

Massachusetts Clean Water Trust

A Component Unit of the Commonwealth of Massachusetts



MASSACHUSETTS
CLEAN WATER TRUST

Annual Comprehensive Financial Report

As of and for the Years Ended June 30, 2022 and June 30, 2021 and Independent Auditors' Report

Prepared by the Management of the Massachusetts Clean Water Trust

Massachusetts Clean Water Trust

A Component Unit of the Commonwealth of Massachusetts



I. Introductory Section

Annual Comprehensive Financial Report as of and for the Years Ended June 30, 2022 and June 30, 2021
and Independent Auditors' Report

Massachusetts Clean Water Trust

Annual Comprehensive Financial Report as of and for the Years Ended June 30, 2022 and June 30, 2021 and Independent Auditors' Report

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

Letter of Transmittal

December 23, 2022



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

I am pleased to submit the Annual Comprehensive Financial Report (ACFR) of the Massachusetts Clean Water Trust (the "Trust") for the fiscal year ended June 30, 2022. This year's ACFR is presented on a comparative basis with the fiscal year ended June 30, 2021, 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 Annual Comprehensive 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 described in the OMB Compliance Supplement in accordance with Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The Trust is governed by a three-member board of trustees chaired by State Treasurer and Receiver General, Deborah B. Goldberg. The Secretary of the Executive Office for Administration and Finance, Michael Heffernan, 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 and an organization chart follow this transmittal letter.

Profile of the Massachusetts Clean Water Trust

The Trust is a public instrumentality of the Commonwealth of Massachusetts (the Commonwealth). The Trust, in collaboration with the Massachusetts Department of Environmental Protection (MassDEP), helps communities build or replace water quality infrastructure that enhances ground and surface water resources, ensures the safety of drinking water, protects public health, and develops resilient communities.

It accomplishes these objectives by providing low-interest loans and grants to cities, towns, and water utilities through the Massachusetts State Revolving Funds (SRFs). The SRF programs are partnerships between the United States Environmental Protection Agency (EPA) and the Commonwealth of Massachusetts. SRFs function like an environmental infrastructure bank by financing water infrastructure projects in cities and towns across the Commonwealth.

The Trust and MassDEP administer the two SRFs: the Clean Water State Revolving Fund (CWSRF) established in 1987 under Title VI of the federal Clean Water Act and the Drinking Water State Revolving Fund (DWSRF) established in 1996 under the federal Safe Drinking Water Act. The Trust manages the flow of funds to borrowers, while MassDEP manages development and oversight of projects.

The SRFs receive funding from the EPA in the form of annual capitalization grants supplemented by state matching grants, and the repayment of loans. When loans to local governments are repaid, the funds are then loaned out again, which is how the fund "revolves".

The Trust uses a "leveraged model" to provide funding in excess of the federal and state grants. Bonds are issued in the capital markets and are secured by borrower repayments and reserve funds. The proceeds from bonds provide capital for new, below-market rate loans to borrowers for water infrastructure. This model has enabled the Trust to finance approximately \$8.1 billion in water infrastructure projects from over \$2.8 billion in federal grants and state matching funds.

Federal Capitalization Grant and State Matching Funds		
	Fiscal Year 2022	Fiscal Year 2021
Annual Grant Awards		
Federal SRF Grant	\$79,709,000	\$79,503,000
State Matching Funds	21,374,200	15,894,400
Total Annual Grant Awards	\$101,083,200	\$95,397,400
Program to Date Grant Awards		
Federal SRF Grant	\$2,355,736,861	\$2,276,027,861
State Matching Funds	455,419,512	434,045,312
Total Program to Date Grant Awards	\$2,811,156,373	\$2,710,073,173

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 provides subsidized financing for projects that focus on the development and rehabilitation of wastewater and drinking water infrastructure with the aim of promoting sustainability, green infrastructure, and to protect the environment and public health. The CWSRF and DWSRF provide additional subsidies to designated Disadvantaged Communities. The Trust and MassDEP perform outreach activities to help communities realize opportunities to implement energy efficient and alternative energy projects. These activities are balanced with the promotion of cost-effective projects that maximize the protection of the environment and public health.

The Trust's loan process is dictated by the annual Intended Use Program (IUP). MassDEP compiles two IUPs annually, one for each SRF program. Project eligibility is determined by the Clean Water Act and the Drinking Water Act for the CWSRF and DWSRF, respectively. Eligible borrowers are encouraged to apply for financing for eligible projects during an annual solicitation process. MassDEP engineers review detailed project specifications and rank them using an established set of criteria that measures the severity of the problem, the sensitivity of the environmental hazard, the public health risk, and the appropriateness of the proposed solution.

For CWSRF project selection, the program emphasizes watershed management priorities, storm water management, green infrastructure, and encourages communities to undertake projects with meaningful water quality and public health benefits. For DWSRF project selection, the program emphasizes compliance with federal and state water requirements to protect the public health while addressing the Commonwealth's drinking water needs. Ultimately, MassDEP selects the highest priority projects and compiles the annual IUPs which establish the Commonwealth's priorities for the upcoming year.

A majority of the Trust's loans are subsidized at a 2% rate of interest set by statute. However, recent legislative changes have allowed for identifying priority projects or priority policy goals to receive a higher amount of subsidy. The subsidies used for interest rate reduction are supplied by the Commonwealth through contract assistance. The following loan programs work to further various program or state goals by incentivizing projects to move forward by providing either a subsidized 2% interest rate loan or a higher amount of subsidy.



0% Interest Rate Nutrient Enrichment Reduction Loans

This loan program is for CWSRF loans. Due to Massachusetts' geographic location and population distribution, many communities are coastal or on rivers that flow into saltwater bodies. This leads to wastewater pollution and additional nitrogen being deposited into saltwater areas. An increase in nitrogen in affected saltwater bodies can create algae blooms which negatively affect animal habitats, cause fish kills and a reduction in shellfish. The decrease in water quality is both an environmental and economic issue for coastal communities. This 0% interest rate loan program helps further incentivize communities to move forward with these projects by providing access to low-cost financing.

0.50% Housing Choice Community Loan Reduction

The Baker-Polito Administration have focused on creating affordable housing in the Commonwealth. The Trust has joined other state agencies in providing incentives to communities to participate in the Housing Choice Initiative by providing a 0.50% interest rate reduction to both CWSRF and DWSRF loans. Loans cannot have less than 0% interest rate.

0% Interest Rate PFAS Remediation Loans

In SFY 2020, the Board of Trustees approved a 0% interest rate loan program for projects that remediate per- and polyfluoroalkyl substances (PFAS) in public water supplies. PFAS are a family of chemicals widely used to manufacture common consumer goods and can be found in some legacy firefighting foams. Adverse health effects in humans exposed to elevated levels of PFAS may include hepatic, cardiovascular, endocrine, immune, reproductive, and developmental effects. These CWSRF and DWSRF loans help communities that have identified PFAS in their water to complete the remediation projects that are vital to providing clean drinking water to residents.

Lead Abatement Loan Forgiveness Program

This program will provide additional loan forgiveness to Disadvantaged Communities for projects that include planning and construction for lead removal, corrosion control capital improvements, and full replacement of lead pipes and service lines. The subsidy funds for lead removal projects will be in addition to the annual loan forgiveness provided by the Trust. This program is allowed under the federal Water Infrastructure Funding Transfer Act (WIFTA) passed in 2019 and allows a one-time transfer from the CWSRF to the DWSRF for loan forgiveness to lead projects. The Trust has committed \$30 million in loan forgiveness to be distributed to eligible drinking water projects.

Community Septic Management Program (CSMP)

The CSMP provides loans to the Commonwealth's cities and towns for assisting homeowners in the repair or replacement of failed septic systems. Through the CSMP, the Trust issues low-interest rate loans to communities who, in turn, issue loans directly to homeowners for up to 20 years. Loans to homeowners are secured through a betterment on their properties. This program was originally funded through a onetime appropriation by the State Legislature. Those funds have been fully expended, and the program is incorporated as a non-point source program within the CWSRF program.

Interim Loans

Through the Trust's interim loan program, funds are available to projects throughout the year to provide construction financing, similar to a bond anticipation note. Borrowers can enter into a short-term loan with the Trust that enables projects to proceed prior to a Trust bond sale. The Trust can operate this program by extending the use of funds that have revolved back from loan repayments along with its state and federal grants (SRF Program Funds) as a source of capital. To make Trust financing even more appealing to borrowers, the Board of Trustees removed the interim loan interest rate and any associated fees. This change to the program makes interim loans from the Trust the least expensive way for local communities to access capital during construction.

During fiscal years 2022 and 2021, the Trust disbursed the following amounts for projects to borrowers through program project funds and interim loans.

Program Disbursements	Fiscal Year 2022	Number of Projects	Fiscal Year 2021	Number of Projects
Program Project Fund	\$ 54,673,153	60	\$ 41,559,726	81
Interim Loan	284,850,571	128	230,377,703	142
Total Program Disbursements	\$ 339,523,724	188	\$ 271,937,429	223

Additional Subsidy

Additional subsidy in the form of loan forgiveness is dedicated to communities that would not otherwise be able to afford projects. Loan forgiveness reduces the total principal cost and interest costs paid over the life of a loan. The Trust chooses to apply all subsidy funds to communities that are deemed Disadvantaged Communities. The Trust uses the methodology detailed below to identify Disadvantaged Communities, as outlined by the Water Resources Reform and Development Act (WRRDA) of 2014 for the CWSRF, and the America's Water Infrastructure Act of 2018 (AWIA) for the DWSRF.

The Trust's formula, which was approved by EPA Region 1, considers the per capita income, population trend from 2010-2020 and the employment rate for each municipality to develop an adjusted per capita income (APCI). Each municipality is then ranked against the State's APCI. Communities that fall below the State APCI are sorted into three tiers.

The table below shows how the tiers are designated and the corresponding loan forgiveness percentage by program.

Disadvantaged Community Tier Designation		Loan Forgiveness Percentage	
		CWSRF	DWSRF
Tier 1	APCI equal to or more than 80% of the State APCI, but less than 100% of the State APCI	3.3%	6.6%
Tier 2	APCI equal to or more than 60% of the State APCI, but less than 80% of the State APCI	6.6%	13.2%
Tier 3	APCI less than 60% of the State APCI	9.9%	19.8%

Grant and Incentive Programs

Asset Management Planning (AMP) Grant Program

Asset Management Planning for water, wastewater, and stormwater utilities is a systematic approach to physical infrastructure cataloging, process management and criticality tracking that allows the utility to make informed financial decisions that are most likely to achieve long-term sustainability and deliver consistent cost-efficient service.

The AMP Grant program originally offered up to \$2 million annually beginning with the 2019 IUP. Due to expanding interest in the program, the Trust's Board has authorized an increase in funding to meet the demand. The purpose of this grant program is to assist eligible applicants with completing, updating, or implementing an asset management program for wastewater, drinking water, stormwater utilities or any combination of the three. Finally, the program is aimed at assisting applicants with meeting federally required Fiscal Sustainability Planning.

In SFY 2022, the Trust and MassDEP updated the program eligibility to include cybersecurity assessments. This will allow communities to have a professional review of their infrastructure's network security and make recommendations and policy changes. Additionally, the Trust updated the AMP grant's list of prequalified engineers to include new recipients and has changed the policy to allow firms to apply on a rolling basis. This will better serve the program by allowing the list of prequalified engineers to expand as needed.

AMP grants applications are requested through the annual SRF project solicitation. The Trust offered 18 grants totaling nearly \$1.72 million in the 2021 IUPs. Of these, the Trust executed 16 agreements totaling approximately \$1.48 million in grants which helped to fund \$2.5 million in asset management project activities. The Trust has continued this program in its 2022 IUP, offering 34 grants totaling nearly \$3.65 million.

School Water Improvement Grants (SWIG) Program

On January 8, 2020, the Trust's Board of Trustees approved the pilot round of the SWIG program. The goal of the SWIG program is to reduce lead in school drinking water to the lowest levels possible by incentivizing public and private schools, early education facilities and non-residential daycares to test their drinking water fixtures then remediate any lead exceedances that are detected. It accomplishes this by providing funds to purchase and install point-of-use filtered water bottle filling stations to replace drinking water fixtures that tested above the remediation lead action level of 1 part per billion.

SWIG provides \$3,000 per fixture that tests positive for lead that is eligible to be replaced. The funding covers the purchase of bottle filling stations, installation, and post installation testing of the units. It allows the organization to use the remaining funds for future operation and maintenance costs. SWIG was launched in concert with MassDEP's expanded version of the Assistance Program for Lead Testing in School Drinking Water using funds from the EPA's Lead Testing in School and Child Care Program Drinking Water Grant.

In April 2022, the Trust's Board of Trustees voted to reserve \$400,000 to fund sampling and testing in private schools throughout the Commonwealth. These funds will be used to offer free technical assistance and sampling to facilities that were originally not included in the previous and current free water sampling programs. With this investment, the Commonwealth has shown its commitment to ensuring safe drinking water in facilities that serve those most at risk of health problems from consuming lead in drinking water.

In SFY 2022, the Trust offered up to \$2 million in SWIG grants and has awarded \$435,000 in grants to 57 facilities serving over 25,000 students throughout the Commonwealth. SWIG has transitioned to a rolling application process and expects to award additional funds in SFY 2023. This is in addition to \$954,000 grants awarded in SFY 2021 to 128 facilities.

TRUST'S FINANCING MODEL

Leveraged Financing Model

The SRF loan program receives funding from the EPA in the form of an annual grant, supplemented by a 20% state matching grant and the repayment of funds from borrowers. The Trust's SRF loan program utilizes a "leveraged" financing model, under which SRF Program Funds are used as a source of security for revenue bonds (SRF Bonds) issued by the Trust. Proceeds from the SRF Bonds are used to finance loans to local cities, towns, and other eligible borrowers for project costs.

The leveraged structure of the Trust's program permits the Trust to substantially increase the amount available to finance eligible project costs across the Commonwealth. Each federal grant and associated state matching grant dollar contributed to the program results in at least 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 to ensure adequate cash flows for financing its loans and repaying bonds to maturity. 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 finance either direct loans to borrowers or invest in reserve funds. Direct loans and reserve funds are then pledged as a source of payment and security for the SRF Bonds.

SRF Bonds: Sources of Repayment

The sources of repayment for the Trust's SRF Bonds are made from loan repayments from borrowers, interest earnings on debt service reserve funds pledged to secure such bonds, and subsidy payments provided by the Commonwealth in the form of contract assistance.

Sources of Repayment				
	Fiscal Year 2022		Fiscal Year 2021	
Borrower Loan Repayments	\$323,036,916	87%	\$314,059,354	84%
Contract Assistance	30,505,865	8%	35,626,355	10%
Reserve Earnings	17,206,378	5%	23,351,553	6%
Total	\$370,749,158	100%	\$373,037,263	100%

Borrower Loan Repayments

Each borrower is obligated to repay the principal amount of its loan at a subsidized interest rate of 2% or less. Those with extended term financing, greater than 20 years, receive a subsidized interest rate that is the general equivalent of 2%. Series 23 which closed May 2021, had a subsidized interest rate of 2.2% for extended term financing loans.

Commonwealth Contract Assistance Payments

The Commonwealth makes assistance payments for borrowers by paying a portion of debt service on the related series of the Trust's SRF Bonds, and by augmenting annual additional subsidy in the form of loan forgiveness. This reduces the borrower's overall loan repayment obligation. Commonwealth contract assistance for interest rate reduction pays the difference between the market rate of the bonds and the subsidized interest rate on the loans of 2% or less. The obligation of the Commonwealth to make such payments to the Trust is a general obligation of the Commonwealth, for which its full faith and credit are pledged. Contract assistance is appropriated annually in the Commonwealth's operating budget.

Reserve Funds

In the past, the Trust has pledged a portion of its SRF program funds to establish debt service reserve funds to secure a series of its SRF Bonds. The investment earnings from these reserve funds are used to pay a portion of the debt service on the related SRF Bonds while the fund balances are available as additional security and recycled back to the SRF Program Fund after debt service obligations have been met.

Pledged Loans

The Trust uses its SRF Program Funds rather than bond proceeds to finance certain loans to borrowers. These loans are pledged as additional security to SRF Bonds. As the loans are repaid, the interest payments on those loans are applied to debt service on the bonds, thus providing the borrowers' interest rate subsidy. Since 2012, the Trust has used the pledged loan approach. As of June 30, 2022, the Trust has \$586.6 million in pledged direct loans outstanding.

Deallocation of Funds

As the Trust makes principal payments on its SRF Bonds the amount of its program assets pledged to the bonds are reduced proportionately, or deallocated, according to each bonds' scheduled cash flows. These released funds are available to cure borrower payment defaults, if any. If not needed to cure a default, the deallocated funds are released to the program equity funds and are then available to be disbursed to new loans, thus assuring the perpetual nature of the revolving fund.

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. The Bipartisan Infrastructure Law (BIL) signed into law on November 19, 2021, provided a significant investment in the water sector. The BIL appropriated \$55 billion to EPA to improve drinking water and wastewater infrastructure. Most of the water infrastructure dollars will flow through the DWSRF and CWSRF. The BIL provides two new federal grants through the CWSRF and three new federal grants through the DWSRF. These grants will be provided annually over the next five years beginning with federal fiscal year (FFY) 2022 and will be in addition to the CWSRF and DWSRF base grants. The CWSRF Supplemental Grant, the DWSRF Supplemental Grant and the DWSRF Lead Service Line Replacement Grant require that 49% of the grant amount must be provided as loan forgiveness to disadvantaged communities. The CWSRF and DWSRF Emerging Contaminants Grants are expected to target PFAS remediation projects and require that 100% of the grant amounts must be provided as loan forgiveness and that at least 25% of the grant amounts be directed to disadvantaged communities.

The Trust has already been awarded its FFY 2022 BIL grants as follows:

- CWSRF Supplemental Grant – FFY2022 grant award totals \$60.4 million plus a \$6.0 million state match
- CWSRF Emerging Contaminants Grant – FFY2022 grant award totals \$3.2 million
- DWSRF Supplemental Grant – FFY2022 grant award totals \$41.8 million plus a \$4.2 million state match
- DWSRF Emerging Contaminants Grant – FFY2022 grant award totals \$17.5 million
- DWSRF Lead Service Line Replacement Grant – FFY2022 grant award totals \$65.8 million

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 (6), 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. 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 by all three major credit agencies.

Demand for Trust loans is dependent on the Commonwealth's need for drinking water and wastewater infrastructure, which remains strong, and is expected to remain strong as communities work to meet tightening environmental standards while maintaining an aging infrastructure. The current rising interest rate environment should also increase the demand for below market rate loans being provided to the Trust's borrowers. Additionally, the Trust expects to continue to award additional subsidies to disadvantaged communities and continue to offer its grant and incentive programs as well as interest and fee free construction financing 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 2019-2021

2019			2020			2021*		
Total Loan Assistance Provided (Millions of dollars)								
	1 New York	\$ 17,209	1 New York	\$ 17,763	1 New York	\$ 18,650		
	2 California	10,997	2 California	11,833	2 California	12,150		
	3 Ohio	9,828	3 Ohio	9,875	3 Ohio	10,596		
	4 Texas	7,748	4 Texas	8,732	4 Texas	9,093		
	5 Massachusetts	6,355	5 Massachusetts	6,641	5 Massachusetts	6,899		
	National average:	2,715	National average:	2,852	National average:	3,012		
SRF Assistance Provided as a Percent of Federal Capitalization Grants								
	1 Rhode Island	610%	1 Rhode Island	593%	1 Rhode Island	573%		
	2 Arizona	506%	2 Arizona	495%	2 Arizona	486%		
	3 Connecticut	454%	3 Connecticut	457%	3 Iowa	489%		
	4 Iowa	449%	4 Iowa	446%	4 Oklahoma	451%		
	5 Massachusetts	406%	5 Massachusetts	410%	5 Massachusetts	412%		
	National average:	306%	National average:	311%	National average:	319%		
SRF Project Disbursements (Millions of dollars)								
	1 New York	\$ 16,302	1 New York	\$ 16,968	1 New York	\$ 17,521		
	2 California	8,825	2 California	9,490	2 California	9,920		
	3 Ohio	7,957	3 Texas	8,610	3 Ohio	9,162		
	4 Texas	7,683	4 Ohio	8,592	4 Texas	8,971		
	5 Massachusetts	5,876	5 Massachusetts	6,118	5 Massachusetts	6,276		
	National average:	2,399	National average:	2,560	National average:	2,688		
Total Loan Assistance Provided for Secondary Treatment Projects (Millions of dollars)								
	1 New York	\$ 10,502	1 New York	\$ 10,894	1 New York	\$ 11,472		
	2 California	4,168	2 California	4,493	2 California	4,606		
	3 Ohio	2,751	3 Ohio	2,755	3 Ohio	2,821		
	4 Illinois	2,582	4 Illinois	2,652	4 Illinois	2,768		
	5 Massachusetts	1,855	5 Massachusetts	1,903	5 Massachusetts	1,965		
	National average:	921	National average:	967	National average:	1,007		
Total Loan Assistance Provided for New Collector System Projects (Millions of dollars)								
	1 Florida	\$ 925	1 Florida	\$ 940	1 Florida	\$ 983		
	2 Massachusetts	765	2 Massachusetts	806	2 Massachusetts	828		
	3 Pennsylvania	763	3 Pennsylvania	788	3 Pennsylvania	826		
	4 New York	677	4 New York	707	4 New York	716		
	5 Arizona	437	5 Arizona	437	5 Ohio	465		
	National average:	164	National average:	169	National average:	180		
Total Loan Assistance Provided for Combined Sewer Overflow Projects (Millions of dollars)								
	1 Ohio	\$ 2,918	1 Ohio	\$ 2,958	1 Ohio	\$ 3,305		
	2 Michigan	1,952	2 New York	1,936	2 New York	2,004		
	3 New York	1,865	3 Michigan	1,890	3 Michigan	1,894		
	4 Indiana	1,470	4 Illinois	1,741	4 Indiana	1,870		
	5 Massachusetts	1,424	5 Massachusetts	1,480	5 Massachusetts	1,512		
	National average:	298	National average:	308	National average:	390		
Total Loan Assistance Provided for Storm Water Projects (Millions of dollars)								
	1 New Jersey	\$ 317	1 New Jersey	\$ 400	1 New Jersey	\$ 414		
	2 New York	276	2 New York	283	2 New York	293		
	3 Florida	224	3 Florida	229	3 Illinois	247		
	4 Illinois	217	4 Illinois	225	4 Florida	243		
	5 Massachusetts	107	5 Massachusetts	112	5 Massachusetts	112		
	National average:	43	National average:	51	National average:	55		

Source: Environmental Protection Agency, National Information Management System (NIMS)

* All amounts in table are cumulative from July 1, 1987, and represent the most available data published by EPA

Independent Audit

The Trust's independent auditors, CliftonLarsonAllen LLP, have performed an independent audit of the Trust for the fiscal year ended June 30, 2022. 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

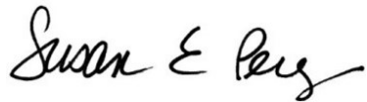
The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Trust for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2021. This was the twenty-fifth consecutive year that the Trust has achieved this prestigious citation. In order to be awarded a Certificate of Achievement, the Trust must publish an easily readable and efficiently organized ACFR that satisfies both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting 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,



Susan E. Perez
Executive Director

GOVERNANCE & ADMINISTRATION

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Massachusetts Clean Water Trust

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

Massachusetts Clean Water Trust

A Component Unit of the Commonwealth of Massachusetts



II. Financial Section

Annual Comprehensive Financial Report as of and for the Years Ended June 30, 2022 and June 30, 2021
and Independent Auditors' Report



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Massachusetts Clean Water Trust
Boston, Massachusetts

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the Massachusetts Clean Water Trust (the Trust), a component unit of the Commonwealth of Massachusetts, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Trust as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Other Matter

Prior Period Financial Statements

The basic financial statements of the Trust as of June 30, 2021, were audited by other auditors whose report dated October 13, 2021, expressed unmodified opinions on the business-type activities and fiduciary activities, and included an emphasis of matter paragraph for the adoption of GASB Statement No. 84, *Fiduciary Activities*.

As part of our audit of the 2022 financial statements, we also audited adjustments described in Note 2 that were applied to restate the 2021 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2021 financial statements of the Trust other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2021 financial statements as a whole.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trust's basic financial statements. The combining financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the combining financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Board of Trustees
Massachusetts Clean Water Trust

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2022, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Boston, Massachusetts
October 27, 2022

MASSACHUSETTS CLEAN WATER TRUST
(A Component Unit of the Commonwealth of Massachusetts)
Management's Discussion and Analysis – Required Supplementary Information
(Unaudited)
June 30, 2022 and 2021

Introduction

The Massachusetts Clean Water Trust (the Trust) is a public instrumentality of the Commonwealth of Massachusetts (the Commonwealth), created by Chapter 275 of the Acts of 1989. The Trust, in collaboration with the Massachusetts Department of Environmental Protection (MassDEP), helps communities build or replace water quality infrastructure that enhances ground and surface water resources, ensures the safety of drinking water, protects public health, and develops resilient communities. It accomplishes these objectives by providing low-interest loans and grants to cities, towns, and other eligible borrowers through the Massachusetts' Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF) programs. The SRF programs are partnerships between the United States Environmental Protection Agency (EPA) and the Trust. SRFs function like an environmental infrastructure bank by financing water infrastructure projects at a subsidized rate to the communities.

The Trust is administered by a three-member board of trustees that is chaired by the Treasurer of the Commonwealth. The Secretary of the Executive Office for Administration and Finance and the Commissioner of MassDEP serve as trustees. The Board of Trustees approves all financial commitments and program decisions during monthly meetings. Meeting agendas, minutes and other board materials can be found on the Trust's website.

The Trust and MassDEP administer the two SRF programs: the CWSRF established in 1987 under Title VI of the federal Clean Water Act, as amended from time to time, and the DWSRF established in 1996 under the federal Safe Drinking Water Act. The Trust manages the flow of funds to borrowers, while MassDEP evaluates projects, manages project development, and provides project oversight.

The Trust receives funding from the EPA in the form of annual capitalization grants, supplemented by 20% state matching grants and the repayment of loans (SRF Program Equity Funds). When loans to borrowers are paid back, the funds are then loaned out again, which is how the SRF programs "revolve". SRF Program Equity Funds are expected to be used for loans or to secure bonds through the Trust's SRF programs in perpetuity.

The Trust initially allocates SRF Program Equity Funds to make loans. The Trust's loan process for each SRF is guided by a list of projects the Trust commits to finance called the Intended Use Plan (IUP). MassDEP compiles the two IUPs annually. Project eligibility is determined by the Clean Water Act and the Safe Drinking Water Act for the CWSRF and DWSRF, respectively. Eligible borrowers are encouraged to apply for financing for eligible projects during an annual solicitation process. MassDEP engineers review detailed project specifications and rank them using an established set of criteria that measures the severity of the problem, the sensitivity of the environmental hazard, the public health risk, and the appropriateness of the proposed solution.

For CWSRF project selection, the program emphasizes watershed management priorities, stormwater management, green infrastructure, and encourages communities to undertake projects with meaningful water quality and public health benefits. For DWSRF project selection, the program emphasizes compliance with federal and state water requirements to protect the public health while addressing the Commonwealth's drinking water needs. Ultimately, MassDEP selects the highest priority projects and compiles the annual IUPs which establish the Commonwealth's priorities for the upcoming year.

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The Trust provides each borrower a subsidized loan pursuant to a financing agreement between the Trust and the borrower. The Trust makes loans with terms up to thirty (30) years, but the loan term is limited by the expected useful life of the project being financed or refinanced. Twenty (20) year loans bear interest at a subsidized rate at or below 2% per annum set by statute and thirty (30) year loans bear a slightly higher interest rate. Borrowers deliver their own general or special obligation bond to the Trust referred to as a "local bond" in order to secure their respective loan repayment obligations.

The Safe Drinking Water Act and the Clean Water Act require states to develop affordability criteria to identify communities that are in need of additional subsidization to afford the costs of constructing needed water infrastructure projects. SRFs are required to provide a percentage of the annual DWSRF and CWSRF Federal Capitalization Grants as additional subsidy to these communities. The Trust provides this additional subsidization in the form of loan forgiveness and uses additional contract assistance from the Commonwealth to provide subsidy in excess of the amount funded by the DWSRF and CWSRF federal capitalization grants.

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. Except as otherwise specified, dollar amounts used herein are in thousands.

The Trust's financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP) 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. Effective for the year ended June 30, 2021, the Trust implemented GASB Statement No. 84, Fiduciary Activities, which resulted in the reporting of fiduciary fund financial statements within the Trust's financial statements.

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.

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The Trust's fiduciary activities are the collection or receipt, and the subsequent accounting, investment, and disposition by the Trust of cash in which other entities have an ownership and controlling interest. