2015, with accumulated depreciation of $4,387,533 and $3,510,026 as of June 30, 2016 and 2015, respectively. In accordance with the lease agreement, MCPHS deposited $100,000 with the Authority in December 2009, which together with interest earned thereon, in the amount of $100,391, was credited towards the payment of MCPHS's first installment of annual rent during fiscal 2013.

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

On August 7, 2012, the Authority entered into a lease agreement with Harvard Vanguard Medical Associates, Inc. ("Harvard Vanguard") to lease approximately 2,395 square feet of space at MCAD for the purpose of operating a student health services clinic. The cost of the property leased to Harvard Vanguard and included in buildings and improvements in the accompanying statements of net position (deficiency in net position) amounts to approximately $1,107,000 at both June 30, 2016 and 2015, with accumulated depreciation of $138,210 and $110,568 as of June 30, 2016 and 2015, 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 $3,326,790 and $25,713, respectively, during fiscal 2016 and $3,214,270 and $25,086, respectively, during fiscal 2015. 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 2016 and 2015 related to these lease agreements amounted to $2,080,600 and $2,005,600, respectively.

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

Year ending June 30:	MCPHS	Harvard Vanguard	Total
2017	$ 2,692,858	$ 26,356	$ 2,719,214
2018	2,613,781	3,305	2,617,086
2019	2,703,250	-	2,703,250
2020	2,715,750	-	2,715,750
2021	2,786,625	-	2,786,625
Thereafter	3,229,774	-	3,229,774
	$ 16,742,038	$ 29,661	$ 16,771,699

Note 15 - Transfers from State Universities

In December 2015, the Authority entered into a memorandum of agreement with the Division of Capital Asset Management and Maintenance ("DCAMM") to assist in the purchase of the Warren Conference Center at Framingham State University. The agreement, among other matters, identifies the Authority's interest to acquire the property on behalf of Framingham State University with a purchase price of $8,000,000. During fiscal year 2016, the Authority received $6,500,000 from DCAMM in accordance with the agreement. The remaining $1,500,000 was paid by the Authority with the 2015A revenue bond issuance.

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 year 2015, the Authority received $2,000,000 from Worcester in accordance with the agreement.

In addition, other transfers from State Universities received in the ordinary course of business totaled $556,055 and $2,009,535 for fiscal years 2016 and 2015, respectively.

Supplementary Information

Supplementary Information

Schedule of the Authority's Proportionate Share of the Net Pension Liability
June 30, 2016

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

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

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

See Independent Auditor's Report on page 3.

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

Supplementary Information

Schedule of Authority Contributions
June 30, 2016

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

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

See Independent Auditor's Report on page 3.

Massachusetts State College Building Authority
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Note to Required Supplementary Information
June 30, 2016

Note 1 - Changes in benefit terms and assumptions

<u>Changes in benefit terms</u>

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

<u>Changes in assumptions</u>

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

The mortality assumptions changed as follows:

- <u>Pre-retirement</u> - was changed to reflect the RP - 2000 Employees Table projected generationally with Scale BB and a base year of 2009 (gender distinct) from RP - 2000 Employees Table projected 20 years with Scale AA (gender distinct).

- <u>Post-retirement</u> - was changed to reflect the RP - 2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2009 (gender distinct) from Healthy Annuitant Table projected 15 years with Scale AA (gender distinct).

- <u>Disability</u> - was changed to the mortality rate assumed to be accordance with the RP - 2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2015 (gender distinct) from the mortality rate assumed to be in accordance with the RP - 2000 Table projected 5 years with Scale AA (gender distinct) set forward 3 years for males.

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

Massachusetts State College Building Authority
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Supplementary Information

Statistical Information (Unaudited)

Schedule of Net Position (Deficiency) by Category

Schedule of Net Position (Deficiency) by Category

	2007	2008	2009	2010 (as restated)	2011 (as restated)	2012	2013	2014 (as restated)	2015	2016
Net investment in capital assets	$ (15,522,125)	$ (23,698,356)	$ (11,777,270)	$ (21,689,811)	$ (3,693,773)	$ 1,380,597	$ 405,186	$ (3,080,091)	$ (12,717,572)	$ (26,840,022)
Restricted - expendable	330,731	106,446	8,976	2,555,116	1,897,286	2,415,383	2,231,469	905,631	905,721	1,365
Unrestricted	5,913,292	12,275,407	(834,537)	585,170	(17,664,638)	(19,618,320)	(24,880,753)	(21,970,305)	(17,193,251)	(855,181)
Total Net Position (Deficiency)	**$ (9,278,102)**	**$ (11,316,503)**	**$ (12,602,831)**	**$ (18,549,525)**	**$ (19,461,125)**	**$ (15,822,340)**	**$ (22,244,098)**	**$ (24,144,765)**	**$ (29,005,102)**	**$ (27,693,838)**

