



**MASSACHUSETTS  
CLEAN WATER TRUST**

**A Component Unit of  
the Commonwealth of  
Massachusetts**



**Comprehensive Annual Financial Report**

**as of and for the Years Ended June 30, 2016 and June 30, 2015  
and Independent Auditors' Report**

**Prepared by the Management of the Massachusetts Clean Water Trust**

## Greater Lawrence Sanitary District (GLSD)

*Organics to energy. \$24.88 mm*

Massachusetts DEP recently passed a ban on disposing of commercial organic waste material in landfills or at waste incineration facilities. In June 2013, GLSD and consultant CDM Smith developed the Organics to Energy Feasibility Study, outlining a three-phase program of Wastewater Treatment Facility upgrades recommended to achieve co-digestion of organic food waste with the facility's wastewater sludge.

In October 2014, the GLSD began Phase 1 improvements intended to control digester foaming incidents, thereby allowing the anaerobic sludge digestion operation to be expanded to co-digestion in Phase 2. Phase 2 will include:

- Biogas metering system upgrade;
- Addition of a waste blending tank and mixing system to facilitate acceptance of organic material;
- Addition of high pressure digester feed pumps to handle organic material; and
- Four to five month pilot testing program for operating co-digestion system.

Phase 3 will include the installation of additional digester gas storage and combined heat and power (CHP) processes. If successful, GLSD will have the potential to produce enough electricity to virtually remove its reliance on the electrical grid, and the additional gas storage included in Phase 3 will further reduce GLSD's reliance on natural gas.





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## Plymouth

### *Emergency Repairs. \$48.2 mm*

This project is for emergency sewer forcemain repair and replacement in the Town of Plymouth. In the winter of 2015/2016, catastrophic failure of sewer infrastructure in several locations created a public health emergency requiring immediate action to correct excessive deterioration of the 30 inch ductile iron forcemain. The Town of Plymouth was authorized for \$48.2 million in emergency funding from the Clean Water SRF. Funds are used for emergency response and creation of a bypass system, slipline and replacement of forcemain, and construction of a redundant 24" sewer forcemain.



## Falmouth

### *Sewer Upgrades. \$39.5 mm*

The Maravista/Little Pond area of Falmouth has been recommended for sewerage since the Town's 1981 Wastewater Facilities Plan, which was updated in 2001. The 2006 Total Maximum Daily Load Analysis (TMDL) developed under the Massachusetts Estuaries Project recommends 100% sewerage of this watershed to achieve the TMDL limits for nitrogen. The area is densely developed, primarily with very small lots, and high groundwater. The Town's CWMP cites 20% of the properties have septic systems newer than 1995, and a large percentage of those are cesspools. On-site wastewater systems do not effectively remove nitrogen from effluent, and are thus considered to be significant contributors to coastal water degradation. Under this project, sewerage will be done in 3 multi-year contracts, encompassing approximately 1500 parcels. Additionally, the project will address the current effluent discharge requirements of the NPDES permit, which the plant cannot currently meet. Facility upgrades and improvements are needed at the plant, primarily to meet the nitrogen limit, which requires an average annual total nitrogen effluent limit of 3.0 mg/L.





# I - INTRODUCTORY SECTION

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MASSACHUSETTS  
CLEAN WATER TRUST

## Falmouth Long Pond WTP

*Enhanced Water Treatment. \$42.2mm*

The construction of the new treatment facility for Long Pond is a \$42.2 million undertaking. The Town of Falmouth currently relies on Long Pond for 50 to 60% of its water supply needs. The Long Pond Water Treatment Facility (WTF) operates under a filtration waiver and only provides chlorination and pH adjustment. Increasing algae blooms in Long Pond and organic loading from the surrounding forest are resulting in degraded water quality. The Town also has an extension to install a second disinfection method to comply with Long Term 2 (LT2) of the EPA's Enhanced Surface Water Treatment Rule. The Town has also exceeded a trihalomethane (THM) limit under the Disinfection By-Products Rule. The Town must invest significant money to comply with LT2, which will still not solve its THM problems. A proper surface water treatment facility is required to provide a long term solution to the Town's water quality problems.





# MESSAGE FROM THE CHAIR

December 30, 2016

The Massachusetts Clean Water Trust (the Trust) is pleased to submit its Comprehensive Annual Financial Report for State Fiscal Year (SFY) 2016.

The Trust is a collaborative effort between the Office of the State Treasurer, the Executive Office for Administration and Finance, and the Massachusetts Department of Environmental Protection (MassDEP). The Trust's leveraged financing program maximizes the impact of available funds throughout the Commonwealth. To date, the Trust has used approximately \$2.3 billion in federal grants and state matching funds to finance nearly \$6.7 billion in clean water and drinking water planning and construction projects.

As our water infrastructure continues to age, there is no better time for municipalities to invest in protecting the health of their citizens and the environment, while simultaneously creating economic development within their communities. In order to achieve these goals, easy access to financing is essential. The Trust continues to do its part by providing subsidized loans backed by its AAA credit.

In SFY 2016, the Trust provided approximately \$240 million in commitments for low interest rate loans to cities and towns in the Commonwealth. This commitment amount will support an estimated 1,440 construction and engineering jobs. The financing improves the quality of the state's waterways and protects public health through such projects as combined sewer overflow removal, wastewater treatment plant upgrades, sewer system construction and rehabilitation, septic system repairs, drinking water treatment facilities, treated water storage and water main replacement and rehabilitation.

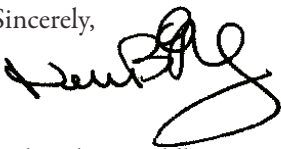
This year, in addition to issuing its second Green Bond series, the Trust has taken an active role assisting public schools in eliminating lead in drinking water. The Board of Trustees has authorized \$2 million be set aside for testing and technical training for school districts to identify any lead contamination that might exist. Allocating these funds is the first step in ensuring that the drinking water in public schools in Massachusetts is safe for our children. Once results are received the Trust anticipates being part of the solution going forward.

I would like to take this opportunity to thank the staff of the Environmental Protection Agency Region 1 for all of their efforts during SFY 2016. I would also like to thank the staff of the Trust and at MassDEP for a job well done. Without the combined efforts of these organizations, these important projects we are doing in the Commonwealth would not be possible.

Finally, I would like to thank our borrowers, the cities and towns. Without their dedication to protecting the environment and public health of their citizens, the program would not be a success.

Thank you and I look forward to continuing this essential work.

Sincerely,



Deborah B. Goldberg  
Chair  
Massachusetts Clean Water Trust  
[www.mass.gov/treasury](http://www.mass.gov/treasury)



**December 30, 2016**

**To the Board of Trustees of the Massachusetts Clean Water Trust:**

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Massachusetts Clean Water Trust (the "Trust") for the fiscal year ended June 30, 2016. This year's CAFR is presented on a comparative basis with the fiscal year ended June 30, 2015, and is submitted under Article VII, Section 2 of the by-laws of the Trust. This report has been prepared in conformity with generally accepted accounting principles ("GAAP"), thereby satisfying applicable federal and state laws, program regulations, and other Trust agreements.

This data presented is accurate in all material aspects and is reported in a manner that presents fairly the financial position and results of operations of the Trust. All disclosures necessary to enable the reader to gain an understanding of the Trust's activities have been included. The information contained within this report is the responsibility of management.

***Reporting Entity***

The Trust is reported as a component unit in the Commonwealth's Combined Annual Financial Report. Pursuant to its enabling statute, the Trust also submits its independently audited financial statements to the Commonwealth's Senate and House of Representatives, the Office of the Comptroller, and other interested parties. Also, as an entity receiving federal funding, the Trust is required to undergo an annual single audit to conform with the requirements of the Single Audit Act of 1984, as amended, and the US Office of Management and Budget's Circular A-133, Audits of State and Local Governments.

The Trust is governed by a three-member board of trustees chaired by State Treasurer and Receiver General, Deborah B. Goldberg. The Secretary of Administration and Finance, Kristen Lapore, and Commissioner of the Department of Environmental Protection (MassDEP), Martin Suuberg, serve as members of the Board. The Trust operates under the direction of the Executive Director, Susan Perez, and is administered by employees of the State Treasurer. A list of Trust management follows this transmittal letter.

***Profile of the Massachusetts Clean Water Trust***

The Trust is a public instrumentality of the Commonwealth of Massachusetts which was established in 1989 to administer the Massachusetts Water Pollution Abatement Revolving Fund, pursuant to Title VI of the Federal Clean Water Act. Its enabling statute, Chapter 29C of the Massachusetts General Laws, was amended in 1998 to provide that the Trust would also administer the provisions of Title XIV of the Federal Safe Drinking Water Act establishing the Drinking Water State Revolving Fund. We estimate that 97% of the population of the Commonwealth is served by one of approximately 300 entities that have borrowed funds through the Trust.

The Trust administers loan programs that provide funding to cities, towns, other governmental units and certain eligible private entities to finance improvements to drinking water and wastewater infrastructure. To qualify for a loan, the project must be approved by the MassDEP.

### ***Information Useful in Assessing the Economic Condition of the Massachusetts Clean Water Trust***

The Financial Section of this report provides information on the economic condition of the Trust. Please see Management's Discussion and Analysis in the Financial Section for a presentation of the Trust's financial condition. To assess the Trust's financial condition, it is essential to understand the Trust's loan programs.

### ***Loan Programs of the Trust***

The Trust administers two loan programs. The Clean Water State Revolving Fund (CWSRF), primarily finances wastewater infrastructure projects, including the Community Septic Management Program (CSMP), which finances improvements to private homeowner septic systems. The Drinking Water State Revolving Fund (DWSRF), primarily finances drinking water infrastructure projects. The Trust lends to cities, towns, other governmental units such as water and sewer authorities, and private water system operators. Since its inception the SRF loan program has provided over \$6 billion in loans to nearly 300 borrowers to improve and maintain the quality of water in the Commonwealth. To fund its operations, the Trust charges an administrative fee of 0.15% of principal outstanding per year on Clean Water and Drinking Water loans.

#### ***Clean Water Program***

The Trust finances projects that focus on rehabilitation of wastewater infrastructure that promotes sustainability and smart growth principles. The program provides additional subsidy to designated low income Environmental Justice Communities and continues to perform outreach activities to help borrowers identify the focus on and eligibility of energy efficiency/alternative energy projects. Primary recipients of CWSRF loans have been combined sewer overflow, wastewater treatment and wastewater collection projects. Although other projects such as drainage improvements, landfill closures, brownfields remediation, renewable energy projects, and other non-point source projects are eligible for funding. Additionally, the CWSRF program provides additional subsidies to nutrient enrichment prevention projects. Currently, the standard loan offer is for a term of 20 years at a subsidized loan rate of 2%. The Trust may also provide an extended term for up to 30 years.

The Community Septic Management Program (CSMP) provides loans to Massachusetts' communities to assist homeowners in repairing failed septic systems. The Trust makes low interest rate loans to communities and the communities, in turn, loan the funds directly to homeowners for up to 20 years. Loans to homeowners are secured through a betterment on the property. This program allows municipalities to provide access to capital for home repair at a subsidized interest rate.

#### ***Drinking Water Program***

The Trust supports protection of public health by ensuring that all Massachusetts Public Water Suppliers have the necessary technical, financing and managerial capacity to maintain compliance with the current and foreseeable Safe Drinking Water Act requirements. The DWSRF projects typically involve construction and, or, rehabilitation of drinking water treatment plans, replacement of aging water mains and the construction of drinking water storage facilities. The program promotes the completion of cost-effective projects that maximize protection of public health. Currently, the standard loan offer is for a term of 20 years at a subsidized loan rate of 2%.

#### ***Interim Loan Program***

The Trust makes funds available to eligible projects on both the CWSRF and DWSRF Intended Use Plans (IUPs) through its Interim Loan Program year round. Borrowers can enter into a short term loan to enable projects to proceed prior to the Trust's bond sale. The Trust is capable of funding projects prior to a bond sale by extending the use of program equity funds as a source of capital. The interest is accrued monthly on the basis of the balance drawn on the construction account. The interest rate is set at one-half of the Massachusetts Municipal Depository Trust (MMDT) rate. The average interest rate charged in FY 2016, accruing only on drawn funds, was 0.13%. During SFY 2016, the Board of Trustees voted to eliminate the interest rate as of April 1, 2016. All interim loans approved from that date on will not accrue interest, making borrowing from the Trust even less expensive.

FY 2016 Program Disbursements						
	CWSRF Dollar Amount	CWSRF Number of Loans	DWSRF Dollar Amount	DWSRF Number of Loans	Total Dollar Amount	Total Number of Loans
Interim Loans	\$144,028,419	93	\$60,650,990	32	\$204,679,409	125
Pool Program Project Funds	71,683,411	44	47,037,012	35	118,720,423	79
<b>Total</b>	<b>\$215,711,830</b>	<b>137</b>	<b>\$107,688,002</b>	<b>67</b>	<b>\$323,399,832</b>	<b>204</b>

## *Trust's Financing Model*

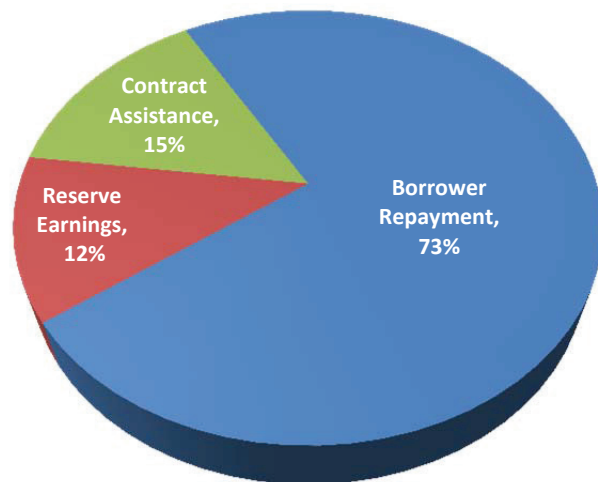
### *Leveraged Financing Model*

The Trust's SRF loan program receives funding from the EPA in the form of an annual grant, supplemented by state matching funds and the repayment of funds from previous borrowers ("SRF Program Funds"). The Trust's SRF Program utilizes a "leveraged" financing model, under which federal grants and state matching grants are used as a source of security for revenue bonds ("SRF Bonds") issued by the Trust. The proceeds from the SRF bonds are used to fund loans to local governmental units for eligible project costs.

The leveraged structure of the Trust's program permits the Commonwealth to substantially increase the amounts available to fund eligible project costs. Each federal grant and associated state matching grant dollar contributed to the program results in at least two to three dollars of project cost financing while assuring the perpetual nature of the revolving fund.

The Trust's lending and bond issuance programs are structured in such a way as to ensure adequate cash flows to fund its loans and to repay its bonds to maturity. The Trust's bonds are secured by a combination of pledged sources which include borrower loan repayments, Commonwealth contract assistance, and interest earnings on pledged SRF Program Funds. Depending on the type of projects being financed, the terms of the loans to borrowers, and the subsidy levels to which the borrowers are entitled, the Trust applies its SRF Program Funds to fund either direct loans to local governmental units or, invest in reserve funds, or a combination of both, which are then pledged as a source of payment and security for the SRF Bonds.

**Total Source of Revenue for FY 2016**





### ***Pledged Direct Loans***

Under the pledged direct loan approach, the Trust pledges as additional security for a series of its SRF Bonds, direct loans (“Pledged Direct Loans”) that it has made or making concurrently with the issuance of such SRF Bonds from its SRF Program Funds to eligible borrowers for water pollution abatement and drinking water projects. The Trust applies the interest payments on such Pledged Direct Loans to pay a portion of the debt service on the related series of SRF Bonds, thereby supplementing the loan repayment obligations of the borrowers of the Leveraged Loans funded by such SRF Bonds. Principal payments on the Pledged Direct Loans are pledged as further security for the related series of SRF Bonds. The Trust used the Pledged Direct Loan approach for its two most recent series of SRF Bonds. As of June 30, 2016, the Trust has \$394.8 million in Pledged Direct Loans.

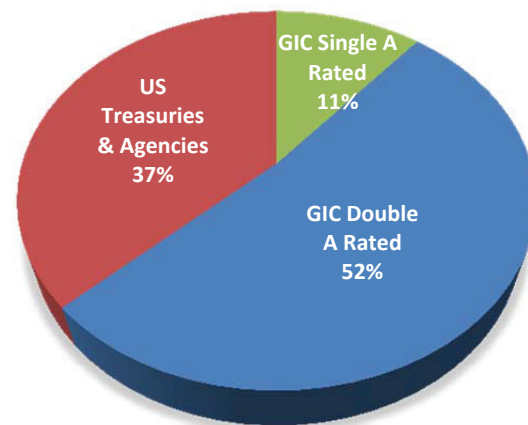
### ***Reserve Funds***

In the past, the Trust has applied a portion of its SRF Program Funds to establish reserve funds to secure a series of its SRF Bonds. Those investment earnings are then applied to pay a portion of the debt service on the related SRF Bonds, thereby supplementing the loan repayment obligation of the borrowers of the Leveraged Loans funded by such SRF Bonds. As of June 30, 2016, the Trust has \$864.6 million in DSRF reserve funds invested in guaranteed investment contracts (GIC) and US Treasury and Agency Obligations.

While economic factors have not affected the Trust’s current financial position, macroeconomic stresses pose risks to the Trust’s long-term investment portfolio. Over the past few years, a number of institutions providing guaranteed investment contracts (GICs) to the Trust have experienced downgrades by various rating agencies. These actions did not result in a downgrade to the Trust as the Trust has multiple providers which reduce concentration risk and contract provisions for collateralization upon credit downgrades. At this time, these factors have had no real effect on the Trust, as the overall credit quality of the Trust’s investment portfolio remains strong as shown in the table.

As a result of the diversity of its loan portfolio, the size of its debt service reserve funds, and its support from the Commonwealth, the Trust’s bonds are rated AAA/Aaa/AAA by Fitch, Moody’s Investor Service, and Standard and Poor’s, respectively.

### **DSRF Investment Breakdown**



### ***Federal Capitalization Grants and State Matching Funds***

In order to provide security to its bonds, the Trust pledges federal and state capitalization grant funds.

As can be seen in the chart, the Trust has received significant federal and Commonwealth support. The Trust has received total combined support of \$2.2 billion to date which has provided funding for over \$6.6 billion in clean water and drinking water construction projects.

<b>Federal Capitalization Grant and State Matching Funds</b>			
	<b>Clean Water Grant Awards</b>	<b>Drinking Water Grant Awards</b>	<b>Total Awards</b>
<b>FY 2016</b>			
Federal Grant	\$47,360,000	\$16,333,000	\$63,693,000
State Grant	9,472,000	3,266,600	12,738,600
<b>Total</b>	<b>\$56,832,000</b>	<b>\$19,599,600</b>	<b>\$76,431,600</b>
<b>Program to Date</b>			
Federal Grant	\$1,420,610,761	\$495,019,100	\$1,915,629,861
State Grant	257,510,692	88,560,620	346,071,312
<b>Total</b>	<b>\$1,678,121,453</b>	<b>\$583,579,720</b>	<b>\$2,261,701,173</b>

The Trust's recent federal capitalization grant awards have included requirements to provide defined levels of subsidization (i.e., money not required to be repaid). The additional subsidy is dedicated to communities that would not otherwise be able to afford the project. Massachusetts chose to apply these funds to communities that meet the Environmental Justice (EJ) income threshold of below 65% of the state's median household income and for renewable energy projects. Massachusetts provides the subsidy to the communities in the form of principal forgiveness. The table below provides the details of subsidization provided to date by grant.

<b>Subsidization Provided <i>Dollars in Millions</i></b>	<b>Clean Water</b>	<b>Drinking Water</b>	<b>Total</b>
2009 ARRA Grant	\$127.7	\$50.1	\$177.8
2010 Grant	10.4	7.6	18.0
2011 Grant	4.6	5.2	9.8
2012 Grant	2.7	3.3	6.0
2013 Grant	2.1	3.1	5.2
2014 Grant	3.5	3.3	6.8
2015 Grant	3.5	3.3	6.8
2016 Grant	4.5	3.1	7.6
<b>Total Subsidization</b>	<b>\$159.0</b>	<b>\$79.0</b>	<b>\$238.0</b>

### ***Long Term Financial Planning***

Relative to its long-term financial position, one of the most important issues facing the Trust is the status of future federal support for the CWSRF and DWSRF. It is the policy of the Trust to allow MassDEP to approve projects only to the Trust's lending capacity. If federal funding declines, the Trust's ability to maintain or increase its lending activities will be limited without additional state support or increased contribution from the borrowers. While this does not affect the financial health of the Trust, it will affect the programs administered by the Trust.

The Trust's financial capacity is adequate to fund those projects currently approved by MassDEP, however, future growth in capacity of the Trust is dependent on federal appropriations to the State Revolving Fund programs, shown on the Trust's Financial Statements, footnote (4), as "Capitalization Grants." Additionally, because MassDEP's program administration is funded in part through a 4% administrative charge on federal grants, a reduction in federal grants would result in decreased funding for MassDEP. For the Trust's programs to continue, funding would need to be provided to MassDEP either by the Commonwealth or additional funding from the Trust's administrative fees.

### ***Economic Factors Affecting the Trust***

As a result of the Trust's highly-structured approach to lending and bonding, the finances of the Trust have not been dramatically affected by recent national economic stress. Although there are many current credit pressures affecting our borrowers, primarily municipalities, the project loans financed and related pledged loan repayments are primarily supported by water and sewer enterprise systems and their own user-fee or rate-based revenue. As such, they are somewhat removed from the general fiscal and expenditure pressures that can face a municipality. Furthermore, the Trust benefits from a sizeable and diversified pool of borrowers which makes it less affected by significant deterioration of any single borrower.

Demand for Trust loans is dependent on the Commonwealth's need for drinking water and wastewater infrastructure, which remains strong. For 2016, the MassDEP received applications for over \$696 million in Clean Water projects and approved \$414 million. MassDEP also received applications for over \$199 million of Drinking Water projects and approved \$124 million. Demand is expected to remain strong as communities work to meet tightening environmental standards and maintain an aging infrastructure. The current record low interest rate environment has somewhat reduced the value of the subsidization resulting from the below market rate being provided to the Trust's borrowers. However, the Trust expects to continue to award additional subsidization in the form of principal forgiveness to its eligible borrowers.

### Performance Indicator

The Trust continues to be a national leader among State Revolving Fund administrators. The following is a three-year ranking of program indicator data compiled by EPA.

**Clean Water State Revolving Fund Performance Indicators\*, Ranked by State  
for Fiscal Years 2014-2016**

2014			2015			2016		
Total Loan Assistance Provided (Millions of dollars)								
	1 New York	\$ 13,366	1 New York	\$ 14,115	1 New York	\$ 15,472		
	2 California	6,911	2 California	7,674	2 California	8,594		
	3 Ohio	6,587	3 Ohio	6,850	3 Ohio	7,727		
	4 Texas	6,401	4 Texas	6,624	4 Texas	6,784		
	<b>5 Massachusetts</b>	<b>5,569</b>	<b>5 Massachusetts</b>	<b>5,815</b>	<b>5 Massachusetts</b>	<b>6,007</b>		
	National average:	2,066	National average:	2,181	National average:	2,328		
Assistance Provided as a Percent of Federal Capitalization Grants								
	1 Rhode Island	604%	1 Rhode Island	602%	1 Rhode Island	600%		
	2 Arizona	562%	2 Arizona	542%	2 Arizona	546%		
	<b>3 Massachusetts</b>	<b>420%</b>	<b>3 Massachusetts</b>	<b>423%</b>	<b>3 Connecticut</b>	446%		
	4 Minnesota	410%	4 Minnesota	409%	<b>4 Massachusetts</b>	<b>423%</b>		
	5 Connecticut	385%	5 Connecticut	393%	5 Minnesota	401%		
	National average:	280%	National average:	282%	National average:	290%		
SRF Project Disbursements (Millions of dollars)								
	1 New York	\$ 12,591	1 New York	\$ 13,178	1 New York	\$ 14,099		
	2 Texas	6,401	2 Texas	6,565	2 California	6,867		
	3 California	5,940	3 California	6,337	3 Texas	6,725		
	4 Ohio	5,194	4 Ohio	5,548	4 Ohio	6,036		
	<b>5 Massachusetts</b>	<b>4,882</b>	<b>5 Massachusetts</b>	<b>5,089</b>	<b>5 Massachusetts</b>	<b>5,305</b>		
	National average:	1,810	National average:	1,910	National average:	2,026		
Total Loan Assistance Provided for Combined Sewer Overflow Projects (Millions of dollars)								
	1 Michigan	\$ 1,834	1 Michigan	\$ 1,894	1 Ohio	\$ 1,896		
	2 New York	1,527	2 New York	1,735	2 Michigan	1,894		
	3 Ohio	1,326	3 Ohio	1,543	3 New York	1,761		
	<b>4 Massachusetts</b>	<b>1,228</b>	<b>4 Massachusetts</b>	<b>1,310</b>	<b>4 Massachusetts</b>	<b>1,357</b>		
	5 Illinois	814	5 Illinois	861	5 Illinois	948		
	National average:	211	National average:	227	National average:	244		
Total Loan Assistance Provided for Secondary Treatment Projects (Millions of dollars)								
	1 New York	\$ 7,997	1 New York	\$ 8,237	1 New York	\$ 9,359		
	2 California	3,288	2 California	3,743	2 California	3,764		
	3 Ohio	2,073	3 Ohio	2,089	3 Ohio	2,285		
	<b>4 Massachusetts</b>	<b>1,956</b>	4 Illinois	2,074	4 Illinois	2,216		
	5 Illinois	1,869	<b>5 Massachusetts</b>	<b>1,998</b>	<b>5 Massachusetts</b>	<b>2,064</b>		
	National average:	735	National average:	773	National average:	827		
Total Loan Assistance Provided for New Collector System Projects (Millions of dollars)								
	<b>1 Massachusetts</b>	<b>\$ 882</b>	<b>1 Massachusetts</b>	<b>\$ 919</b>	<b>1 Massachusetts</b>	<b>\$ 932</b>		
	2 Florida	834	2 Florida	874	2 Florida	904		
	3 Pennsylvania	694	3 Pennsylvania	705	3 Pennsylvania	715		
	4 New York	532	4 New York	562	4 New York	611		
	5 Arizona	364	5 Arizona	365	5 Arizona	429		
	National average:	141	National average:	146	National average:	154		
Total Loan Assistance Provided for Storm Sewer Projects (Millions of dollars)								
	1 New Jersey	\$ 193	1 New Jersey	\$ 204	1 New Jersey	\$ 240		
	2 Florida	180	2 Florida	199	2 Florida	205		
	<b>3 Massachusetts</b>	<b>146</b>	<b>3 Massachusetts</b>	<b>149</b>	<b>3 Massachusetts</b>	<b>153</b>		
	4 South Dakota	69	4 South Dakota	70	4 South Dakota	68		
	5 California	40	5 California	40	5 California	51		
	National average:	18	National average:	20	National average:	22		

Source: Environmental Protection Agency, National Information Management System

\* All amounts in table are cumulative from July 1, 1987.



### ***Independent Audit***

The Trust's independent auditors, KPMG LLP, have performed an independent audit of the Trust for the fiscal year ended June 30, 2016. The independent auditors' report is located at the front of the Financial Section of this report.

The Trust prepares these financial statements and is responsible for the completeness and reliability of the information presented herein. To provide a reasonable basis for making these representations, the Trust has established an internal control framework that is designed to protect the Trust's assets from loss, theft or misuse and to compile sufficiently reliable information for the preparation of the Trust's financial statements in conformity with GAAP. The Trust's framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatements.

### ***Awards and Acknowledgments***

The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Trust for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2015. The award is the Trust's twentieth consecutive citation. In order to be awarded a Certificate of Achievement, the Trust must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another citation.

The Massachusetts Clean Water Trust is a collaborative effort of the Massachusetts State Treasury, the Department of Environmental Protection, the Executive Office for Administration and Finance, and the U. S. Environmental Protection Agency. Without the hard work and strong support of the people in each of these agencies, the work of the Trust could not be accomplished. To them, we extend our deepest gratitude.

The preparation of this report would not have been possible without the hard work of the entire staff of the Massachusetts Clean Water Trust. We must also acknowledge the Chair and the Board of Trustees for the confidence they have put in us, the Governor and the Legislature, and the people of the Commonwealth of Massachusetts for their continued support.

Respectfully submitted,

A handwritten signature in black ink, reading "Susan E. Perez". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Susan E. Perez  
Executive Director

## Board of Trustees

---

Ms. Deborah B. Goldberg	<i>Treasurer and Receiver General of the Commonwealth of Massachusetts</i>
Ms. Kristen Lepore	Secretary of the Executive Office for Administration and Finance of the Commonwealth of Massachusetts
Mr. Martin Suuberg	Commissioner of the Department of Environmental Protection of the Commonwealth of Massachusetts



## Senior Management

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Ms. Susan E. Perez	<i>Executive Director of the Massachusetts Clean Water Trust</i>
Ms. My Tran	Treasurer of the Massachusetts Clean Water Trust
Ms. Rachel Madden	Assistant Secretary for Capital Finance and Intergovernmental Affairs of the Executive Office for Administration and Finance of the Commonwealth of Massachusetts
Mr. Steven J. McCurdy	Director of Municipal Services for the Department of Environmental Protection of the Commonwealth of Massachusetts



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**Massachusetts Water Pollution  
Abatement Trust**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

## **Bellingham Water Treatment Facilities**

*Water Treatment Facility. \$14.2mm*

This \$14.0 million project includes the construction of a new water treatment plant at Wrentham Road, improvements to the existing Harford Ave Water Treatment Plant, and new transmission mains for connecting wells to the treatment facilities. The project will increase the overall quality of the town's water supply by providing required disinfection, compliance with the Groundwater Rule and removal of manganese and iron that is present in existing source water.



## **Auburn Water District**

*Water Treatment Facility Upgrades. \$2.7mm*

This \$2.7 million project addresses elevated levels of iron, manganese and arsenic in the source water. Arsenic levels in 2 wells exceed the MCL of 0.010 mg/L, and iron and manganese levels are above SCMLs. In 2012, samples from the West Street Wells (combined water) were 0.021 mg/L. These wells were taken off line in May 2013 until arsenic removal upgrades can be completed. The District is using pressure filtration and polyphosphate addition to sequester the metals, treating approximately 1.5 mgd.







## II - FINANCIAL SECTION

**Comprehensive Annual Financial Report  
as of and for the Years Ended June 30, 2016 and June 30, 2015  
and Independent Auditors' Report**



MASSACHUSETTS  
CLEAN WATER TRUST



**KPMG LLP**  
Two Financial Center  
60 South Street  
Boston, MA 02111

## **Independent Auditors' Report**

The Board of Trustees  
Massachusetts Clean Water Trust:

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of the Massachusetts Clean Water Trust (the Trust), a component unit of the Commonwealth of Massachusetts, which comprise the statements of net position as of and for the years ended June 30, 2016 and 2015, and the statements of revenues, expenses and changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

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

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



### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Massachusetts Clean Water Trust as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

### ***Other Matters***

#### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, as listed in the table of contents, 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 Trust's basic financial statements. The Introductory, Combining Financial Statements and Schedules and the Statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Financial Statements and Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Financial Statements and Schedules, as listed in the table of contents, are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory and Statistical sections have 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 them.

**KPMG LLP**

Boston, Massachusetts  
October 13, 2016

**MASSACHUSETTS CLEAN WATER TRUST**  
(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis – Required Supplementary Information

(Unaudited)

June 30, 2016 and 2015

**Introduction**

The Massachusetts Clean Water Trust (the Trust) is a public instrumentality of the Commonwealth of Massachusetts (the Commonwealth). It was established in 1989 to administer the Massachusetts Water Pollution Abatement Revolving Fund pursuant to Title VI of the Federal Clean Water Act establishing the Clean Water State Revolving Fund (Clean Water SRF). Its enabling statute, Chapter 29C of the Massachusetts General Laws, was amended in 1998 to provide that the Trust would also administer the provisions of Title XIV of the Federal Safe Drinking Water Act, establishing the Drinking Water State Revolving Fund (Drinking Water SRF).

The Trust's Clean Water SRF and the Drinking Water SRF programs were established to accept federal grants and required Commonwealth matching funds in an amount equal to approximately 20% of the federal grants. The Trust's SRF programs utilize a "leveraged" financing model, under which federal grants and state matching grants, together with other monies available to the Trust are pledged as security for revenue bonds issued by the Trust. The proceeds of the bonds and other funds of the Trust are used to fund loans to local governmental units and other eligible borrowers for eligible project costs. In addition to loan repayments, earnings on these pledged assets are used to pay a portion of debt service on the related bonds, thereby reducing the borrowers' loan repayment obligation. As the loans are repaid, the funds "revolve" and become available for new projects.

Since 2002, the Trust has provided loans to communities at 2% interest rate. As the effective market interest rate on the Trust's bonds is higher than the 2% loan rate, the borrowers receive a subsidy equal to the difference between those rates. The Clean Water SRF and Drinking Water SRF programs are administered by the Trust in partnership with the Massachusetts Department of Environmental Protection (DEP). DEP manages project development and approval while the Trust manages the flow of funds to the communities. Subsidized financing has been an important incentive for many communities to undertake water and sewer infrastructure improvement projects. Since the enactment of Chapter 95 of the Acts of 1995 of the Commonwealth, the Trust has been the Commonwealth's primary program to finance such improvements. The interest rate for loans from the Trust is typically 2%, as set by statute. However, clean water projects that address nutrient reduction, and projects approved prior to 2002, may receive a rate below 2%.

The Clean Water SRF provides low cost financing to eligible borrowers for projects that reduce, eliminate, or prevent water pollution. Examples of Clean Water SRF projects include construction of new wastewater treatment facilities, upgrades to existing facilities, infiltration/inflow correction, wastewater collection systems, and nonpoint source pollution abatement projects such as landfill capping, community programs for upgrading septic systems (Title 5), brownfield remediation, pollution prevention, and storm water remediation.

The Drinking Water SRF provides low cost financing to publicly and privately owned community water system projects that provide safe, affordable drinking water. Examples of Drinking Water SRF projects include new and upgraded drinking water treatment facilities; replacement of contaminated sources, new water treatment or storage facilities; consolidation or restructuring of water systems; projects and system activities that provide treatment, or effective alternatives to treatment for compliance with regulated health standards such as the Surface Water Treatment Rule; and installation or replacement of transmission or distribution systems.



**MASSACHUSETTS CLEAN WATER TRUST**  
(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis – Required Supplementary Information

(Unaudited)

June 30, 2016 and 2015

**Financial Highlights – Fiscal Year 2016**

- At the close of fiscal year (FY) 2016, assets and deferred outflows exceeded liabilities by \$2.34 billion, as compared to \$2.24 billion for FY 2015. Included in this calculation are total loans receivable, which increased \$89.0 million to \$4.05 billion which increase was offset by a \$60.3 million decrease in long term investments, caused by scheduled maturities of debt service reserve fund investments. This reflects the change in assets that are pledged to the Trust's bonds away from debt service reserve funds (i.e., investments) to pledging direct loans.
- On February 11, 2016, the Trust issued Series 19 Green Bonds in the amount of \$207.8 million. Proceeds of the Series 19 bonds were used to finance or refinance certain wastewater and drinking water projects in 47 communities. The Trust has designated the Series 19 bonds as "Green Bonds" based on the intended use of the proceeds of the Series 19 Bonds for the financing of projects that adhere to the federal Clean Water Act and Safe Drinking Water Act, as determined by the Environmental Protection Agency (EPA). Proceeds in the amount of \$145.7 million were applied to fund loans for projects under the clean water SRF and \$99.4 million of proceeds were applied to fund loans for projects under the drinking water SRF. The Trust anticipates expending all of the proceeds within three years. In connection with the issuance of the Series 19 bonds, the Trust made \$58.4 million of direct loans for projects under the Clean Water SRF and \$39.8 million of direct loans for projects under the Drinking Water SRF. The interest payments on these direct loans will be used to pay a portion of the debt service due on the Series 19 bonds.
- For FY 2016, the Trust recorded operating income of \$20.6 million as compared to an operating income of \$36.0 million in FY 2015. The \$15.4 million change was primarily attributable to a \$14.6 million decrease in interest income and contract assistance. Significant contributing factors of this decrease were the change in the fair market value year over year of \$13.8 million, as well as a decrease in investment income as the debt service reserve fund investments matured. These decreases in income coupled with increased operating expenses contributed to the change. Operating expenses were notably impacted with the provision of \$2.6 million for the programmatic support costs of DEP, including helping to fund the testing of lead in the water of public schools. Moreover, an increase of \$1.3 million of principal forgiveness expense, due to the timing of disbursements on qualifying projects, further impacted the change.
- The statement of cash flows indicates an increase in cash for the year of \$34.7 million.
- In FY 2016, the Trust continued to receive Capitalization Grants from the Environmental Protection Agency (EPA) for both the Clean Water SRF and Drinking Water SRF programs. The Trust received revenue of \$47.4 million from the clean water program and received \$16.4 million in the drinking water program. The Commonwealth provided a match of \$12.7 million for these federally funded programs. The continued capitalization of the Trust, combined with the Trust's access to the bond market, has allowed the Trust to provide funding to all qualified borrowers.
- The Trust maintains the highest ratings of "Aaa," "AAA," and "AAA" from Moody's Investors Service, Standard & Poor's, and Fitch Ratings agencies, respectively, on its recently issued bonds, allowing the Trust to continue to provide low cost funding to communities in the Commonwealth.

**MASSACHUSETTS CLEAN WATER TRUST**  
(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis – Required Supplementary Information

(Unaudited)

June 30, 2016 and 2015

**Financial Highlights – Fiscal Year 2015**

- At the close of FY 2015, assets and deferred outflows exceed liabilities by \$2.24 billion, as compared to \$2.13 billion for FY 2014. Included in this calculation are total loans receivable, which increased to \$3.96 billion from \$3.91 billion, total debt (bonds payable), which decreased to \$3.33 billion from \$3.39 billion and was offset by a decrease in the total amount of long-term investments and long-term project fund investments (primarily reserve fund investments) to \$1.00 billion from \$1.03 billion.
- Total assets and deferred outflows of resources of \$5.70 billion increased \$77 million from \$5.62 billion the year before. Total liabilities of \$3.46 billion decreased \$35 million from \$3.49 billion the year before.
- On January 7, 2015, the Trust issued its Series 18 (Green Bonds) bonds in the amount of \$228.1 million. Proceeds of the Series 18 bonds were used to finance water pollution abatement and drinking water projects in 68 communities. The Trust designated the Series 18 Bonds as “Green Bonds” based on the intended use of the proceeds for financing projects that adhere to the federal Clean Water Act and Safe Drinking Water Act, as determined by the Environmental Protection Agency (EPA). The purpose of labeling the Series 18 Bonds as Green Bonds was to allow investors to invest directly in bonds which finance environmentally beneficial projects. In connection with the issuance of the Series 18 bonds, the Trust made \$81.7 million of direct loans for projects under the Clean Water SRF and \$23.5 million of direct loans for projects under the Drinking Water SRF. The interest payments on these direct loans will be used to pay a portion of the debt service due on the Series 18 bonds. On October 30, 2014, the Trust used \$40.5 million of its program equity cash to defease all or a portion of its Series 6, 7, 8, 9 and MWRA 99A bonds. All of the equity used for this transaction will be returned to the Trust in approximately 12 years, increasing program capacity by approximately \$16.4 million. On March 31, 2015, the Trust used \$59.6 million of its program equity cash to advance refund optimal current refunding candidates from Series 12. Equity used for this transaction will be returned in approximately 16 years, increasing program capacity by \$43.6 million. The total debt defeased in FY 2015 was \$100.1 million.
- For FY 2015, the Trust recorded operating income of \$36.0 million as compared to operating income of \$3.2 million in FY 2014. The \$32.8 million change was primarily due to a \$12.0 million decrease in operating expenses as principal forgiveness decreased \$2.8 million due to timing of disbursements on qualifying projects and interest expense decreased \$7.1 million due to higher interest rate bonds maturing or having been refunded with lower interest rate bonds. These decreases in expenses were coupled with a \$20.5 million increase in interest income due to an increase in the fair market value of investments.
- The statement of cash flows indicates an increase in cash for the year of \$84.2 million.
- In FY 2015, the Trust continued to receive Capitalization Grants from the Environmental Protection Agency (EPA) for both the Clean Water SRF and Drinking Water SRF programs. The Trust received revenue of \$47.0 million from the clean water program and received \$16.3 million in the drinking water program. The Commonwealth provided a match of \$12.8 million for these federally funded programs. The continued capitalization of the Trust, combined with the Trust's access to the bond market, has allowed the Trust to provide funding to all qualified borrowers.

**MASSACHUSETTS CLEAN WATER TRUST**  
(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis – Required Supplementary Information

(Unaudited)

June 30, 2016 and 2015

- The Trust maintains the highest ratings of “Aaa,” “AAA,” and “AAA” from Moody’s Investors Service, Standard & Poor’s, and Fitch Rating agencies, respectively, on its recently issued bonds, allowing the Trust to continue to provide low cost funding to communities in the Commonwealth.

**Overview of Financial Statements**

The financial section of this report consists of the following parts: management’s discussion and analysis (this section), the basic financial statements, and the notes to the financial statements.

The Trust’s financial statements are prepared in conformity with U.S. generally accepted accounting principles as applied to a special purpose entity engaged solely in business-type activities. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting are used. Revenue is recorded when earned, and expenses are recorded when incurred. The basic financial statements include statements of net position, statements of revenues, expenses, and changes in net position, and statements of cash flows. This report also includes notes accompanying the financial statements to fully explain the activities reported in them.

The statements of net position present information on the total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources of the Trust. The difference between the two totals is net position. Over time, increases and decreases in net position may be an indicator of the strength or deterioration of the financial health of the Trust.

The statements of revenues, expenses, and changes in net position report the operating revenues and expenses and the nonoperating revenues and expenses of the Trust for the fiscal year. The difference – increase or decrease in net position – then determines the net change in net position for the fiscal year. This change in net position added to last year’s net position will reconcile to the total net position for this fiscal year.

The statements of cash flows report activity of cash and cash equivalents during the fiscal year resulting from operating activities, noncapital financing activities, and investing activities. The net result of these activities is reconciled to the cash and cash equivalent balances reported at the end of the fiscal year. These statements are prepared using the direct method of presentation, which allows the reader to easily discern the amount of cash received from grantors, borrowers, and financial institutions, and how much cash was disbursed to borrowers, vendors, and bondholders.

**MASSACHUSETTS CLEAN WATER TRUST**  
(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis – Required Supplementary Information

(Unaudited)

June 30, 2016 and 2015

**Condensed Financial Information and Financial Analysis**

(In thousands)

	2016	2015	2014	Percentage change	
				2016–2015	2015–2014
Current assets	\$ 1,085,068	990,101	1,005,129	9.6 %	(1.5) %
Loans receivable, long term	3,664,872	3,591,902	3,469,108	2.0	3.5
Investments, long term	916,829	977,104	1,029,899	(6.2)	(5.1)
Project fund investments	39,431	25,255	—	56.1	100.0
Deferred outflows	100,910	108,352	113,216	(6.9)	(4.3)
Other	1,895	1,928	42	(1.7)	4490.5
Total assets and deferred outflows	<u>5,809,005</u>	<u>5,694,642</u>	<u>5,617,394</u>	<u>2.0 %</u>	<u>1.4</u>
Current liabilities	324,309	318,424	304,331	1.8 %	4.6 %
Loan commitments and project funds payable	39,342	25,233	—	55.9	100.0
Liability for derivative instruments	6,461	5,642	2,206	14.5	155.8
Long-term debt	<u>3,102,307</u>	<u>3,105,887</u>	<u>3,183,470</u>	<u>(0.1)</u>	<u>(2.4)</u>
Total liabilities	<u>3,472,419</u>	<u>3,455,186</u>	<u>3,490,007</u>	<u>0.5</u>	<u>(1.0)</u>
Net position:					
Restricted	1,838,451	1,776,826	1,718,052	3.5 %	3.4 %
Unrestricted	<u>498,135</u>	<u>462,630</u>	<u>409,335</u>	<u>7.7</u>	<u>13.0</u>
Total net position	<u>\$ 2,336,586</u>	<u>2,239,456</u>	<u>2,127,387</u>	<u>4.3</u>	<u>5.3</u>

***Net position***

The Trust's net position at June 30, 2016 and 2015 was \$2.34 billion and \$2.24 billion, respectively. Total assets and deferred outflows increased \$114.4 million to \$5.81 billion from \$5.70 billion at June 30. This increase was driven primarily by an \$89.0 million increase in loans receivable offset by a \$60.3 million decrease in long term investments, caused by scheduled maturities of debt service reserve fund investments. This reflects the change in assets that are pledged to the Trust's bonds away from debt service reserve funds (i.e., investments) to direct loans.

The Trust's net position at June 30, 2015 and 2014 was \$2.24 billion and \$2.13 billion, respectively. Total assets and deferred outflows increased \$77.2 million to \$5.70 billion from \$5.62 billion at June 30. This increase was driven primarily by a \$53.7 million increase in loans receivable offset by a \$39.4 million decrease in investments. This reflects the change in assets that are pledged to the Trust's bonds away from debt service reserve funds (i.e., investments) to direct loans. Total liabilities decreased \$34.8 million to \$3.46 billion primarily due to the defeasance of all or a portion of the Trust's Series 6, 7, 8, 9, MWRA 99A and 12 bonds, as described in note 6.

**MASSACHUSETTS CLEAN WATER TRUST**  
(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis – Required Supplementary Information

(Unaudited)

June 30, 2016 and 2015

***Bonds Payable***

The Trust issues revenue bonds (SRF Bonds) in order to fund communities' construction projects under the Clean Water and Drinking Water programs. The SRF Bonds are secured by either reserve funds or loans to borrowers that are pledged as a source of payment and security, or a combination thereof, both of which are funded by the SRF program funds. The SRF Bonds are payable from borrower loan repayments, reserve fund earnings and payments made by the Commonwealth to the Trust on behalf of the borrowers.

The following is a summary of bonds payable at June 30, 2016, 2015 and 2014 (in thousands). More detailed information can be found in note 6 to the financial statements.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Water Pollution Abatement Revenue Bonds:			
MWRA Loan Program	\$ 9,100	10,060	11,365
South Essex Sewage District Loan Program	285	890	1,855
New Bedford Loan Program	—	270	785
Pool Loan Program	1,466,700	1,362,395	1,328,845
Subtotal revenue bonds	<u>1,476,085</u>	<u>1,373,615</u>	<u>1,342,850</u>
Subordinated Revenue Refunding Bonds:			
MWRA Loan Program	54,040	54,040	63,620
Pool Loan Program	1,462,805	1,583,935	1,678,245
Subtotal revenue refunding bonds	<u>1,516,845</u>	<u>1,637,975</u>	<u>1,741,865</u>
Total bonds	2,992,930	3,011,590	3,084,715
Add: unamortized bond premium	335,272	320,762	304,295
Total bonds payable, net	<u>\$ 3,328,202</u>	<u>3,332,352</u>	<u>3,389,010</u>



**MASSACHUSETTS CLEAN WATER TRUST**  
(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis – Required Supplementary Information

(Unaudited)

June 30, 2016 and 2015

A summary of the Trust's statements of revenues, expenses, and changes in net position is as follows:

**Summary of Changes in Net Position**  
(In thousands)

	June 30			Percentage change	
	2016	2015	2014	2016–2015	2015–2014
Loan servicing fees	\$ 5,515	5,315	5,137	3.8 %	3.5 %
Loan origination fees	1,926	2,150	19	(10.4)	11215.8
Interest income	133,905	147,069	126,577	(9.0)	16.2
Contract assistance from Commonwealth of Massachusetts	28,927	30,375	32,388	(4.8)	(6.2)
Total operating revenues	170,273	184,909	164,121	(7.9)	12.7
Department of Environmental Protection programmatic support costs	8,421	5,793	7,418	45.4	(21.9)
Principal forgiveness	6,117	4,797	7,567	27.5	(36.6)
General and administrative	4,092	5,923	7,860	(30.9)	(24.6)
Arbitrage rebate payments	3,785	1,538	166	146.1	826.5
Interest expense	127,247	130,888	137,959	(2.8)	(5.1)
Total operating expenses	149,662	148,939	160,970	0.5	(7.5)
Operating income	20,611	35,970	3,151	(42.7)	1041.5
U.S. Environmental Protection Agency capitalization grants	63,781	63,290	61,950	0.8	2.2
Commonwealth of Massachusetts matching grants	12,738	12,809	12,205	(0.6)	4.9
Total nonoperating revenues	76,519	76,099	74,155	0.6	2.6
Return of Commonwealth initial investment	—	—	20,812	0.0	(100.0)
Total nonoperating expenses	—	—	20,812	0.0	100.0
Increase in net position	97,130	112,069	56,494	(13.3)	98.4
Net position, beginning of year	2,239,456	2,127,387	2,070,893	5.3	2.7
Net position, end of year	\$ 2,336,586	2,239,456	2,127,387	4.3 %	5.3 %

**MASSACHUSETTS CLEAN WATER TRUST**  
(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis – Required Supplementary Information

(Unaudited)

June 30, 2016 and 2015

A summary of the Trust's interest income is as follows:

<b>Summary of Interest Income</b>					
(In thousands)					
<b>June 30</b>			<b>Percentage change</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2016–2015</b>	<b>2015–2014</b>
BAB Subsidy Income	\$ 4,266	4,395	4,254	(2.9)%	3.3%
Investment Income	40,234	41,596	53,211	(3.3)	(21.8)
Change in Fair Market Value	20,303	34,149	—	(40.5)	100.0
Loan Interest Income	69,102	66,929	69,112	3.2	(3.2)
Total interest income	\$ 133,905	147,069	126,577	(9.0)	16.2

### Results of Operations

For FY 2016, the Trust recorded operating income of \$20.6 million as compared to operating income of \$36.0 million in FY 2015. The \$15.4 million change was primarily attributable to a \$14.6 million decrease in interest income and contract assistance. Significant contributing factors of this decrease were the change in the fair market value year over year of \$13.8 million, as well as a decrease in investment income as the debt service reserve fund investments matured. These decreases in income coupled with increased operating expenses contributed to the change. Operating expenses were notably impacted with the provision of \$2.6 million for the programmatic support costs of DEP, including helping to fund the testing of lead in the water of public schools. Moreover, an increase of \$1.3 million of principal forgiveness expense, due to the timing of disbursements on qualifying projects, further impacted the change.

For FY 2015, the Trust recorded operating income of \$36.0 million as compared to an operating income of \$3.2 million in FY 2014. The \$32.8 million change was primarily due to a \$12.0 million decrease in operating expenses as principal forgiveness decreased \$2.8 million due to timing of disbursements on qualifying projects and bond interest expense decreased \$7.1 million due to higher interest rate bonds maturing or having been refunded with lower interest rate bonds. These decreases in expenses were coupled with a \$20.5 million increase in interest income due to an increase in the fair market value of investments.

The Trust's operating income is negatively impacted by the inclusion of expenses such as DEP programmatic support costs of \$8.4 million, \$5.8 million, and \$7.4 million for FY 2016, FY 2015 and FY 2014, respectively, and principal forgiveness, which are funded by the capitalization grant revenue that is classified as nonoperating revenue.

For FY 2016, the Trust's nonoperating revenue of \$76.5 million is consistent with FY 2015 reflecting the annual clean water and drinking water federal capitalization grants revenue and the related state matching grant. Revenue is recognized based on the funding availability schedule contained in the grant. For more information on grant revenue, refer to note 4.

**MASSACHUSETTS CLEAN WATER TRUST**  
(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis – Required Supplementary Information

(Unaudited)

June 30, 2016 and 2015

The \$1.9 million, or 2.6%, increase in nonoperating revenue in FY 2015 reflects an increase in the annual clean water and drinking water federal capitalization grants revenue and the related state matching grant. Revenue is recognized based on the funding availability schedule contained in the grant. For more information on grant revenue, refer to note 4.

**Future Economic Factors**

In August 2014, the Commonwealth enacted Chapter 286 of the Acts of 2014 of the Commonwealth, which provided for \$57.0 million in matching capitalization funds to the Clean Water SRF and Drinking Water SRF programs. As of June 30, 2016, matching capitalization funds available to the Clean Water SRF and Drinking Water SRF programs were \$47.0 million. The Trust estimates this amount, in addition to the amounts remaining from the authorization provided for in Chapter 312 of the Acts of 2008 of the Commonwealth, to be sufficient to meet its clean water and drinking water matching needs through FY 2019, assuming current federal funding levels are maintained.

**Requests for Information**

This financial report is intended to provide an overview of the financial picture of the Massachusetts Clean Water Trust. Any further questions regarding any of the information contained within this report may be directed to the Executive Director or the Controller at 3 Center Plaza, Suite 430, Boston, MA 02108.

**MASSACHUSETTS CLEAN WATER TRUST**  
(A Component Unit of the Commonwealth of Massachusetts)

Statements of Net Position

June 30, 2016 and 2015

(In thousands)

	<u>2016</u>	<u>2015</u>
Assets and deferred outflows:		
Current assets:		
Cash and cash equivalents (note 3)	\$ 486,629	451,885
Short-term investments (note 3)	97,886	46,526
Project fund investments (note 3)	10,812	1,690
Grants receivable:		
U.S. Environmental Protection Agency	49,667	64,340
Loans receivable, net (note 5)	384,195	368,201
Accrued interest receivable	55,879	57,459
Total current assets	<u>1,085,068</u>	<u>990,101</u>
Noncurrent assets:		
Project fund investments (note 3)	39,431	25,255
Loans receivable, long term (note 5)	3,664,872	3,591,902
Long-term investments (note 3)	916,829	977,104
Other assets	1,895	1,928
Total noncurrent assets	<u>4,623,027</u>	<u>4,596,189</u>
Deferred outflows of resources (note 10)	<u>100,910</u>	<u>108,352</u>
Total assets and deferred outflows of resources	<u>5,809,005</u>	<u>5,694,642</u>
Liabilities:		
Current liabilities:		
Accrued expenses and interest payable	60,307	61,611
Unearned revenue	28,086	28,834
Loan commitments and project funds payable	10,021	1,514
Long-term debt (note 6)	225,895	226,465
Total current liabilities	<u>324,309</u>	<u>318,424</u>
Noncurrent liabilities:		
Loan commitments and project funds payable	39,342	25,233
Liability for derivative instruments (note 9)	6,461	5,642
Long-term debt, net (note 6)	3,102,307	3,105,887
Total noncurrent liabilities	<u>3,148,110</u>	<u>3,136,762</u>
Total liabilities	<u>3,472,419</u>	<u>3,455,186</u>
Net position:		
Restricted for program purposes (note 7)	1,838,451	1,776,826
Unrestricted (note 7)	498,135	462,630
Total net position	<u>\$ 2,336,586</u>	<u>2,239,456</u>

See accompanying notes to financial statements.

**MASSACHUSETTS CLEAN WATER TRUST**  
(A Component Unit of the Commonwealth of Massachusetts)  
Statements of Revenues, Expenses, and Changes in Net Position  
Years ended June 30, 2016 and 2015  
(In thousands)

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Loan servicing fees	\$ 5,515	5,315
Loan origination fees	1,926	2,150
Interest income	133,905	147,069
Contract assistance from Commonwealth of Massachusetts	<u>28,927</u>	<u>30,375</u>
Total operating revenues	<u>170,273</u>	<u>184,909</u>
Operating expenses:		
Commonwealth of Massachusetts:		
Department of Environmental Protection – programmatic support costs	8,421	5,793
Principal forgiveness	6,117	4,797
General and administrative	4,092	5,923
Arbitrage rebate payments	3,785	1,538
Interest expense	<u>127,247</u>	<u>130,888</u>
Total operating expenses	<u>149,662</u>	<u>148,939</u>
Operating income	<u>20,611</u>	<u>35,970</u>
Nonoperating revenue:		
Capitalization grant revenue:		
U.S. Environmental Protection Agency capitalization grants (note 4)	63,781	63,290
Commonwealth of Massachusetts matching grants (note 4)	<u>12,738</u>	<u>12,809</u>
Total nonoperating revenue	<u>76,519</u>	<u>76,099</u>
Increase in net position	97,130	112,069
Net position – beginning of year	<u>2,239,456</u>	<u>2,127,387</u>
Net position – end of year	<u><u>\$ 2,336,586</u></u>	<u><u>2,239,456</u></u>

See accompanying notes to financial statements.



**MASSACHUSETTS CLEAN WATER TRUST**  
(A Component Unit of the Commonwealth of Massachusetts)

Statements of Cash Flows

Years ended June 30, 2016 and 2015

(In thousands)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Other cash received from borrowers	\$ 7,466	5,558
Cash paid to vendors	<u>(16,611)</u>	<u>(10,827)</u>
Net cash used in operating activities	<u>(9,145)</u>	<u>(5,269)</u>
Cash flows from noncapital financing activities:		
Bonds proceeds	245,140	268,686
Cash used in debt refunding	—	(99,633)
Repayment of bonds	(226,465)	(205,540)
Interest paid	(141,504)	(134,400)
Proceeds from U.S. Environmental Protection Agency capitalization grants	78,367	81,210
Proceeds from Commonwealth matching capitalization grants	<u>12,078</u>	<u>12,823</u>
Net cash used in noncapital financing activities	<u>(32,384)</u>	<u>(76,854)</u>
Cash flows from investing activities:		
Loans disbursed to recipients	(346,507)	(300,344)
Cash received from borrowers	222,577	209,803
Contract assistance received – principal	27,056	29,905
Interest received	112,296	108,277
Contract assistance received – interest	30,323	31,897
Purchases of investments	(61,858)	(7,192)
Sales/maturities of investments, net	<u>92,386</u>	<u>93,993</u>
Net cash provided by investing activities	<u>76,273</u>	<u>166,339</u>
Net increase in cash and cash equivalents	34,744	84,216
Cash and cash equivalents, beginning of year	<u>451,885</u>	<u>367,669</u>
Cash and cash equivalents, end of year	<u>\$ 486,629</u>	<u>451,885</u>
Reconciliation of operating income to net cash used in operating activities:		
Operating income	\$ 20,611	35,970
Adjustments to reconcile operating income to net cash used in operating activities:		
Reclassification of:		
Interest income	(133,905)	(147,069)
Contract assistance	(28,927)	(30,375)
Interest expense	127,247	130,888
Principal forgiveness	6,117	4,797
Changes in operating assets and liabilities:		
Other assets and liabilities, net	<u>(288)</u>	<u>520</u>
Net cash used in operating activities	<u>\$ (9,145)</u>	<u>(5,269)</u>

See accompanying notes to financial statements.

**MASSACHUSETTS CLEAN WATER TRUST**  
(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands, unless noted)

**(1) General**

**(a) Organization**

The Massachusetts Clean Water Trust (the Trust), is a component unit of the Commonwealth of Massachusetts (the Commonwealth). The Trust was created by Chapter 275 of the Acts of 1989, and is governed by Chapter 29C of the Massachusetts General Laws. Pursuant to an Operating Agreement between the United States Environmental Protection Agency (EPA), the Massachusetts Department of Environmental Protection (DEP), and the Trust, executed in 1993 and subsequently amended, the Trust administers the Commonwealth's Clean Water State Revolving Fund (Clean Water SRF) and Drinking Water State Revolving Fund (Drinking Water SRF) programs.

Financial and management activities of the Trust are administered by employees of the Trust who fall under the Office of the State Treasurer. Project evaluation, selection, and oversight are provided by DEP employees.

The Trust is governed by a three-member board of trustees chaired by the State Treasurer and composed of the Secretary for Administration and Finance and the Commissioner of DEP. The Trust is reported as a component unit of the Commonwealth.

**(b) Description of Business**

The SRF programs, which were authorized by federal legislation – the Water Quality Act of 1987 for the Clean Water SRF and the Safe Drinking Water Act of 1996 for the Drinking Water SRF – provide low-cost financing to cities, towns, and other eligible borrowers primarily for the construction and improvement of drinking water and wastewater infrastructure. The Trust's SRF program's primary activities include providing low-cost financing for eligible projects funded by the issuance of debt in the capital markets, providing low cost interim financing for its borrowers, the investment of program funds, and the management and coordination of the programs.

SRF program capitalization grants are issued from the EPA to the Trust, for which the Commonwealth is required to provide 20% in matching funds. The Trust applies such grants and state matching funds and other monies available to the Trust to reduce financing costs by establishing reserve funds to secure the Trust's bonds issued to fund such projects, and by applying investment earnings on such reserve funds to pay a portion of the debt service on the related bonds.

The SRF programs are called the State Revolving Fund programs because as borrowers pay down the principal balances of their loans and as the Trust pays principal on its SRF bonds, proportional amounts are released from the reserves and/or loans pledged to secure the related SRF bonds. These funds come back to the Trust and "revolve" or are used to establish new reserve funds or loans to borrowers that are pledged as a source of payment and security, for new SRF bonds or for other eligible purposes.

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June 30, 2016 and 2015

(Dollars in thousands, unless noted)

Funds pertaining to the SRF programs are limited to specific uses by laws and regulations as well as Grant and Operating Agreements entered into between EPA and the Commonwealth. As a result of these limitations on uses, these funds are classified as restricted on the statements of net assets.

**(2) Summary of Significant Accounting Policies**

The accounting policies of the Trust conform to U.S. generally accepted accounting principles (GAAP) as applicable to government enterprises. The following is a summary of the Trust's significant accounting policies:

**(a) Basis of Presentation**

The Trust's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as specified by the Governmental Accounting Standards Board's (GASB) requirements for a special purpose entity engaged solely in business-type activities. The more significant account policies are described below.

**(b) Revenue Recognition**

Operating revenues, including interest income, and expenses are generated through the issuance of loans to local government units within the Commonwealth. All other revenues and expenses are reported as nonoperating revenues and expenses.

Funding from federal capitalization grants and state matching grants are recorded as nonoperating revenue. Federal capitalization revenue is recognized in accordance with funding availability schedules contained within the individual grant agreements. Revenue recognition associated with these grants is based on the standard principles of eligibility, including timing requirements.

The Trust's recent federal capitalization grants beginning with the American Recovery and Reinvestment Act of 2009 (ARRA) received in 2009, required that a portion of the grant funds be provided as additional subsidization in the form of principal forgiveness, grants, or negative interest loans. The Trust provides the additional subsidization in the form of principal forgiveness, which has been recorded as an operating expense.

**(c) Cash and Cash Equivalents**

The Trust's policy is to treat all highly liquid investments with original maturities of three months or less as cash and cash equivalents.

**(d) Investments**

The Trust's investment guidelines permit investment of funds in obligations of, or guaranteed by, the United States of America or the short-term external investment pool, the Massachusetts Municipal Depository Trust (MMDT), managed by the Commonwealth, as well as in time deposits, guaranteed investment contracts, repurchase agreements, and other permitted investments such as qualified municipal obligations.

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In 2016 the Trust implemented GASB 72, *Fair Value Measurement and Application*. Investments are generally carried at fair value. The investment in MMDT is valued at the share value of \$1.00 and carried at fair value. The guaranteed investment contracts (GICs) are considered nonparticipating investment contracts and therefore are recorded at contract value.

**(e) Allowance for Uncollectible Amounts and Principal Forgiveness**

The allowance for uncollectible accounts receivables is determined principally on the basis of past collection experience as well as consideration of current economic conditions. Receivables are reported at the gross amount and an allowance for doubtful accounts would be recognized for that portion of receivables that is deemed uncollectible, based upon a review of outstanding receivables, historical collection information, and existing economic conditions and trends. Because of the absence of any delinquent loans, there is no provision for uncollectible amounts.

Loans are reported net of principal forgiveness expected to be provided upon project completion. The amount of principal forgiveness is determined by the Trust's board and is recorded on a first-in, first-out basis as disbursements are processed, up to the total amount of the principal forgiveness awarded to the individual loans.

**(f) Loan Origination Fees and Costs of Issuance**

The Trust requires payment of loan origination fees at the time of the first debt service payment. This origination fee revenue is recorded at the time of the bond closing which is when these fees are earned. Cost of issuance related to the bonds is recorded to general and administrative expenses when incurred.

**(g) Risk Financing**

The Trust is not insured for casualty, theft, tort claims, or other losses. No amounts have been accrued for such losses as they are not considered material. As discussed in note 1, all financial, management, and project oversight activities are provided by employees of the State Treasurer's Office, DEP, and the Executive Office for Administration and Finance. These employees are covered under the Commonwealth's existing employee benefit programs. The cost of these programs is allocated to the Trust, through a fringe benefit allocation. Costs in excess of this amount are borne by the Commonwealth. As a result, no liabilities for employee-related activities have been recorded by the Trust.

**(h) Bond Premium**

Bond premium, included in long-term debt, is amortized on a straight-line basis, which approximates the effective interest basis, over the life of the associated bond issue.

**(i) Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of

**MASSACHUSETTS CLEAN WATER TRUST**  
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Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands, unless noted)

contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**(j) Derivatives**

Derivative instruments are reported as assets or liabilities at fair value on the statement of net position. Changes in fair value are either deferred or reported in the statement of revenues, expenses, and changes in net position, depending on whether the derivative instrument qualifies for hedge accounting.

**(k) Deferred Inflows and Outflows of Resources**

The Trust accounts for certain transactions that result in the consumption or acquisition in one period that are applicable to future periods as deferred outflows and deferred inflows of resources, respectively, to distinguish them from assets and liabilities. For fiscal years 2016 and 2015, the Trust has reported deferred outflows of resources pertaining to its hedging derivative instruments and to the losses on its debt refunding transactions.

**(l) Reclassifications**

Certain reclassifications have been made to the FY 2015 balances to conform to the presentation used in FY 2016.

**(3) Deposits and Investments**

The value and maturities of the Trust's investments and cash equivalents are presented below:

Investment type	2016	Investment maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
Guaranteed investment contracts	\$ 602,926	\$ 119,926	\$ 226,720	\$ 181,703	\$ 74,577
U.S. Treasuries and Agencies	319,023	13,432	76,224	77,004	152,363
MMDT cash portfolio	536,873	497,442	39,431	—	—
MMDT short term bond portfolio	92,765	92,765	—	—	—
Total investments and cash equivalents	<u>\$ 1,551,587</u>	<u>723,565</u>	<u>342,375</u>	<u>258,707</u>	<u>226,940</u>

Investment type	2015	Investment maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
Guaranteed investment contracts	\$ 659,912	\$ 113,063	\$ 239,663	\$ 210,802	\$ 96,384
U.S. Treasuries and Agencies	322,262	23,550	67,838	79,465	151,409
MMDT cash portfolio	478,830	453,575	25,255	—	—
MMDT short term bond portfolio	41,456	41,456	—	—	—
Total investments and cash equivalents	<u>\$ 1,502,460</u>	<u>631,644</u>	<u>332,756</u>	<u>290,267</u>	<u>247,793</u>



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Notes to Financial Statements

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(Dollars in thousands, unless noted)

**(a) Cash and Cash Equivalents**

The Trust's cash and cash equivalents primarily consist of the SRF program equity accounts. Use of these funds are governed by the Clean Water Act and Safe Drinking Water Act, and are required to be kept in perpetuity in support of the State Revolving Fund. These funds are derived from: (1) funds drawn by the Trust from federal capitalization grants and Commonwealth matching funds; (2) other amounts paid to the Trust representing financial assistance provided pursuant to the Act for purposes of deposit in the SRF programs; (3) other amounts appropriated to the Trust by the Commonwealth for purposes of the SRF programs; (4) direct loan repayments; (5) interest earnings on investments or deposits of amounts held in the equity accounts; and (6) amounts transferred from the Debt Service Reserve Fund as a result of loan repayments in accordance with the provisions specified in the Bond Resolutions. A small portion of the cash and cash equivalents is held to pay the administrative costs of the Trust.

Cash and cash equivalents include investments in the Massachusetts Municipal Depository Trust (MMDT). The Office of the Treasurer and Receiver-General (Treasury) manages the Commonwealth's short-term external mixed investment pool, MMDT. MMDT is comprised of two portfolios, a Cash Portfolio and a Short Term Bond Portfolio. The Cash Portfolio is a money market like investment pool; its investments are carried at amortized cost, which approximates fair value. The investment in MMDT is valued at the share value of \$1.00 and carried at fair value. The Short Term Bond Portfolio investments are carried at fair value.

Investors in MMDT are not allowed to overdraw their shares. For a complete copy of MMDT's separately issued financial statements, please contact the Office of the State Treasurer's Cash Management Department, at (617) 367-9333 or download the statements from the Cash Management section of the Office of the State Treasurer's Web site at [www.mass.gov/treasury](http://www.mass.gov/treasury). For purposes of risk categorization, MMDT shares are not categorized.

*Custodial Credit Risk* – Custodial credit risk is the risk that, in the event of a bank failure, the Trust's deposits may not be returned to it. Cash balances represent amounts held in bank depository accounts that may be subject to custodial credit risk. The Trust had no significant amount of cash on deposit with banks at June 30, 2016 and 2015.

**(b) Project Fund Investments**

The project fund investments are held by the Trustees and disbursed in accordance with executed loan agreements. The project fund investment accounts disburse bond proceeds to borrowers as needed. These funds are restricted and are to be disbursed solely for the applicable project costs associated with the applicable loan financing agreement. When all costs have been paid, any amounts remaining unexpended in the project fund investment accounts will normally be applied to the repayment of the applicable borrower's principal. Project fund investment accounts are invested as part of the MMDT Cash Portfolio.

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**(c) Investments**

Investments primarily consist of debt service reserve accounts established as security for bonds issued by the Trust. The amount deposited in each debt service reserve account is determined at the time of the issuance of the bonds, and has varied from 33% to 50% of the par amount of the bonds issued. Debt Service Reserve Funds are funded from cash, and deposits are transferred from the SRF equity accounts. Interest earnings on the debt service reserve accounts are used for debt service payments. The Trust's debt service reserve accounts are invested in either Guaranteed Investment Contracts (GICs) or U.S. Treasuries and Agencies.

*Custodial Credit Risk* – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Trust will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Trust requires that all investment agreements be collateralized either upon execution of such agreement or upon the happening of certain events, and at all times thereafter, by securities or other obligations issued or guaranteed by the United States, by certain federal agencies or corporations or, in some cases, by corporate or municipal issuers rated “AAA” by Standard & Poor’s and “Aaa” by Moody’s, having a market value of not less than 102% of the amount currently on deposit or in accordance with their respective agreement.

*Credit Risk* – The majority of the Trust’s investments are in GICs or in U.S. Treasuries and Agencies. The U.S. Treasuries and Agencies are all backed by the federal government. The GICs either have collateral requirements in place upon execution of the investment agreement, or have triggered collateral requirements under which, upon a rating downgrade below a specified level, the counterparty is typically required to take one of three actions: 1) post collateral to a level sufficient to maintain an AA rating, 2) assign the investment contract to a new counterparty that has at least an AA rating, or 3) provide credit enhancement to maintain a rating on the investment contract of at least AA. MMDT and the GICs are not rated.

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Trust’s investments. The Trust limits its exposure to interest rate risk by entering into guaranteed investment contracts and federally guaranteed fixed income securities for all of its long-term investments upon which the Trust relies to meet its obligations. The Trust’s U.S. Treasuries and Agencies investment portfolio was structured in its principal and interest return to support debt service on their related bonds.

***Fair Value Disclosure – Investments***

The Trust categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. GASB defines a certain hierarchy of inputs to valuation techniques used to measure fair value. All of the Trusts’ investments in U.S. Treasuries and Agencies are categorized as Level 2.

**MASSACHUSETTS CLEAN WATER TRUST**  
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Inputs within Level 2 of the fair value hierarchy include inputs that are directly observable, these inputs are derived principally from or corroborated by observable market data through correlation or by other means. Investments in debt securities classified as Level 2 of the fair value hierarchy are valued using matrix pricing techniques, in accordance with market quotations or valuation methodologies from reliable financial industry services.

Under existing standards, several types of investments are not required to be reported at fair value. The investment in MMDT is valued at the share value of \$1.00 and carried at fair value. For purposes of risk categorization, MMDT shares are not categorized. The GICs are considered nonparticipating investment contracts and are also excluded from the Statement on fair value measurement. These investment values will continue to be measured in accordance with existing accounting standards, and are recorded at contract value.

*Concentration of Credit Risk* – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The issuers where investments exceeded 5% of the Trust's total investments are as follows:

	Percentage of total investments	
	2016	2015
Provider:		
Dexia Credit Local/FSA Capital Manangement Services, LLC	20%	21%
NATIXIS Funding Corp.	16	17
Trinity Funding Company, LLC	16	15
Citigroup	10	10

**(4) Capitalization Grants**

The Trust is awarded clean water and drinking water grants from the U.S. EPA. These grants require that the Trust enter into binding commitments with local government units within one year of the receipt of each federal grant payment to provide assistance in an amount equal to 120% (including 20% state matching grants) of each grant award. Each federal capitalization grant contains federally mandated set-asides, including a 4% administrative allowance, that result in total grant funding actually being 83.3% federal and 16.7% state.

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The total grants awarded for the Trust's fiscal years ended June 30, 2016 and 2015 are as follows:

	<b>Clean Water Program</b>		<b>Drinking Water Program</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Federal capitalization	\$ 47,360	47,603	16,333	16,441
State match on federal funds	9,472	9,520	3,267	3,288
Total capitalization	56,832	57,123	19,600	19,729
Less administrative allowance and set asides	(2,273)	(2,285)	(5,063)	(5,096)
Project capitalization	<u>\$ 54,559</u>	<u>54,838</u>	<u>14,537</u>	<u>14,633</u>

The periodic cash draws by the Trust on federal grants are based on the amount of incurred costs for certain eligible projects or activities. Federal capitalization revenue is recognized in accordance with funding availability schedules contained within the individual grant agreements.

The following table depicts the Trust's capitalization grant revenue by grant:

	<b>Clean Water</b>		<b>Drinking Water</b>		<b>Total Programs</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Federal FY 2015 grant	\$ 35,520	—	12,250	—	47,770	—
Federal FY 2014 grant	11,901	35,702	4,110	12,331	16,011	48,033
Federal FY 2013 grant	—	11,332	—	3,925	—	15,257
Total grant revenue – EPA	<u>\$ 47,421</u>	<u>47,034</u>	<u>16,360</u>	<u>16,256</u>	<u>63,781</u>	<u>63,290</u>
State match – FY 2015 grant	\$ 9,472	—	3,266	—	12,738	—
State match – FY 2014 grant	—	9,521	—	3,288	—	12,809
Total grant revenue – State Match	<u>\$ 9,472</u>	<u>9,521</u>	<u>3,266</u>	<u>3,288</u>	<u>12,738</u>	<u>12,809</u>

**(5) Loans Receivable and Bonds Purchased**

The Trust provides low-cost financing to cities, towns, and other eligible borrowers primarily for the construction and improvement of drinking water and wastewater infrastructure. These loans are provided under the Trust's Clean Water SRF, Drinking Water SRF, and Title V – Community Septic Management Programs.

Each loan to a borrower is in the form of either a loan or a bond purchase agreement, and is pursuant to a financing agreement between the Trust and the borrower. Pursuant to an agreement made with the EPA, projects financed for greater than 20 years are financed through a bond purchase agreement. Pursuant to the financing agreements, each borrower delivers its own general or special obligation bond to the Trust

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(Dollars in thousands, unless noted)

referred to as a “local bond,” in order to secure its loan repayment obligations. The Trust may provide loans under its Clean Water SRF and Drinking Water SRF programs with terms up to 30 years from project completion, but in no event does the Trust make a loan longer than the expected useful life of the project financed or refinanced by such loan. The Trust’s loans to borrowers are funded either through SRF bond proceeds (leveraged loans), or funded with SRF program equity funds (direct loans).

The Trust recognizes the need for construction funds to be available to borrowers throughout the year, not simply at the time of an annual Trust bond issue. This need is addressed by making funds available to eligible projects through the interim loan program. Interim loans are temporary loans provided by the Trust to local governmental units or other eligible borrowers in accordance with a financing agreement for all or any part of the cost of a project in anticipation of a leveraged or direct loan.

A summary of loan receivables as of June 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Leveraged loans or bonds purchased	\$ 3,527,080	3,519,380
Direct loans used for bond debt service	394,770	309,871
Other direct loans	9,909	10,574
Interim loans	172,334	266,500
Principal forgiveness	<u>(55,026)</u>	<u>(146,222)</u>
Total loans receivable	4,049,067	3,960,103
Less current portion loans receivable	<u>384,195</u>	<u>368,201</u>
Long-term portion – loans receivable	<u>\$ 3,664,872</u>	<u>3,591,902</u>

The interim loan receivable balances were \$172,334 and \$266,500 as of June 30, 2016 and 2015, respectively. Additionally, the interim loan balances represent disbursements of construction funds of \$55,026 and \$146,222, respectively, to borrowers for which a subsidy was provided in the form of principal forgiveness. The subsidized interim loan amounts will be legally forgiven as the applicable projects are completed.

Principal forgiveness is offered to borrowers, based on eligibility criteria defined by the Trust’s board, to comply with a requirement included in the grant agreement. The Trust provides principal forgiveness on some of its loans, assisting borrowers more in their efforts to comply with water quality standards by making projects even more affordable. Loans funded by principal forgiveness grants are advanced to local agencies on a cost reimbursement basis up to the amount of the awarded principal forgiveness. Loan agreements require repayment of the forgiven loan if all program requirements are not met.

The Series 19 bond issuance occurred in February 2016 and interim loans totaling \$201,533 were permanently financed. In connection with the issuance of the Series 19 bonds, the Trust applied a portion of its SRF Program Funds to make direct loans, the interest on which will be applied to pay a portion of the debt service on the Series 19 bonds, thereby supplementing the loan repayment obligations of the local



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borrowers. Principal payments on the direct loans are pledged as further security for the Trust's bonds. The Series 19 bonds are the fourth series of Trust SRF Bonds to use this approach. As of June 30, 2016, the Trust has \$394.8 million in direct loans made for the purpose of paying debt service on Trust bonds.

Aggregate principal maturities on loans receivable or bonds purchased are as follows:

Years ending June 30:	<u>Leveraged loans</u>	<u>Direct loans used for bond debt service</u>
2017	\$ 249,613	\$ 16,601
2018	244,375	16,960
2019	249,957	17,327
2020	244,350	17,683
2021	237,803	18,059
2022–2026	1,063,535	94,456
2027–2031	719,060	97,033
2032–2036	375,058	70,107
2037–2041	112,565	25,990
2042–2046	30,764	20,554
	<u>\$ 3,527,080</u>	<u>\$ 394,770</u>

The Trust's loans to its borrowers are subsidized by interest earnings on its pledged assets which include Debt Service Reserve Funds, direct loans and contract assistance provided to the Trust by the Commonwealth. Although borrowers are obligated to the Trust to make scheduled payments, these subsidies are expected to be available for the lives of the loan financing agreements. The Commonwealth has committed to provide contract assistance in the amount of \$323.2 million over 30 years. This obligation of the Commonwealth to the Trust is a general obligation of the Commonwealth, for which its full faith and credit are pledged. Annual appropriations are made each year by the Commonwealth to fund the current year's obligation.

**(6) Bonds Payable**

The Trust issues special obligation bonds under its SRF programs to provide financial assistance to eligible borrowers. The financial assistance is provided pursuant to leveraged loans and bond purchase agreements between the Trust and each borrower as described in note 5.

The Series 19 Bonds issued on February 11, 2016, were the second series of the Trust's bonds to be issued under and secured by the Master Trust Agreement ("MTA"). MTA Bonds are payable solely from the funds pledged to the MTA which include repayments on all loans financed through the MTA Program, together with contract assistance payments, and earnings on certain funds held under the MTA. All other series of Trust bonds are payable from amounts pledged pursuant to the individual Water Pollution Abatement and Drinking Water Project Bond Resolutions, which include payments by local governmental

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units of principal and interest on the loans, contract assistance, and earnings on amounts on deposit in the Debt Service Reserve Funds or interest received on certain direct loans made by the Trust.

Pursuant to the Commonwealth Assistance Contract (the Contract), the Commonwealth has agreed to provide contract assistance payments to the Trust to reduce the payments by local government units. The Contract is pledged as security for the bonds; and contract assistance payments, when received by the Trust are pledged as security for the bonds.

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The following is a summary of bonds payable at June 30, 2016 and 2015:

	<u>Beginning balance June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance June 30, 2016</u>	<u>Due within one year</u>
Water Pollution Abatement Revenue Bonds:					
MWRA Loan Program:					
Series 2002A, 3.0% to 5.25% issued October 15, 2002, due 2003 to 2032	\$ 10,060	—	960	9,100	930
South Essex Sewage District Loan Program:					
Series 1996A, 4.25% to 6.0%, issued December 5, 1996, due 2000 to 2016	890	—	605	285	285
New Bedford Loan Program:					
Series 1996A, 4.8% to 6.0%, issued July 10, 1996, due 2000 to 2016	270	—	270	—	—
Pool Loan Program:					
Series 6, 4.5% to 5.66% issued November 6, 2000, due 2001 to 2030	4,085	—	920	3,165	—
Series 7, 3.0% to 5.25% issued July 15, 2001, due 2001 to 2031	1,530	—	—	1,530	—
Series 8, 3.0% to 5.0%, issued November 15, 2002, due 2003 to 2032	12,150	—	1,790	10,360	1,630
Series 9, 2.0% to 5.0%, issued October 10, 2003, due 2004 to 2033	28,905	—	13,255	15,650	1,700
Series 11, 3.0% to 5.25%, issued October 19, 2005, due 2006 to 2035	54,680	—	12,720	41,960	235
Series 12, 3.0% to 5.25%, issued December 14, 2006, due 2007 to 2036	58,640	—	17,660	40,980	18,150
Series 14, 1.0% to 5.0%, issued March 18, 2009, due 2009 to 2038	179,380	—	16,260	163,120	16,625
Series 15, 2.0% to 5.192%, issued July 8, 2010, due 2012 to 2040	382,980	—	17,120	365,860	17,635
Series 16A and B, 2.0% to 5.0%, issued June 13, 2012, due 2013 to 2042	225,130	—	9,170	215,960	9,415

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	<b>Beginning balance June 30, 2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending balance June 30, 2016</b>	<b>Due within one year</b>
Series 17A and B, 0.25% to 5.0%, issued May 22, 2013, due 2014 to 2043	\$ 186,760	—	7,365	179,395	7,400
Series 18, 1.5% to 5.0%, issued January 7, 2015, due 2016 to 2045	228,155	—	7,240	220,915	7,775
Series 19, 4.0% to 5.0%, issued February 11, 2016 due 2017 to 2046	—	207,805	—	207,805	7,545
Subordinated Revenue Refunding Bonds:					
MWRA Loan Program:					
Series 1999A, 4.2% to 6.0%, issued November 3, 1999, due 2000 to 2029	54,040	—	—	54,040	—
Pool Program Refunding Bonds:					
Series A and B, 2.0% to 5.25%, issued August 25, 2004, due 2005 to 2028	309,980	—	48,870	261,110	50,990
Series 2006, 3.0% to 5.25%, issued December 14, 2006 due 2007 to 2034	408,215	—	—	408,215	10,685
Series 2009A, 2.0% to 5.0%, issued July 30, 2009 due 2010 to 2029	161,890	—	13,560	148,330	13,305
Series 2010A, 3.0% to 5.0%, issued July 8, 2010 due 2014 to 2026	32,525	—	5,270	27,255	2,180
Series 2012A and B, 3.0% to 5.0%, issued June 13, 2012 due 2013 to 2032	105,715	—	12,695	93,020	16,520
Series 2014, 2.0% to 5.0%, issued June 12, 2014 due 2015 to 2028	565,610	—	40,735	524,875	42,890
Subtotal	3,011,590	207,805	226,465	2,992,930	225,895
Add: Unamortized bond premiums	320,762	37,335	22,825	335,272	—
Total bonds payable	\$ 3,332,352	245,140	249,290	3,328,202	225,895

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The following is a summary of bonds payable at June 30, 2015 and 2014:

	<u>Beginning balance June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance June 30, 2015</u>	<u>Due within one year</u>
Water Pollution Abatement Revenue Bonds:					
MWRA Loan Program:					
Series 1993B, 4.3% to 5.25%, issued January 6, 1994, due 2000 to 2014	\$ 315	—	315	—	—
Series 2002A, 3.0% to 5.25% issued October 15, 2002, due 2003 to 2032	11,050	—	990	10,060	960
South Essex Sewage District Loan Program:					
Series 1994A, 5.3% to 6.375%, issued November 1, 1994, due 2001 to 2015	390	—	390	—	—
Series 1996A, 4.25% to 6.0%, issued December 5, 1996, due 2000 to 2016	1,465	—	575	890	605
New Bedford Loan Program:					
Series 1996A, 4.8% to 6.0%, issued July 10, 1996, due 2000 to 2016	785	—	515	270	270
Pool Loan Program:					
Series 2, 4.9% to 6.125%, issued June 1, 1995, due 2001 to 2015	105	—	105	—	—
Series 6, 4.5% to 5.66% issued November 6, 2000, due 2001 to 2030	18,515	—	14,430	4,085	920
Series 7, 3.0% to 5.25% issued July 15, 2001, due 2001 to 2031	8,070	—	6,540	1,530	—
Series 8, 3.0% to 5.0%, issued November 15, 2002, due 2003 to 2032	18,975	—	6,825	12,150	1,790
Series 9, 2.0% to 5.0%, issued October 10, 2003, due 2004 to 2033	47,840	—	18,935	28,905	13,255
Series 10, 2.5% to 5.25%, issued August 25, 2004, due 2005 to 2034	13,100	—	13,100	—	—
Series 11, 3.0% to 5.25%, issued October 19, 2005, due 2006 to 2035	67,020	—	12,340	54,680	12,720
Series 12, 3.0% to 5.25%, issued December 14, 2006, due 2007 to 2036	132,115	—	73,475	58,640	17,660

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	<u>Beginning balance June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance June 30, 2015</u>	<u>Due within one year</u>
Series 14, 1.0% to 5.0%, issued March 18, 2009, due 2009 to 2038	\$ 195,345	—	15,965	179,380	16,260
Series 15, 2.0% to 5.192%, issued July 8, 2010, due 2012 to 2040	399,585	—	16,605	382,980	17,120
Series 16A and B, 2.0% to 5.0%, issued June 13, 2012, due 2013 to 2042	234,085	—	8,955	225,130	9,170
Series 17A and B, 0.25% to 5.0%, issued May 22, 2013, due 2014 to 2043	194,090	—	7,330	186,760	7,365
Series 18, 1.5% to 5.0%, issued January 7, 2015, due 2016 to 2045	—	228,155	—	228,155	7,240
Subordinated Revenue Refunding Bonds:					
MWRA Loan Program:					
Series 1999A, 4.2% to 6.0%, issued November 3, 1999, due 2000 to 2029	63,620	—	9,580	54,040	—
Pool Program Refunding Bonds:					
Series A and B, 2.0% to 5.25%, issued August 25, 2004, due 2005 to 2028	373,895	—	63,915	309,980	48,870
Series 2006, 3.0% to 5.25%, issued December 14, 2006 due 2007 to 2034	408,215	—	—	408,215	—
Series 2009A, 2.0% to 5.0%, issued July 30, 2009 due 2010 to 2029	175,335	—	13,445	161,890	13,560
Series 2010A, 3.0% to 5.0%, issued July 8, 2010 due 2014 to 2026	37,430	—	4,905	32,525	5,270
Series 2012A and B, 3.0% to 5.0%, issued June 13, 2012 due 2013 to 2032	117,760	—	12,045	105,715	12,695
Series 2014, 2.0% to 5.0%, issued June 12, 2014 due 2015 to 2028	565,610	—	—	565,610	40,735
Subtotal	3,084,715	228,155	301,280	3,011,590	226,465
Add: Unamortized bond premiums	304,295	40,531	24,064	320,762	—
Total bonds payable	<u>\$ 3,389,010</u>	<u>268,686</u>	<u>325,344</u>	<u>3,332,352</u>	<u>226,465</u>



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On February 11, 2016, the Trust issued its Series 19 Bonds in the amount of \$207.8 million. The proceeds of the Series 19 Bonds were used to finance or refinance certain wastewater and drinking water projects in 47 communities. The Trust designated the Series 19 bonds as “Green Bonds” based on the intended use of the proceeds of the Series 19 Bonds for the financing of projects that adhere to the federal Clean Water Act and Safe Drinking Water Act, as determined by the EPA. Proceeds in the amount of \$145.7 million were applied to fund loans for projects under the Clean Water SRF and \$99.4 million of proceeds were applied to fund loans for projects under the Drinking Water SRF. The Trust anticipates expending all of the proceeds within three years. In connection with the issuance of the Series 19 Bonds, the Trust made \$58.4 million of direct loans for projects under the Clean Water SRF and \$39.8 million of direct loans for projects under the Drinking Water SRF. The interest payments on these direct loans will be used to pay a portion of the debt service due on the Series 19 bonds.

On January 7, 2015 the Trust issued its Series 18 Green Bonds in the amount of \$228.2 million. The proceeds of the Series 18 Bonds were used to finance or refinance certain wastewater and drinking water projects in 68 communities. The Trust designated the Series 18 bonds as “Green Bonds” based on the intended use of the proceeds of the Series 18 Bonds for the financing of projects that adhere to the federal Clean Water Act and Safe Drinking Water Act, as determined by the EPA. Proceeds in the amount of \$203.5 million were applied to fund loans for projects under the Clean Water SRF and \$65.2 million of proceeds were applied to fund loans for projects under the Drinking Water SRF. The Trust anticipates expending all of the proceeds within three years. In connection with the issuance of the Series 18 Bonds, the Trust made \$81.7 million of direct loans for projects under the Clean Water SRF and \$26.3 million of direct loans for projects under the Drinking Water SRF. The interest payments on these direct loans will be used to pay a portion of the debt service due on the Series 18 bonds.

On October 30, 2014, the Trust used \$40.5 million of its program equity cash to defease all or a portion of its Series 6, 7, 8, 9 and MWRA 99A bonds. All of the equity used for this transaction will be returned to the Trust in approximately 12 years, increasing program capacity by approximately \$16.4 million. On March 31, 2015, the Trust used \$59.6 million of its program equity cash to defease its Series 12 bonds. Equity used for this transaction will be returned to the Trust in approximately 16 years, increasing capacity by \$43.6 million. The total debt defeased was \$100.1 million.

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At June 30, 2016, debt service requirements to maturity for principal and interest are as follows:

	<b>Total debt service</b>	<b>Principal</b>	<b>Interest</b>
Year ending June 30:			
2017	\$ 366,596	225,895	140,701
2018	355,040	224,445	130,595
2019	342,756	223,310	119,446
2020	327,606	219,220	108,386
2021	309,574	211,955	97,619
2022–2026	1,267,396	924,445	342,951
2027–2031	740,576	582,230	158,346
2032–2036	321,561	264,770	56,791
2037–2041	103,372	86,585	16,787
2042–2046	33,079	30,075	3,004
Total debt service requirements	<u>\$ 4,167,556</u>	<u>2,992,930</u>	<u>1,174,626</u>

In the current year and in prior years, the Trust has deposited bond proceeds from refunding bonds with an escrow agent to provide resources for all future debt service payments on the refunded bonds. As a result, the bonds are considered to be defeased and the liability has been removed from the financial statements. The balances of bonds defeased “in substance” in the current year or prior years, and still outstanding as of June 30, 2016 are as follows:

<b>Description</b>	<b>Redemption date</b>	<b>Outstanding principal amount</b>	
		<b>2016</b>	<b>2015</b>
MWRA Loan Program:			
Series 1995A	November 3, 1999	\$ —	6,270
Series 1998A	November 3, 1999	24,660	32,565
Series 1998A	June 12, 2014	—	2,035
Pool Loan Program:			
Pool 9	December 14, 2006	—	139,560
Pool 9	June 12, 2014	—	12,050
Pool 10	December 14, 2006	—	168,620
Pool 10	June 12, 2014	—	33,540
Pool 11	December 14, 2006	—	87,735
Pool 11	June 13, 2012	—	50,780
Pool 12	August 11, 2009	31,430	31,430
Pool 12	June 12, 2014	162,385	162,385
Pool 12	March 31, 2015	56,280	56,280
Pool 13	June 12, 2014	256,965	270,280
Pool 14	June 12, 2014	137,595	137,595

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When the Trust refunds or advance refunds its bonds, it calculates the difference between the reacquisition price and the net carrying amount of the old debt. The resulting accounting gain or loss is then amortized generally over the life of the refunding bonds. The net unamortized excess of acquisition price and the net carrying value of the defeased bonds are recorded in deferred outflows of resources on the Statement of Net Position.

Excess of reacquisition price over net carrying value of defeased bonds (deferred outflows of resources – see note 10):

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 102,710	111,010
Additions	—	—
Reductions	(8,261)	(8,300)
Ending balance	<u>\$ 94,449</u>	<u>102,710</u>

**(7) Net Position**

As of June 30, 2016 and 2015, the Trust has a restricted net position in the amount of \$1,838,451 and \$1,776,826, respectively, and an unrestricted net position in the amount of \$498,135 and \$462,630, respectively. Restricted net position represents capitalization grants received cumulative to date from the EPA and corresponding matching amounts received from the Commonwealth, required to revolve back to the program. The capitalization grants are restricted to provide financial assistance, but not grants, to local communities and interstate agencies for the construction of wastewater treatment works, drinking water infrastructure improvements, and other related projects as described in note 1.

**(8) Commitment**

As of June 30, 2016 and 2015, the Trust has agreed to provide loans to various local government units amounting to approximately \$163,748 and \$111,586, respectively, excluding loan amounts already disbursed, which will be funded or collateralized with grant awards received by the Trust.

**(9) Derivative Transactions**

***Interest Rate Swap Agreements – \$77,255 dated November 21, 2006***

*Objective of the Interest Rate Swap* – As a means to lower its borrowings costs, when compared with fixed-rate bonds at the time of their issuance in November 2006, the Trust entered into two interest rate swap agreements in connection with its Pool Program Refunding Bonds, Series 2006 bonds. The intention of the swaps was to hedge the Trust's exposure to interest rate risk by effectively changing the Trust's variable rate bonds maturing in 2022 and 2023 to a synthetic fixed rate of 3.88% and 3.90%, respectively. The Series 2006 carry an interest rate indexed to the Municipal Consumer Price Index (Muni-CPI).

*Terms* – Under the terms of these swaps, the Trust agrees to receive a variable rate, based on the Muni-CPI, equal to the amounts due on variable rate bonds issued by the Trust concurrently with the

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execution of the swap agreement. The Trust agrees to pay a fixed rate to the counterparty. Payments are made semiannually, due August 1 and February 1 of each year, on the same schedule as the fixed rate bonds issued in December 2006. The counterparty is JP Morgan Chase & Co. JP Morgan Chase Bank, N.A. The terms of each swap agreement are summarized below:

	<b>2022</b>	<b>2023</b>
	<b>Termination</b>	<b>Termination</b>
Trade date	November 21, 2006	November 21, 2006
Effective date	December 14, 2006	December 14, 2006
Termination date	August 1, 2022	August 1, 2023
Notional amount	\$ 30,650	46,605
Fair value at June 30, 2016	(2,361)	(4,100)
Fair value at June 30, 2015	(2,169)	(3,473)
Variable rate bond coupon payments	Muni-CPI* rate + 0.99%	Muni-CPI* rate + 0.99%
Variable rate payment from counterparty	Muni-CPI* rate + 0.99%	Muni-CPI* rate + 0.99%
Fixed-rate payment to counterparty	3.88%	3.90%
Synthetic fixed rate on bonds	3.88	3.90

\* Muni-CPI rate is equal to the quotient of (1) the Reference CPI-U for the current debt service payment date minus the prior Reference CPI-U divided by (2) the prior Reference CPI-U. Reference refers to 3 months preceding the debt service payment date. Prior Reference period refers to 15 months preceding the debt service payment date.

*Fair Value* – The swaps had an aggregate negative fair value as of June 30, 2016 and 2015, which means on the August 1, 2016 debt service payment date the Trust will make a payment to the swap counterparty. At June 30, 2016 and 2015, the fair value of these swaps is reflected as a liability for derivative instruments and deferred outflows in the accompanying financial statements. GASB defines certain hierarchy of inputs to valuation techniques used to measure fair value. Derivative instruments are classified as Level 2 of the fair value hierarchy using the zero coupon method. This method calculates the future net settlement payments/receipts required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement of the swap.

*Credit Risk* – As of June 30, 2016 and 2015, the Trust is not exposed to credit risk because the swaps had a negative fair value. Prior to January 5, 2009, the swap counterparty was Bear Stearns Capital Markets, Inc. As of January 5, 2009, the counterparty is JP Morgan Chase & Co. JP Morgan Chase Bank, N.A. and is rated AA-/Aa1/AA-by Standard & Poor's, Moody's Investors Service, and Fitch Ratings, respectively. To mitigate credit risk, the Trust has the right to terminate the swap upon a ratings downgrade by the counterparty's credit support provider below BBB-/Baa3 by Standard & Poor's, and Moody's Investors Service, respectively.

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*Termination Risk* – The swap contract uses the International Swaps and Derivatives Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. In addition, the Trust may terminate upon a ratings downgrade by the counterparty, as described above. The Trust and the counterparty may terminate if either party fails to perform under the terms of the Contract. If at the time of termination, the swap has a negative fair value, the Trust would be liable to the counterparty for a payment equal to the swap’s fair value. The source of funds for this payment is from “legally available funds.” Legally available funds is defined as, “funds held in the Trust’s Federal Clean Water State Revolving Fund or Drinking Water State Revolving Fund...only to the extent that Congress passes a law or EPA adopts a regulation or issues an opinion or other notice...making such amounts legally available to pay settlement amounts.”

*Swap Payments and Hedged Debt* – In accordance with the swap agreement, the variable rate is calculated using the preceding 3 months’ Muni-CPI rate with settlement payments made on the debt service payment dates of February 1 and August 1. As of June 30, 2016, the variable rate was calculated using the May 31, 2016 Muni-CPI rate. Assuming this rate remains the same, the debt service requirements of the variable rate debt and the net swap payments are presented in the table below. As the Muni-CPI rate varies, the variable rate payments on the bonds and the variable rate receipts from the swap are equal, the net debt service will remain fixed.

	<b>Variable rate bonds<sup>1</sup></b>		<b>Net swap payments<sup>2</sup></b>	<b>Total debt service</b>
	<b>Principal</b>	<b>Interest</b>		
Fiscal year ending June 30:				
2017	\$ —	1,546	1,461	3,007
2018	—	1,546	1,461	3,007
2019	—	1,546	1,461	3,007
2020	—	1,546	1,461	3,007
2021	—	1,546	1,461	3,007
2022	—	1,546	1,461	3,007
2023	—	1,546	1,461	3,007
2024	30,650	1,239	1,173	33,062
2025	46,605	466	443	47,514

<sup>1</sup> Calculated rate uses May 31, 2016 Muni-CPI rate to reflect debt service payment for August 1, 2016.

<sup>2</sup> A positive net swap payment requires a payment from the Trust to the counterparty.

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**(10) Deferred Outflows of Resources**

The following is a summary of deferred outflows of resources at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Deferred outflows of resources:		
Derivative instruments (note 9)	\$ 6,461	5,642
Excess of reacquisition price over net carrying value of defeased bonds (note 6)	<u>94,449</u>	<u>102,710</u>
	<u>\$ 100,910</u>	<u>108,352</u>



# Massachusetts Clean Water Trust

## COMBINING FINANCIAL STATEMENTS AND SCHEDULES FOR THE YEAR ENDED JUNE 30, 2016 (With Comparative Amounts as of June 30, 2015)

### NARRATIVE

**Federally Capitalized State Revolving Fund** – is used to account for amounts received and expended from the Federally Capitalized SRF, proposed by Title VI of the Clean Water Act, along with amounts received and expended from the 20% required state matching of federal funding. The fund also is used to account for receipts and disbursements for loan and bond transactions not accounted for in the Commonwealth Capitalized SRF.

**Federally Capitalized Safe Drinking Water State Revolving Fund** - is used to account for amounts received and expended from the Federally Capitalized SRF, proposed by the Safe Drinking Water Act of 1996, along with amounts received and expended from the required state matching of federal funding.

**Commonwealth of Massachusetts Capitalized State Revolving Loan Fund** – is used to account for amounts received and expended from the Commonwealth Capitalized SRF.

**General Operations Fund** – is used to account for amounts received and expended for the general and administrative costs not applicable to the other three funds.

### Supplemental Schedules

The following schedules contain information to help the reader understand how the Trust’s financial data is broken down by the funds listed above and to provide information about the borrowers of the Trust’s lending programs. Schedules included are:

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Combining Schedule of Revenues, Expenses and Changes in Net Position .....	38
Five Year Schedule of Fifteen Largest Borrowers .....	39
Schedule of SRF Loans Outstanding by Borrower .....	40-45

Massachusetts Clean Water Trust  
Combining Schedule of Net Position  
June 30, 2016 (With Comparative Amounts as of June 30, 2015)  
(in thousands)

	Federally Capitalized State Revolving Fund Loan Program	Federally Capitalized Safe Drinking Water Revolving Fund Loan Program	Commonwealth of Massachusetts Capitalized State Revolving Fund Loan Program	Program for General Operations	Combined Totals 6/30/2016	6/30/2015
<b>ASSETS AND DEFERRED OUTFLOWS</b>						
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents	\$ 372,007	\$ 92,950	\$ 1,531	\$ 20,141	\$ 486,629	\$ 451,885
Short - term investments	76,425	388	-	21,073	97,886	46,526
Project fund investments	7,178	3,634	-	-	10,812	1,690
Grants receivable:					-	
U.S. Environmental Protection Agency	47,360	2,307	-	-	49,667	64,340
Loans receivable, net	289,742	94,401	-	52	384,195	368,201
Accrued interest receivable	44,746	11,132	1	-	55,879	57,459
Total current assets	837,458	204,812	1,532	41,266	1,085,068	990,101
<b>NONCURRENT ASSETS:</b>						
Project fund investments	20,942	18,489	-	-	39,431	25,255
Loans receivable, long-term	2,772,912	891,414	-	546	3,664,872	3,591,902
Long-term investments	723,820	193,009	-	-	916,829	977,104
Other assets	-	-	-	1,895	1,895	1,928
Total noncurrent assets	3,517,674	1,102,912	-	2,441	4,623,027	4,596,189
Deferred outflows of resources from derivative instruments	79,815	21,095	-	-	100,910	108,352
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>4,434,947</b>	<b>1,328,819</b>	<b>1,532</b>	<b>43,707</b>	<b>5,809,005</b>	<b>5,694,642</b>
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES:</b>						
Accrued expenses and interest payable	45,327	14,866	-	114	60,307	61,611
Deferred revenue	20,913	7,173	-	-	28,086	28,834
Loan commitments and project funds payable	6,491	3,530	-	-	10,021	1,514
Long-term debt	170,512	55,383	-	-	225,895	226,465
Total current liabilities	243,243	80,952	-	114	324,309	318,424
<b>NONCURRENT LIABILITIES</b>						
Loan commitments and project funds payable	20,888	18,454	-	-	39,342	25,233
Liability for derivative instruments	4,286	2,175	-	-	6,461	5,642
Long-term debt, net	2,326,197	776,110	-	-	3,102,307	3,105,887
Total noncurrent liabilities	2,351,371	796,739	-	-	3,148,110	3,136,762
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<b>2,594,614</b>	<b>877,691</b>	<b>-</b>	<b>114</b>	<b>3,472,419</b>	<b>3,455,186</b>
<b>NET POSITION</b>						
Restricted for program purposes	1,445,703	392,748	-	-	1,838,451	1,776,826
Unrestricted	394,630	58,380	1,532	43,593	498,135	462,630
<b>TOTAL NET POSITION</b>	<b>\$ 1,840,333</b>	<b>\$ 451,128</b>	<b>\$ 1,532</b>	<b>\$ 43,593</b>	<b>\$ 2,336,586</b>	<b>\$ 2,239,456</b>

**Massachusetts Clean Water Trust**  
**Combining Schedule of Revenues, Expenses and Changes in Net Position**  
**June 30, 2016 (With Comparative Amounts as of June 30, 2015)**  
**(in thousands)**

	Federally Capitalized State Revolving Fund Loan Program	Federally Capitalized Safe Drinking Water Revolving Fund Loan Program	Commonwealth of Massachusetts Capitalized State Revolving Fund Loan Program	Program for General Operations	Combined Totals 6/30/2016	Combined Totals 6/30/2015
<b>OPERATING REVENUES:</b>						
Loan servicing fees	\$ -	\$ -	\$ -	\$ 5,515	\$ 5,515	\$ 5,315
Loan origination fees	-	-	-	1,926	1,926	2,150
Interest income	106,379	27,100	6	420	133,905	147,069
Contract assistance from Commonwealth of Massachusetts	24,662	4,265	-	-	28,927	30,375
Total operating revenues	131,041	31,365	6	7,861	170,273	184,909
<b>OPERATING EXPENSES:</b>						
Commonwealth of Massachusetts:						
Department of Environmental Protection -						
programmatic support costs	3,438	4,983	-	-	8,421	5,793
Principal forgiveness	3,336	2,781	-	-	6,117	4,797
General and administrative	-	-	-	4,092	4,092	5,923
InterFund transfers	4,152	(4,065)	(73)	(14)	-	-
Arbitrage rebate payments	3,785	-	-	-	3,785	1,538
Interest expense	98,069	29,178	-	-	127,247	130,888
Total operating expenses	112,780	32,877	(73)	4,078	149,662	148,939
<b>OPERATING (LOSS) INCOME</b>	18,261	(1,512)	79	3,783	20,611	35,970
<b>NONOPERATING REVENUE:</b>						
Capitalization Grant Revenue:						
U.S. Environmental Protection Agency	47,421	16,360	-	-	63,781	63,290
capitalization grants	9,472	3,266	-	-	12,738	12,809
Commonwealth of Massachusetts matching grants	56,893	19,626	-	-	76,519	76,099
Total nonoperating revenues						
<b>INCREASE IN NET POSITION</b>	75,154	18,114	79	3,783	97,130	112,069
<b>NET POSITION - BEGINNING OF YEAR</b>	1,765,179	433,014	\$ 1,453	39,810	2,239,456	2,127,387
<b>NET POSITION - END OF YEAR</b>	\$ 1,840,333	\$ 451,128	\$ 1,532	\$ 43,593	\$ 2,336,586	\$ 2,239,456

## MASSACHUSETTS CLEAN WATER TRUST

Five Year Schedule of Fifteen Largest Borrowers  
For fiscal years ending June 30, 2012 through June 30, 2016  
(in thousands)

BORROWER NAME	June 30, 2016		June 30, 2015		June 30, 2014		June 30, 2013		June 30, 2012	
	Outstanding Loan Amount	% of Loans	Outstanding Loan Amount	% of Loans	Outstanding Loan Amount	% of Loans	Outstanding Loan Amount	% of Loans	Outstanding Loan Amount	% of Loans
Massachusetts Water Resources Authority	1,035,797	26.34%	1,042,931	27.16%	1,031,168	27.81%	1,076,575	27.27%	1,086,783	28.04%
City of Fall River	148,002	3.76%	147,160	3.83%	138,007	3.72%	143,870	3.64%	141,885	3.66%
Upper Blackstone Water Pollution Abatement District	132,646	3.37%	138,321	3.60%	143,835	3.88%	150,230	3.81%	154,667	3.99%
City of New Bedford	114,701	2.92%	114,390	2.98%	121,929	3.29%	129,260	3.27%	136,078	3.51%
City of Taunton	94,776	2.41%	79,998	2.08%	78,612	2.12%	84,558	2.14%	79,129	2.04%
City of Chicopee	90,196	2.29%	94,011	2.45%	79,097	2.13%	81,968	2.08%	61,471	1.59%
Springfield Water & Sewer Commission	88,758	2.26%	70,346	1.83%	53,150	1.43%	56,100	1.42%	56,086	1.45%
City of Brockton	81,643	2.08%	86,108	2.24%	90,276	2.43%	97,143	2.46%	100,223	2.59%
City of Marlborough	77,608	1.97%	59,638	1.55%	40,756	1.10%	42,069	1.07%	22,204	0.57%
City of Lowell	74,632	1.90%	73,851	1.55%	94,651	2.55%	82,578	2.09%	82,505	2.13%
City of Gloucester	65,607	1.67%	69,931	1.82%	55,798	1.50%	61,761	1.56%	50,280	1.30%
Town of Framingham	52,950	1.35%	53,501	1.39%	49,798	1.34%	52,294	1.32%	52,099	1.34%
Town of Nantucket	52,883	1.35%	55,511	1.45%	52,630	1.42%	54,946	1.39%	56,681	1.46%
City of Fitchburg	51,045	1.30%	40,366	1.05%	30,338	0.82%	32,971	0.84%	35,472	0.92%
Town of Falmouth	45,024	1.15%	14,657	0.38%	15,811	0.43%	16,936	0.43%	18,037	0.47%
Total all others	1,725,489	43.90%	1,699,105	44.26%	1,631,920.00	44.02%	1,784,446	45.21%	1,742,877	44.95%
TOTALS AS OF FISCAL YEAR END	3,931,759	100%	3,839,825	100%	3,707,776	100%	3,947,704	100%	3,876,477	100%

**MASSACHUSETTS CLEAN WATER TRUST**  
**Schedule of SRF Loans Outstanding By Borrower**  
**June 30, 2016**

<b>Borrower Name</b>	<b>Loans Outstanding as of June 30, 2016</b>	<b>% of Total Loans Outstanding</b>
Abington	\$ 3,648,048	0.09%
Acton	15,159,942	0.39
Acton Water District	12,925,861	0.33
Acushnet	2,605,457	0.07
Adams	1,580,724	0.04
Adams Fire District	1,662,512	0.04
Agawam	1,118,109	0.03
Amesbury	16,777,869	0.43
Amherst	20,840	0.00
Andover	3,914,386	0.10
Aquarion Water Company of Massachusetts	1,585,000	0.04
Ashburnham	2,072,507	0.05
Ashfield Water District	165,000	0.00
Ashland	3,375,662	0.09
Athol	5,210,548	0.13
Attleboro	22,320,156	0.57
Auburn	239,599	0.01
Auburn Water District	4,160,243	0.11
Avon	737,992	0.02
Ayer	78,461	0.00
Barnstable	22,771,672	0.58
Barnstable County	19,000,000	0.48
Barre	101,364	0.00
Belchertown	6,450,313	0.16
Bellingham	13,987,333	0.36
Belmont	9,284,552	0.24
Berlin	44,505	0.00
Bernardston	24,985	0.00
Beverly	346,043	0.01
Billerica	42,313,303	1.08
Blackstone	16,588	0.00
Boston	18,665,268	0.48
Boston Water and Sewer Commission	784,982	0.02
Bourne	229,017	0.01
Boxford	46,126	0.00
Boylston	34,492	0.00
Brewster	131,800	0.00
Bridgewater	2,143,303	0.05
BristolCty	958,450	0.02
Brockton	81,643,459	2.08
Brockton Sewer Enterprise System	316,082	0.01
Brookfield	36,898	0.00
Buckland	173,600	0.00
Burlington	4,873,189	0.12
Cambridge	33,015,986	0.84
Canton	2,944,725	0.08
Carver	11,100	0.00
Centerville/Osterville Fire District	1,874,089	0.05
Charles River Pollution Control District	27,351,055	0.70
Charlton	9,319,303	0.24
Chatham	18,105,571	0.46

<b>Borrower Name</b>	<b>Loans Outstanding as of June 30, 2016</b>	<b>% of Total Loans Outstanding</b>
Chelmsford	\$ 29,336,809	0.75%
Chelmsford Water District	2,601,619	0.07
Chelsea	192,609	0.00
Cherry Valley Water District	1,058,878	0.03
Chesterfield	166,969	0.00
Chicopee	90,196,196	2.30
Clarksburg	83,400	0.00
Clinton	4,817,572	0.12
Cohasset	24,082,251	0.61
Colrain	15,810	0.00
Concord	9,702,967	0.25
Conway	10,052	0.00
Danvers	17,959,044	0.46
Dartmouth	24,129,490	0.62
Dedham	705,779	0.02
Deerfield Fire District	501,742	0.01
Dennis	180,000	0.00
Dennis Water District	5,081,260	0.13
Dighton	84,710	0.00
Dighton Water District	4,201,197	0.11
Dighton-Rehoboth Regional School District	451,113	0.01
Douglas	3,457,394	0.09
Dover	51,800	0.00
Dracut	37,770,282	0.96
Dracut Water Supply District	293,205	0.01
Dudley	181,214	0.00
Duxbury	2,308,192	0.06
East Bridgewater	12,461,591	0.32
East Longmeadow	362,724	0.01
Eastham	25,137,203	0.64
Easthampton	3,657,417	0.09
Easton	5,434,725	0.14
Erving	3,122,135	0.08
Essex	12,066,770	0.31
Everett	3,477,615	0.09
Fairhaven	1,512,400	0.04
Fall River	148,002,015	3.77
Falmouth	45,024,148	1.15
Fitchburg	51,045,291	1.30
Foxborough	4,105,569	0.10
Framingham	52,950,456	1.35
Franklin	3,019,921	0.08
Gardner	4,408,052	0.11
Georgetown	805,322	0.02
Gill	9,064	0.00
Gloucester	64,223,136	1.64
Grafton	16,660	0.00
GreatBarrington	4,290,000	0.11
Greater Lawrence Sanitary District	23,163,825	0.59
Greenfield	1,695,261	0.04
Groton	3,322,501	0.08
Hadley	3,238,648	0.08
Halifax	151,800	0.00
Hanover	386,904	0.01
Hanson	1,120,000	0.03
Hardwick	5,551	0.00
Harvard	2,442,854	0.06
Harwich	1,982,789	0.05



<b>Borrower Name</b>	<b>Loans Outstanding as of June 30, 2016</b>	<b>% of Total Loans Outstanding</b>
Hatfield	\$ 265,628.00	0.01%
Haverhill	28,199,094	0.72
Hillcrest Sewer District	1,594,700	0.04
Hingham	898,215	0.02
Hinsdale	1,670,000	0.04
Holbrook	8,603,085	0.22
Holden	8,097,574	0.21
Holland	40,000	0.00
Holliston	2,458,872	0.06
Holyoke	14,588,033	0.37
Hoosac Water Quality District	4,546,515	0.12
Hopedale	639,105	0.02
Hopkinton	10,266,420	0.26
Hudson	13,672,837	0.35
Hull	2,307,215	0.06
Ipswich	7,058,110	0.18
Kingston	29,240,790	0.75
Lakeville	118,890	0.00
Lancaster	56,416	0.00
Lanesborough Village Fire & Water District	1,170,000	0.03
Lawrence	42,689,674	1.09
Lee	12,548,241	0.32
Leicester	136,348	0.00
Leicester Water Supply District	216,978	0.01
Lenox	200,488	0.01
Leominster	41,496,703	1.06
Lexington	11,785	0.00
Lincoln	1,690,000	0.04
Littleton	64,934	0.00
Longmeadow	2,356,686	0.06
Lowell	92,960,081	2.37
Ludlow	4,046,873	0.10
Lunenburg	6,012,960	0.15
Lunenburg Water District	3,168,495	0.08
Lynn Water and Sewer Commission	43,051,247	1.10
Lynnfield	415,582	0.01
Malden	22,354,015	0.57
Manchester	713,627	0.02
Mansfield	13,638,385	0.35
Mansfield Regional Wastewater District	10,142,875	0.26
Marion	18,303,453	0.47
Marlborough	77,608,375	1.98
Marshfield	9,996,329	0.25
Mashpee	527,044	0.01
Massachusetts Development Finance Agency	9,548,927	0.24
Massachusetts Water Resources Authority	1,035,796,956	26.41
Mattapoisett	9,460,423	0.24
Mattapoisett River Valley Water District	9,226,606	0.24
Maynard	9,951,498	0.25
Medfield	1,176,198	0.03
Medway	2,872,859	0.07
Melrose	2,227,782	0.06
Mendon	11,100	0.00
Merrimac	911,100	0.02
Methuen	17,589,200	0.45
Middleboro	1,635,305	0.04
Middleton	49,087	0.00
Millbury	18,676,163	0.48

<b>Borrower Name</b>	<b>Loans Outstanding as of June 30, 2016</b>	<b>% of Total Loans Outstanding</b>
Millville	\$ 317,738	0.01%
Milton	150,125	0.00
Monroe	191,910	0.00
Monson	1,211,467	0.03
Montague	2,999,046	0.08
Monterey	19,592	0.00
Nantucket	52,882,818	1.35
Natick	2,985,576	0.08
Needham	6,480,019	0.17
New Bedford	114,701,199	2.92
Newbury	7,135,763	0.18
Newburyport	42,050,308	1.07
Newton	4,532,400	0.12
Norfolk	360,158	0.01
North Adams	649,815	0.02
North Andover	5,260,878	0.13
North Attleboro	31,583,892	0.81
North Brookfield	1,405,000	0.04
North Raynham Water District	2,958,396	0.08
North Reading	292,604	0.01
North Sagamore Water District	1,087,143	0.03
Northampton	17,279,215	0.45
Northborough	224,007	0.01
Northbridge	2,849,611	0.07
Norton	1,732,790	0.04
Norwell	141,245	0.00
Norwood	6,330,943	0.16
Oak Bluffs	6,674,135	0.17
Orange	362,749	0.01
Orleans	50,000	0.00
Palmer	12,444,389	0.32
Paxton	1,408,338	0.04
Pembroke	3,387,994	0.09
Pepperell	2,545,000	0.06
Phillipston	38,332	0.00
Pittsfield	8,782,933	0.22
Plainville	2,886,361	0.07
Plymouth	15,334,475	0.39
Plympton	16,094	0.00
Provincetown	12,275,588	0.31
Quincy	11,911,833	0.30
Randolph	14,151,200	0.36
Raynham	4,707,465	0.12
Reading	5,803	0.00
Revere	28,667,375	0.73
Richmond	2,136,839	0.05
Rockland	2,979,607	0.08
Rowley	10,378,941	0.26
Royalston	13,728	0.00
Russell	245,000	0.01
Rutland	22,546	0.00
Salem	1,398,468	0.04
Salisbury	2,352,822	0.06
Sandwich	134,365	0.00
Saugus	12,796,934	0.33
Scituate	14,027,257	0.36
Seekonk	1,182,433	0.03
Seekonk Water District	2,313,691	0.06

<b>Borrower Name</b>	<b>Loans Outstanding as of June 30, 2016</b>	<b>% of Total Loans Outstanding</b>
Sharon	\$ 86,969	0.00%
Shirley	4,850,564	0.12
Shrewsbury	5,021,980	0.13
Shutesbury	166,470	0.00
Somerset	5,090,845	0.13
South Deerfield Water Supply District	1,075,000	0.03
South Essex Sewer District	18,319,580	0.47
South Grafton Water District	1,382,410	0.04
South Hadley	3,858,817	0.10
South Hadley Fire District #1	588,990	0.02
Southampton	1,021,800	0.03
Southborough	539,506	0.01
Southbridge	11,726,883	0.30
Southwick	15,904	0.00
Spencer	5,359,111	0.14
Springfield Water & Sewer Commission	88,758,187	2.26
Sterling	682,907	0.02
Stockbridge	4,900,811	0.12
Stoughton	2,151,684	0.06
Stow	503,629	0.01
Sturbridge	13,948,760	0.36
Sunderland	20,252	0.00
Sutton	4,318,097	0.11
Swampscott	236,896	0.01
Swansea	182,152	0.00
Swansea Water District	14,092,749	0.36
Taunton	94,629,037	2.41
Templeton	4,243,446	0.11
Tewksbury	4,609,044	0.12
Tisbury	3,577,495	0.09
Townsend	1,200,539	0.03
Truro	51,800	0.00
Tyngsborough	1,121,356	0.03
Upper Blackstone Water Pollution Abatement District	132,645,577	3.38
Upton	952,800	0.02
Wakefield	1,169,274	0.03
Walpole	4,612,386	0.12
Waltham	2,267,964	0.06
Ware	172,300	0.00
Wareham	23,273,399	0.59
Warren Water District	130,000	0.00
Wayland	289,446	0.01
Webster	13,496,057	0.34
Wellfleet	706,910	0.02
West Boylston	5,951,281	0.15
West Boylston Water District	781,944	0.02
West Bridgewater	722,086	0.02
West Groton Water Supply District	889,216	0.02
West Newbury	147,635	0.00
West Springfield	8,052,801	0.21
West Stockbridge	230,000	0.01
Westborough	41,296,240	1.05
Westfield	12,495,552	0.32
Westford	7,307,022	0.19
Westport	237,500	0.01
Westwood	595,600	0.02
Weymouth	29,153,451	0.74

<b>Borrower Name</b>	<b>Loans Outstanding as of June 30, 2016</b>	<b>% of Total Loans Outstanding</b>
Whitman	\$ 3,357,523	0.09%
Wilbraham	3,085,671	0.08
Wilmington	185,700	0.00
Winchendon	6,788,952	0.17
Winchester	12,017	0.00
Windbrook Acres	150,000	0.00
Woburn	11,585,349	0.30
Worcester	6,887,539	0.18
Wrentham	1,842,780	0.05
Yarmouth	1,000,800	0.03
Total	\$ 3,921,850,648	100%
Clean Water Program	\$ 2,961,666,432	
Drinking Water Program	\$ 960,184,216	



# III - STATISTICAL SECTION

**Comprehensive Annual Financial Report  
as of and for the Years Ended June 30, 2016 and June 30, 2015  
and Independent Auditors' Report**



MASSACHUSETTS  
CLEAN WATER TRUST

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Largest Private Sector Massachusetts Employers 2016 and 2007.....	13

*Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.*



# MASSACHUSETTS CLEAN WATER TRUST

## Ten Year Schedule of Changes in Net Position

For fiscal years ending June 30, 2007 through June 30, 2016

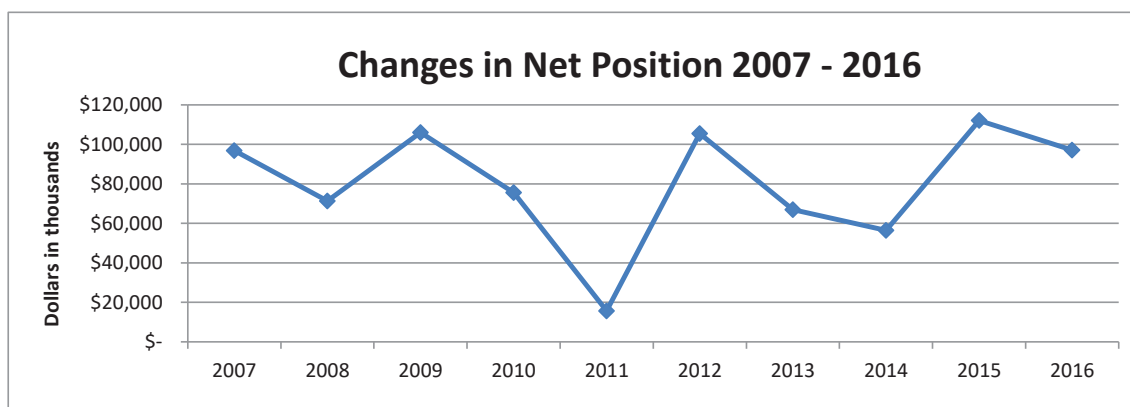
(in thousands)

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)	Operating Assistance	Income (Loss) before Capital Contributions	Capitalization Grant	Increase in Net Position
2016	\$ 170,273	\$ 149,662	\$ 20,611	\$ -	\$ 20,611	\$ 76,519	\$ 97,130
2015	184,909	148,939	35,970	-	35,970	76,099	112,069
2014	164,121	181,782 ***	(17,661)	-	(17,661)	74,155	56,494
2013 **	190,947	202,622 *	(11,675)	-	(11,675)	78,670	66,995
2012 **	260,252	237,858 *	22,394	-	22,394	83,077	105,471
2011 **	201,146	273,500 *	(72,354)	-	(72,354)	88,050	15,696
2010	175,720	278,199 *	(102,479)	-	(102,479)	178,096	75,617
2009	194,359	192,139	2,220	-	2,220	103,748	105,968
2008	195,247	186,632	8,615	-	8,615	62,782	71,397
2007	184,646	154,527	30,119	7,853	37,972	58,873	96,845

\* Includes a \$7.6 million, \$12.3 million, \$33.7 million, \$71.0 million, and a \$89.6 million reserve established for the anticipated future principal forgiveness associated with the disbursement of federal capitalization grant funds, including ARRA funds for the fiscal years ended June 30, 2014, 2013, 2012, 2011 and 2010, respectively.

\*\* Fiscal Years 2013, 2012, and 2011 impacted by the implementation of GASB 65 during Fiscal Year 2013.

\*\*\* Includes \$20.8 million nonoperating expense, which represents the return to the Commonwealth of its investment in the Commonwealth Program.

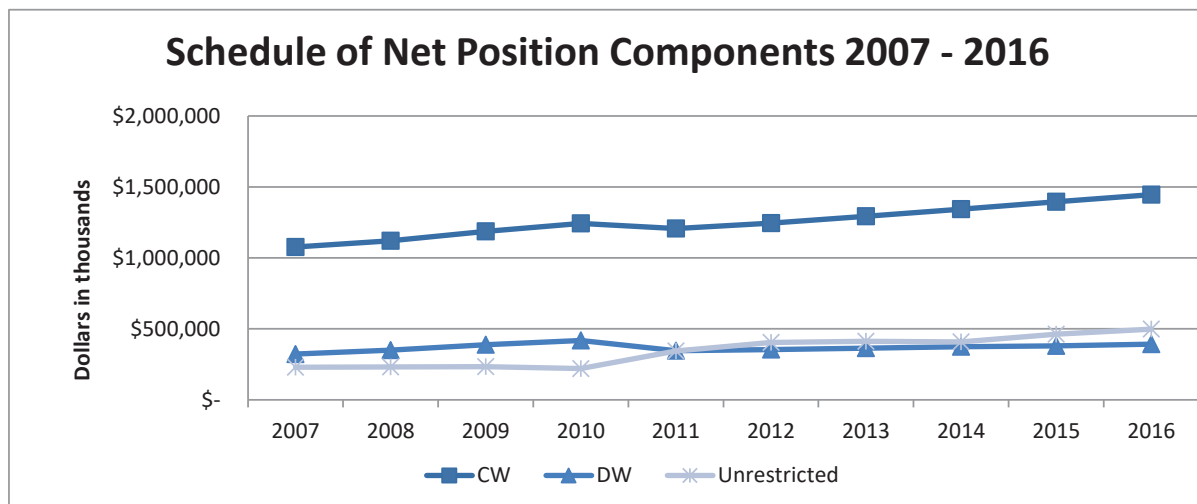


# MASSACHUSETTS CLEAN WATER TRUST

Ten Year Schedule of Net Position Components  
For fiscal years ending June 30, 2007 through June 30, 2016  
(in thousands)

<u>Year</u>	<u>Restricted Clean Water</u>	<u>Restricted Drinking Water</u>	<u>Total Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
2016	\$ 1,445,703	\$ 392,748	\$ 1,838,451	\$ 498,135	\$ 2,336,586
2015	1,396,156	380,671	1,776,826	462,629	2,239,456
2014	1,342,846	375,206	1,718,052	409,335	2,127,387
2013	1,293,838	365,050	1,658,888	412,005	2,070,893
2012 **	1,245,659	354,383	1,600,042	403,856	2,003,898
2011 **	1,207,423	346,412	1,553,835	344,592	1,898,427
2010	1,243,728	418,378	1,662,106	220,624	1,882,730
2009	1,186,119	387,472	1,573,591	233,522	1,807,113
2008	1,120,509	349,333	1,469,842	231,303	1,701,145
2007	1,076,902	322,890	1,399,792	229,956	1,629,748

\*\* Fiscal Years 2011 and 2012 were restated to reflect the implementation of GASB 65, in Fiscal Year 2013.



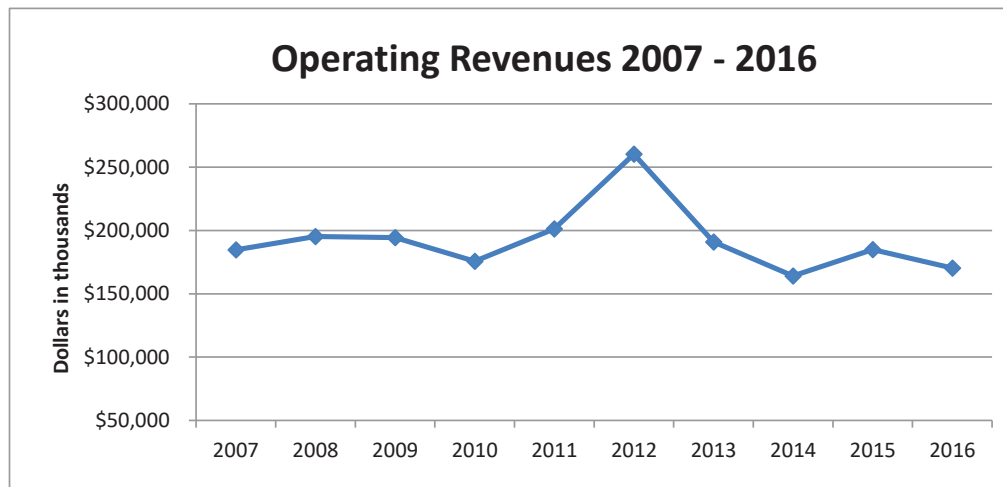
**MASSACHUSETTS CLEAN WATER TRUST**  
**Ten Year Combined Schedule of Operating Revenues by Source**  
For fiscal years ending June 30, 2007 through June 30, 2016  
(in thousands)

**OPERATING REVENUES**

<b>Fiscal Year</b>	<b>Loan Servicing Fees</b>	<b>Loan Origination Fees</b>	<b>Interest Income *</b>	<b>Total Operating Revenues</b>
2016	\$ 5,515	\$ 1,926	\$ 162,832	\$ 170,273
2015	5,315	2,150	177,444	184,909
2014	5,137	19	158,965	164,121
2013	5,288	1,698	183,961	190,947
2012	5,270	2,243	252,739 **	260,252
2011	5,209	129	195,808	201,146
2010	5,092	89	170,539	175,720
2009	1,557	165	192,637	194,359
2008	4,320	1,760	189,167	195,247
2007	3,914	1,387	179,345	184,646

\* Includes contract assistance received from the Commonwealth of Massachusetts.

\*\* Includes \$57.7 million in gains realized on the termination of certain guaranteed investment contracts.



# MASSACHUSETTS CLEAN WATER TRUST

Ten Year Debt Schedule  
For fiscal years ending June 30, 2007 through June 30, 2016  
(in thousands)

	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007
<b>Water Pollution Abatement Revenue Bonds:</b>										
Massachusetts Water Resources Authority Loan Program	\$ 9,100	\$ 10,060	\$ 11,365	\$ 16,410	\$ 22,370	\$ 48,200	\$ 54,545	\$ 63,315	\$ 70,350	\$ 77,520
South Essex Sewerage District Loan Program	285	890	1,855	2,765	3,780	5,015	6,440	8,030	9,775	11,645
New Bedford Loan Program	-	270	785	1,515	2,405	3,440	4,605	5,890	7,280	8,770
Pool Loan Program	1,466,700	1,362,395	1,328,845	2,078,738	1,989,878	2,125,200	1,812,331	1,988,091	1,704,979	1,466,832
Subtotal Revenue Bonds	1,476,085	1,373,615	1,342,850	2,099,428	2,018,433	2,181,855	1,877,921	2,065,326	1,792,384	1,564,767
<b>Subordinated Revenue Refunding Bonds:</b>										
Massachusetts Water Resources Authority Loan Program	54,040	54,040	63,620	63,775	63,775	63,775	63,775	261,170	272,450	283,005
New Bedford Loan Program	-	-	-	36,460	40,850	44,935	94,935	98,500	101,845	104,980
Pool Loan Program	1,462,805	1,583,935	1,678,245	1,311,580	1,358,240	1,264,190	1,246,130	1,049,865	1,050,895	1,051,895
Subtotal Revenue Refunding Bonds	1,516,845	1,637,975	1,741,865	1,411,815	1,462,865	1,372,900	1,404,840	1,409,535	1,425,190	1,439,880
Total Bonds Payable	2,992,930	3,011,590	3,084,715	3,511,243	3,481,298	3,554,755	3,282,761	3,474,861	3,217,574	3,004,647
<b>Add (deduct) unamortized amounts:</b>										
Bond premium	335,272	320,762	304,295	259,765	233,905	211,862	194,122	185,723	171,664	157,254
* Net unamortized excess of reacquisition price over net carrying value of defeased bonds	-	-	-	-	-	-	(82,837)	(62,723)	(65,735)	(68,746)
<b>Total Bonds Payable, net</b>	<b>\$ 3,328,202</b>	<b>\$ 3,332,352</b>	<b>\$ 3,389,010</b>	<b>\$ 3,771,008</b>	<b>\$ 3,715,203</b>	<b>\$ 3,766,617</b>	<b>\$ 3,394,046</b>	<b>\$ 3,597,861</b>	<b>\$ 3,323,503</b>	<b>\$ 3,093,155</b>

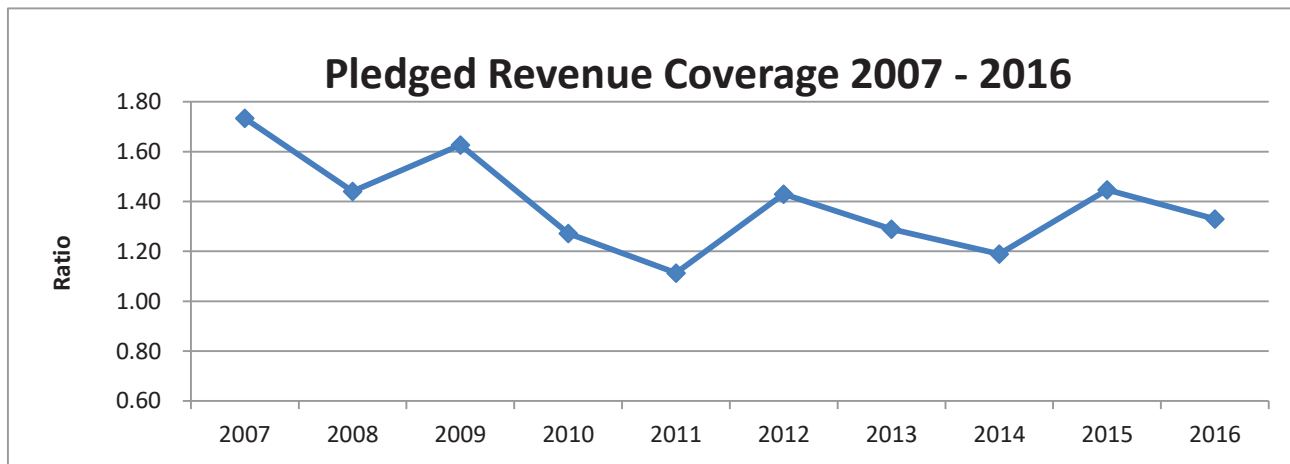
\* Net Bonds Payable restated after the implementation of GASB 65, Items Previously Reported as Assets and Liabilities, which resulted in the write off of bond issuance costs as of July 1, 2011.

**MASSACHUSETTS CLEAN WATER TRUST**  
**Ten Year Schedule of Pledged Revenue Coverage**  
For fiscal years ending June 30, 2007 through June 30, 2016  
(Dollar amounts in thousands)

Fiscal Year	Changes in Net Position	Comm of MA Contract Assistance	Principal and Interest Received from Borrowers *	Total Receivable and Revenue	Debt Service Requirements			Coverage ratio
					Principal	Interest	Total Debt Service	
2016	\$ 97,130	\$ 57,379	\$ 334,873	\$ 489,382	\$ 226,465	\$ 141,504	\$ 367,969	1.33
2015	112,069	61,802	318,080	491,951	205,540	134,400	339,940	1.45
2014	56,494	62,491	332,531	451,516	215,753	163,928	379,681	1.19
2013	66,995	62,811	305,125	434,931	172,306	165,171	337,477	1.29
2012 **	105,471	64,986	338,173	508,630	183,102	172,561	355,663	1.43
2011 **	15,696	66,093	296,303	378,092	168,319	171,296	339,615	1.11
2010	75,617	67,262	295,797	438,676	175,090	169,777	344,867	1.27
2009	105,968	66,856	355,589	528,413	152,243	172,697	324,940	1.63
2008	71,397	67,489	287,235	426,121	139,393	156,479	295,872	1.44
2007	96,845	64,014	282,248	443,107	122,045	133,579	255,624	1.73

\* Includes interest received from earnings on Debt Service Reserve Funds.

\*\* Fiscal Years 2011 and 2012 were restated for the implementation of GASB 65, in Fiscal Year 2013.



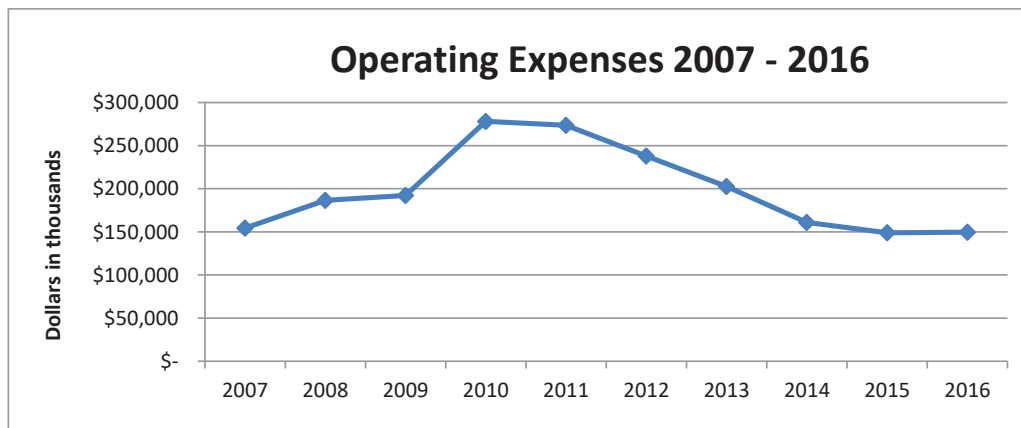
**MASSACHUSETTS CLEAN WATER TRUST**  
**Ten Year Combined Schedule of Operating Expenses**  
For fiscal years ending June 30, 2007 through June 30, 2016  
(in thousands)

**OPERATING EXPENSES**

<b>Fiscal Year</b>	<b>DEP Programmatic Support Costs</b>	<b>General and Adminstrative</b>	<b>Arbitrage Rebate Payments</b>	<b>Interest Expense</b>	<b>Grant Disbursement</b>	<b>Total Operating Expenses</b>
2016	\$ 8,421	\$ 4,092	\$ 3,785	\$ 127,247	\$ 6,117 *	\$ 149,662
2015	5,793	5,923	1,538	130,888	4,797 *	148,939
2014	7,418	7,860	166	137,959	7,567 *	160,970
2013	8,921	5,046 **	6,725	169,595	12,335 *	202,622
2012	11,369	8,440 **	10,487	173,869	33,693 *	237,858
2011	10,482	8,843 **	1,122	182,035	71,018 *	273,500
2010	12,168	4,754	972	170,724	89,581 *	278,199
2009	8,711	4,232	1,979	177,217	-	192,139
2008	10,834	2,493	267	173,038	-	186,632
2007	16,602	4,511	3,886	129,528	-	154,527

\* Represents a reserve established for the anticipated future principal forgiveness associated with the disbursement of federal capitalization grants, including ARRA. The principal forgiveness is fully funded by the capitalization grants.

\*\* Implemented GASB 65, Financial Reporting of Deferred Outflows, Deferred Inflows of Resources, and Net Position, resulting in the recognition of certain amounts as deferred inflows/outflows rather than assets/liabilities.



# MASSACHUSETTS CLEAN WATER TRUST

## Ten Year Schedule of Full Time Equivalent Employees

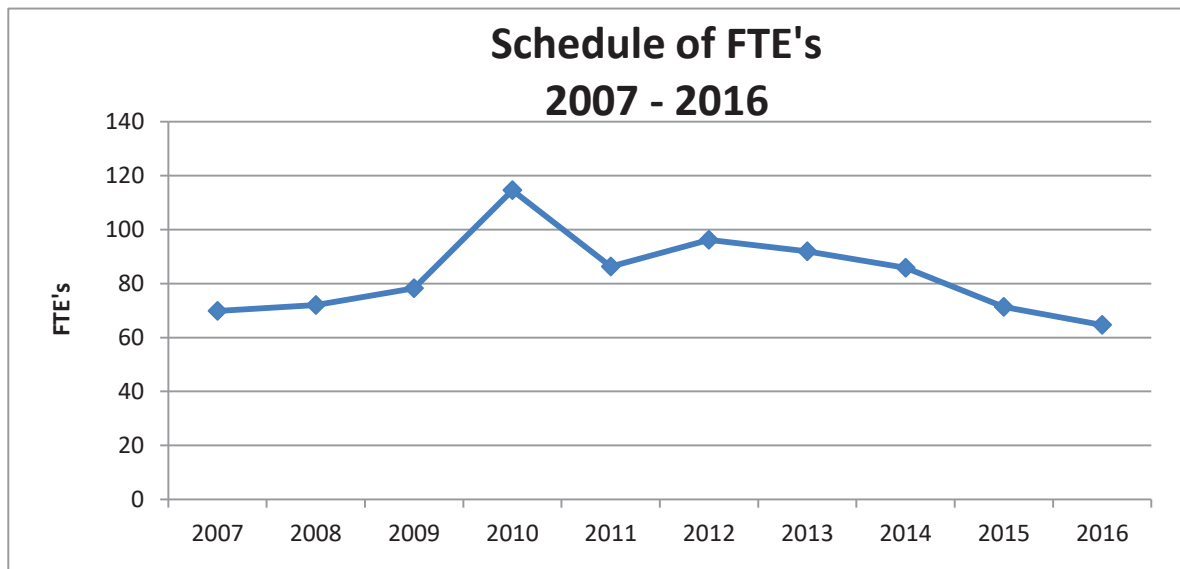
By Program and Agency

For fiscal years ending June 30, 2007 through June 30, 2016

<u>Year</u>	<u>MCWT - Administrative</u>	<u>DEP - Clean Water Program</u>	<u>DEP - Drinking Water Program</u>	<u>DEP - Admin Expendable Trust</u>	<u>Total</u>
2016	9.00	19.60	31.85	4.20	64.65
2015	8.83	17.50	32.08	12.98	71.39
2014	9.25	21.66	45.01	9.92	85.84
2013	9.75	21.49	50.17	10.50	91.91
2012	9.78	22.00	50.19	14.27	96.24
2011	9.27	21.50	51.77	3.79	86.33
2010	9.70	29.43	68.02	7.42	114.57
2009	8.50	9.15	37.50	23.14	78.29
2008	7.00	15.10	41.62	8.34	72.06
2007	7.00	17.48	45.40	0.00	69.88

MCWT - Mass Clean Water Trust

DEP - Department of Environmental Protection

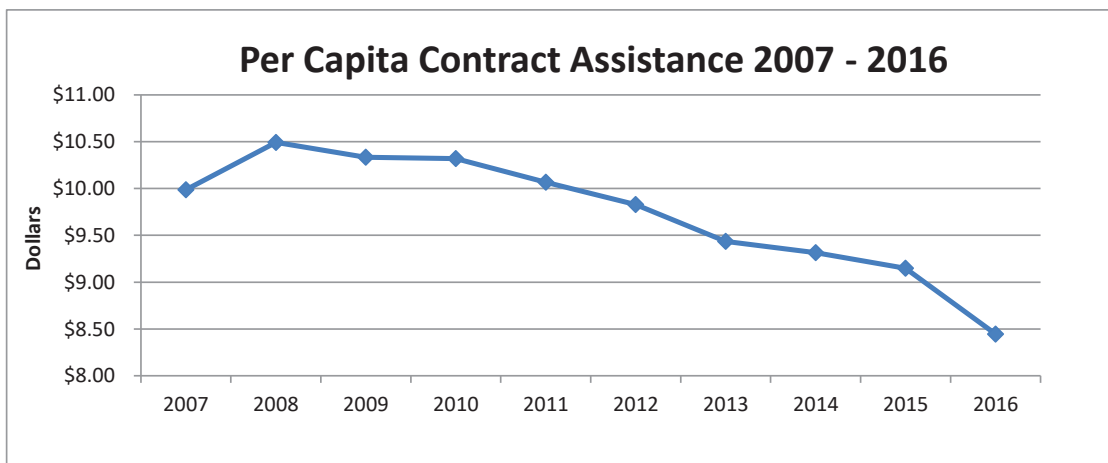




**MASSACHUSETTS CLEAN WATER TRUST**  
**Ten Year Schedule of Contract Assistance Provided by the Commonwealth of Massachusetts,**  
**Massachusetts Population, and Per Capita Contract Assistance**  
**For fiscal years ending June 30, 2007 through June 30, 2016**

<b>Fiscal year ending June 30</b>	<b>Contract assistance provided (in thousands)</b>	<b>Population estimates <sup>(1)</sup> (in thousands)</b>	<b>Per capita Contract assistance</b>
2016	\$ 57,379	6,794	\$ 8.45
2015	61,802	6,755	9.15
2014	62,491	6,709	9.31
2013	62,811	6,658	9.43
2012	64,986	6,612	9.83
2011	66,093	6,565	10.07
2010	67,262	6,518	10.32
2009	66,856	6,469	10.33
2008	67,489	6,432	10.49
2007	64,014	6,410	9.99

(1) Population estimates have been restated to most current United States Census Bureau Data. Population data is reported as of July 1 of the previous year and has been restated to most recent United States Census Bureau Data.

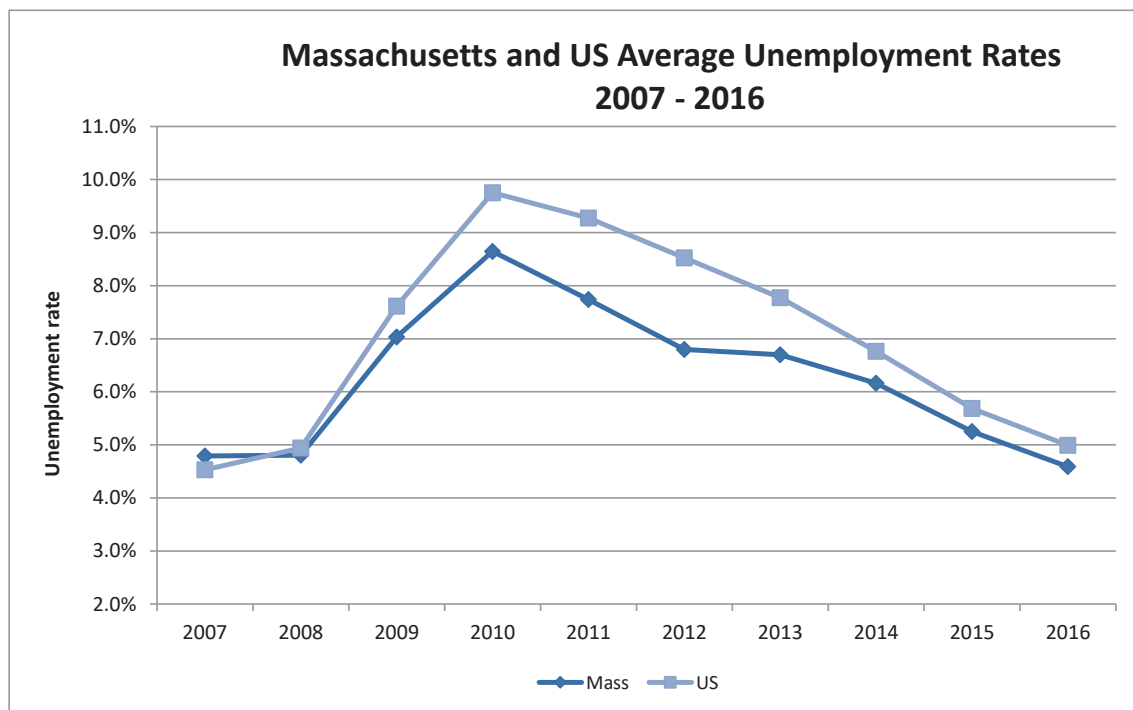


**MASSACHUSETTS CLEAN WATER TRUST**  
**Ten Year Schedule of Fiscal Year Annual Average Civilian Labor Force,**  
**Unemployment and Unemployment Rates**  
**For Massachusetts and the United States**

(Amounts in thousands)

Year	<u>Massachusetts</u>			<u>United States</u>			Massachusetts Rate as % of U.S. Rate
	Labor Force	Unemployment	Unemployment Rate %	Labor Force	Unemployment	Unemployment Rate %	
2016	3,575	164	4.6%	158,010	7,886	5.0%	91.9%
2015	3,580	188	5.3%	156,619	8,903	5.7%	92.4%
2014	3,523	217	6.2%	155,476	10,514	6.8%	91.1%
2013	3,493	234	6.7%	155,331	12,076	7.8%	86.2%
2012	3,472	236	6.8%	154,298	13,150	8.5%	79.8%
2011	3,464	268	7.7%	153,615	14,252	9.3%	83.4%
2010	3,470	300	8.6%	153,906	15,009	9.8%	88.7%
2009	3,470	244	7.0%	154,559	11,767	7.6%	92.4%
2008	3,434	165	4.8%	153,680	7,593	4.9%	97.2%
2007	3,424	164	4.8%	152,438	6,904	4.5%	105.8%

*Source-Federal Bureau of Labor Statistics, September 2016. Seasonally adjusted. Previous data may be updated by the Federal Bureau of Labor Statistics.*



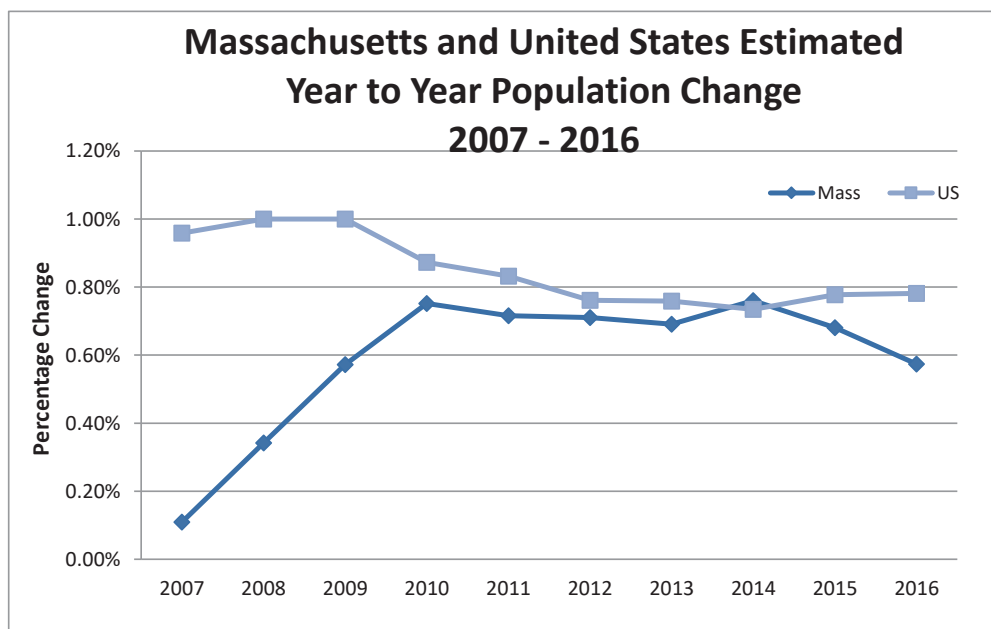
# MASSACHUSETTS CLEAN WATER TRUST

## Ten Year Schedule of Massachusetts and United States Resident Population

(Amounts in thousands)

Beginning of Fiscal Year	United States	% Change	Massachusetts Resident Population <sup>(1)</sup>	% Change	Massachusetts as % of U.S.
2016	321,419	0.8%	6,794	0.6%	2.1%
2015	318,907	0.8%	6,755	0.7%	2.1%
2014	316,427	0.7%	6,709	0.8%	2.1%
2013	314,103	0.8%	6,658	0.7%	2.1%
2012	311,719	0.8%	6,612	0.7%	2.1%
2011	309,347	0.8%	6,565	0.7%	2.1%
2010	306,772	0.9%	6,518	0.8%	2.1%
2009	304,094	1.0%	6,469	0.6%	2.1%
2008	301,231	1.0%	6,432	0.3%	2.1%
2007	298,380	1.0%	6,410	0.1%	2.1%

<sup>(1)</sup> Population estimates have been restated to most current United States Census Bureau Data. Population data is reported as of July 1 of the previous year and has been restated to most recent United States Census Bureau Data.

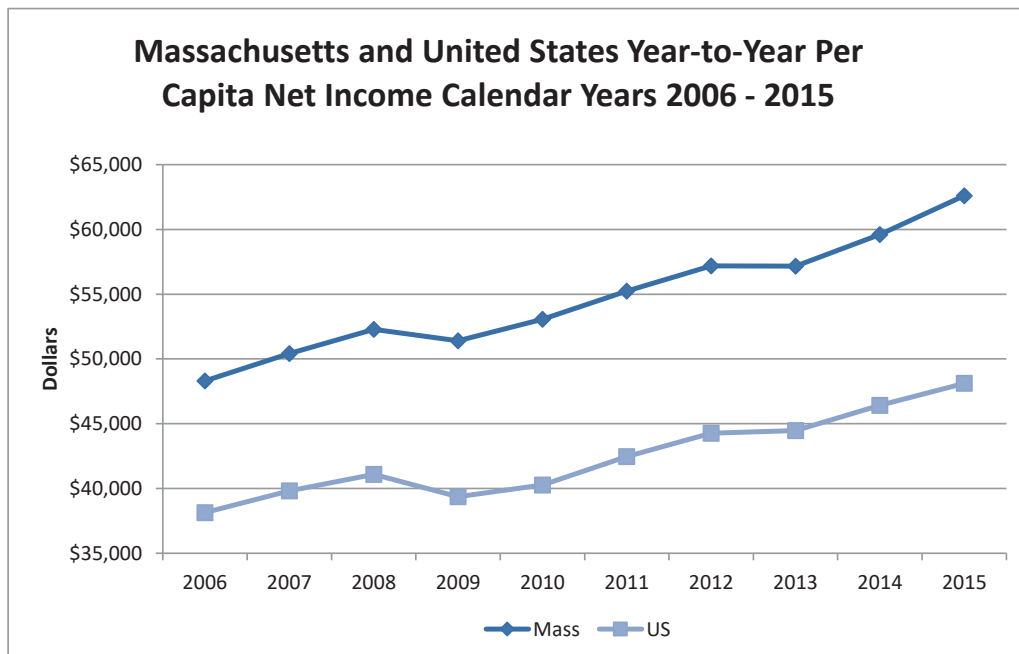


# MASSACHUSETTS CLEAN WATER TRUST

## Ten Year Schedule of Massachusetts and United States Resident Per Capita Net Income

Calendar Year	United States <sup>(1)</sup>	% Change	Massachusetts <sup>(1)</sup>	% Change	Massachusetts as % of U.S.
2015	\$ 48,112	3.7%	\$ 62,603	5.0%	130.1%
2014	46,414	4.4%	59,603	4.3%	128.4%
2013	44,462	0.4%	57,165	-0.1%	128.6%
2012	44,267	4.3%	57,194	3.6%	129.2%
2011	42,453	5.4%	55,233	4.1%	130.1%
2010	40,277	2.3%	53,058	3.2%	131.7%
2009	39,376	-4.2%	51,412	-1.7%	130.6%
2008	41,082	3.2%	52,283	3.7%	127.3%
2007	39,821	4.4%	50,417	4.4%	126.6%
2006	38,144	6.2%	48,307	8.3%	126.6%

<sup>(1)</sup> Source: Bureau of Economic Analysis, US Department of Commerce. Prior years restated due to revised estimates released March 24, 2016

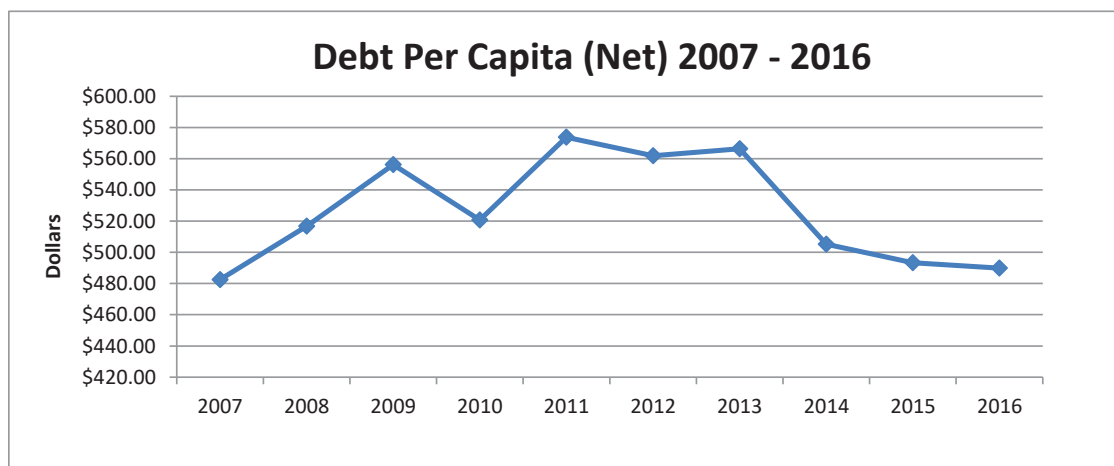


**MASSACHUSETTS CLEAN WATER TRUST**  
**Ten Year Schedule of Total Net Debt, Massachusetts Resident Population, and Debt Per Capita**  
**For fiscal years ending June 30, 2007 through June 30, 2016**

<b>Fiscal year ending June 30</b>	<b>Total Debt (Net) (in thousands)</b>	<b>Population estimates <sup>(1)</sup> (in thousands)</b>	<b>Per capita Debt (Net)</b>
2016	\$3,328,202	6,794	\$489.87
2015	\$3,332,352	6,755	493.32
2014	\$3,389,010	6,709	505.14
2013	\$3,771,008	6,658	566.39
2012	\$3,715,203 **	6,612	561.89
2011	\$3,766,617	6,565	573.74
2010	\$3,394,046	6,518	520.72
2009	\$3,597,861	6,469	556.17
2008	\$3,323,503	6,432	516.71
2007	\$3,093,155	6,410	482.55

(1) Population estimates have been restated to most current United States Census Bureau Data. Population data is reported as of July 1 of the previous year. Source: <http://www.fedstats.gov> (US Census Bureau).

\*\* Implemented GASB 65, Financial Reporting of Deferred Outflows, Deferred Inflows of Resources, and Net Position, resulting in the recognition of certain amounts as deferred inflow/outflow rather than assets/liabilities.



**MASSACHUSETTS CLEAN WATER TRUST**  
**Largest Private Sector Massachusetts Employers 2016 and 2007**  
(Alphabetical Order)

2016			2007		
Employer	Headquarters	Product or Service	Employer	Headquarters	Product or Service
Bay State Medical Center, Inc.	Springfield	Hospital	Bay State Medical Center, Inc.	Springfield	Insurance
Beth Israel Deaconess Medical Center	Boston	Hospital	Beth Israel Deaconess Medical Center	Boston	Hospital
Boston Medical Center Corporation	Boston	Hospital	Boston Medical Center Corporation	Boston	Hospital
Boston University	Boston	University	Boston University	Boston	University
Brigham and Women's Hospital, Inc.	Boston	Hospital	Brigham and Women's Hospital, Inc.	Boston	Hospital
DeMoulas Supermarkets, Inc.	Tewksbury	Supermarket	DeMoulas Supermarkets, Inc.	Tewksbury	Supermarket
EMC Corporation	Hopkinton	Computer Storage & Peripherals	EMC Corporation	Hopkinton	Computer Storage & Peripherals
General Hospital Corporation	Boston	Hospital	Friendly Ice Cream Corporation	Wilbraham	Food Service
Massachusetts Institute of Technology	Cambridge	University	General Hospital Corporation	Boston	Hospital
Partners Healthcare Systems, Inc.	Boston	Hospital	Massachusetts Institute of Technology	Cambridge	University
President and Fellows of Harvard College	Cambridge	University	President and Fellows of Harvard College	Cambridge	University
Raytheon Company	Lexington	Electronics / Defense	Raytheon Company	Lexington	Electronics / Defense
The Stop & Shop Supermarkets, Co	Quincy	Supermarket	Shaw's Supermarkets, Inc.	West Bridgewater	Supermarket
Shaw's Supermarkets, Inc.	West Bridgewater	Supermarket	Southcoast Hospitals Group	New Bedford	Hospital
Southcoast Hospitals Group	New Bedford	Hospital	State Street Bank and Trust Company	Boston	Banking
State Street Bank and Trust Company	Boston	Banking	The Children's Hospital Corporation	Boston	Hospital
The Children's Hospital Corporation	Boston	Hospital	UMASS Memorial Medical Center, Inc.	Worcester	Hospital
The TJX Companies, Inc.	Framingham	Retail	Verizon New England, Inc.	Boston	Telecommunications
UMASS Memorial Medical Center, Inc.	Worcester	Hospital			

*Source: - Massachusetts Executive Office of Labor and Workforce Development, Division of Unemployment Assistance - March 2016 survey. In addition, Bank of America NA., Home DepotUSA, Inc., Massachusetts CVS Pharmacy LLC, Target Corp, United Parcel Service, Inc and Wal-Mart Associates, Inc. are all large Massachusetts employers, but are headquartered outside of Massachusetts. Verizon New England is a subsidiary of Verizon Communications, headquartered in New York. The information is based on employers registered for unemployment insurance. The list may not include those employers who do business in Massachusetts under multiple legal corporations and those who register each store, facility or franchisee as a separate employer.*







MASSACHUSETTS  
**CLEAN WATER TRUST**



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