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Massachusetts State College Building Authority
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Supplementary Information

Statistical Information (Unaudited)

Changes in Net Position

	2007	2008	2009	2010	2011 (as restated)	2012	2013	2014	2015	2016
Operating Revenue										
Income from assessments	$ 30,196,978	$ 33,715,219	$ 36,555,398	$ 42,453,490	$ 51,349,024	$ 55,373,353	$ 59,081,652	$ 67,825,646	$ 74,214,554	$ 76,187,363
Federal grants for debt service	211,890	211,890	211,890	211,890	211,890	211,886	58,414	-	-	-
Other miscellaneous revenue	119,862	174,592	216,054	119,636	568,661	499,035	548,131	426,352	598,515	943,094
Total operating revenue	**30,528,730**	**34,101,701**	**36,983,342**	**42,785,016**	**52,129,575**	**56,084,274**	**59,688,197**	**68,251,998**	**74,813,069**	**77,130,457**
Non-Operating Revenue										
Net investment income	4,864,785	5,009,751	4,674,885	6,393,208	3,977,455	12,643,482	3,045,359	10,763,298	10,702,249	15,374,812
Transfers (to)/from State Universities	536,914	347,388	1,684,693	440,267	3,352,687	3,050,414	3,981,309	4,221,388	4,009,535	7,056,055
Transfers (to)/from DCAM	-	-	-	-	-	-	(497,294)	-	-	-
State capital appropriations	-	-	-	6,881,873	-	-	-	-	-	-
Build America Bonds interest subsidy	-	-	-	700,809	1,887,838	2,360,991	2,302,924	2,161,590	2,189,322	2,200,443
Gain (loss) on sale of assets	-	-	-	-	400,141	-	-	-	-	-
Miscellaneous nonoperating revenue	-	-	-	-	201,756	546,385	56,777	912,114	150,866	99,082
Capital grants	-	344,224	34,255	293,073	-	-	-	-	-	-
Total non-operating revenue	**5,401,699**	**5,701,363**	**6,393,833**	**14,709,230**	**9,819,877**	**18,601,272**	**8,889,075**	**18,058,390**	**17,051,972**	**24,730,392**
Total Revenue	**35,930,429**	**39,803,064**	**43,377,175**	**57,494,246**	**61,949,452**	**74,685,546**	**68,577,272**	**86,310,388**	**91,865,041**	**101,860,849**
Operating Expenses										
Maintenance costs	(701,992)	(607,595)	(500,864)	(535,276)	(668,168)	(740,425)	(735,970)	(892,842)	(939,566)	(1,024,658)
Authority operating expenses	(1,012,269)	(1,060,471)	(1,282,995)	(1,392,357)	(1,483,170)	(1,481,186)	(1,621,486)	(1,660,589)	(2,208,557)	(2,312,194)
Depreciation	(15,821,798)	(17,306,821)	(18,614,829)	(20,854,040)	(24,968,701)	(28,603,149)	(29,888,212)	(33,711,899)	(38,884,197)	(41,762,241)
Other expenses	(239,798)	(181,503)	(224,192)	(583,365)	(162,258)	(294,516)	(426,570)	(235,606)	(402,886)	(46,879)
Total operating expenses	**(17,775,857)**	**(19,156,390)**	**(20,622,880)**	**(23,365,038)**	**(27,282,297)**	**(31,119,276)**	**(32,672,238)**	**(36,500,936)**	**(42,435,206)**	**(45,145,972)**
Non-operating expense										
Interest expense	(18,901,258)	(22,373,377)	(23,668,900)	(27,717,084)	(34,798,750)	(37,776,890)	(41,151,521)	(48,795,255)	(53,529,051)	(54,345,047)
Bond issuance costs	(382,815)	(311,698)	(371,723)	(402,289)	(780,005)	(2,150,595)	(1,175,271)	(564,385)	(761,121)	(1,058,566)
Total non-operating expense	**(19,284,073)**	**(22,685,075)**	**(24,040,623)**	**(28,119,373)**	**(35,578,755)**	**(39,927,485)**	**(42,326,792)**	**(49,359,640)**	**(54,290,172)**	**(55,403,613)**
Total Expenses	**(37,059,930)**	**(41,841,465)**	**(44,663,503)**	**(51,484,411)**	**(62,861,052)**	**(71,046,761)**	**(74,999,030)**	**(85,860,576)**	**(96,725,378)**	**(100,549,585)**
Increase (decrease) in net position	**$ (1,129,501)**	**$ (2,038,401)**	**$ (1,286,328)**	**$ 6,009,835**	**$ (911,600)**	**$ 3,638,785**	**$ (6,421,758)**	**$ 449,812**	**$ (4,860,337)**	**$ 1,311,264**

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Massachusetts State College Building Authority
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Supplementary Information

Statistical Information (Unaudited)

Schedule of Revenue

Institution	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Bridgewater	$ 5,438,523	$ 7,822,115	$ 8,322,153	$ 10,167,907	$ 12,019,967	$ 12,980,504	$ 12,987,262	$ 16,281,766	$ 16,506,948	$ 16,415,422
Fitchburg	2,877,521	2,777,823	3,114,788	4,318,236	4,705,990	4,902,735	5,127,026	5,376,040	5,641,136	5,152,007
Framingham	3,601,883	3,566,123	4,296,966	4,440,318	4,923,218	6,695,874	7,103,882	7,959,801	7,907,969	7,378,039
Mass. College of Art	2,085,066	2,093,382	2,123,909	2,166,434	2,203,147	2,170,707	5,906,206	6,087,404	6,158,757	6,220,894
Mass. College of Liberal Arts	1,480,142	1,540,548	1,607,082	2,225,289	2,397,236	2,742,973	2,609,247	2,592,005	2,664,203	2,290,169
Mass. Maritime Academy	1,753,164	2,604,399	3,076,898	3,376,425	3,545,353	3,710,356	4,110,844	4,194,537	6,929,788	6,851,698
Salem	4,401,671	4,415,071	4,411,494	4,972,018	9,128,481	9,407,195	8,451,618	9,542,570	9,657,655	12,912,427
Westfield	4,979,345	5,002,812	5,552,861	6,264,556	6,649,381	6,943,818	7,402,580	9,996,056	10,382,798	10,207,246
Worcester	3,579,663	3,892,946	4,049,247	4,522,307	5,776,251	5,819,191	5,382,987	5,795,467	8,365,300	8,544,166
Mount Wachusett	-	-	-	-	-	-	-	-	-	215,295
Total	$ 30,196,978	$ 33,715,219	$ 36,555,398	$ 42,453,490	$ 51,349,024	$ 55,373,353	$ 59,081,652	$ 67,825,646	$ 74,214,554	$ 76,187,363

See Independent Auditor's Report on page 3.

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

Supplementary Information

Statistical Information (Unaudited)

Room Rates of Residence Facilities

Institution	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Bridgewater	$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	$6,740-7,840	$6,940-8,080
Fitchburg	$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	$5,330-6,710	$5,440-6,840
Framingham	$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	$6,380-9,060	$6,680-9,280
Mass. College of Art	$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	$8,190-11,440	$8,350-11,670
Mass. College of Liberal Arts	$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	$5,210-5,510	$5,500-5,700
Mass. Maritime Academy	$3,366	$4,100	$4,668	$4,978	$5,125	$5,300	$5,470	$5,910	$6,440	$6,790
Salem	$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	$6,980-9,900	$7,280-10,320
Westfield	$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	$5,510-8,350	$5,730-8,680
Worcester	$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	$7,090-8,180	$7,270-8,370

See Independent Auditor's Report on page 3.

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

Supplementary Information

Statistical Information (Unaudited)

Occupancy as a Percentage of Design Capacity at Residence Facilities

Institution	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Bridgewater	104%	103%	104%	101%	100%	100%	99%	95%	99%	97%
Fitchburg	102%	104%	103%	105%	104%	100%	101%	100%	103%	101%
Framingham	100%	99%	101%	101%	104%	100%	100%	100%	98%	98%
Mass. College of Art	101%	99%	100%	100%	99%	100%	99%	99%	99%	98%
Mass. College of Liberal Arts	95%	89%	88%	94%	99%	94%	91%	86%	86%	79%
Mass. Maritime Academy	103%	92%	94%	100%	103%	106%	108%	111%	93%	101%
Salem	101%	100%	104%	106%	94%	102%	107%	106%	107%	100%
Westfield	108%	107%	107%	105%	104%	106%	101%	98%	98%	102%
Worcester	101%	100%	102%	102%	100%	103%	102%	101%	87%	94%
State University Average	**103%**	**101%**	**102%**	**102%**	**101%**	**101%**	**101%**	**99%**	**98%**	**98%**

See Independent Auditor's Report on page 3.

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

To the Board
Massachusetts State College Building Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Massachusetts State College Building Authority (a component unit of the Commonwealth of Massachusetts) (the "Authority") as of and for the year ended June 30, 2016, 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 25, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CohnReznick LLP

Boston, Massachusetts
October 25, 2016

CohnReznick

Accounting • Tax • Advisory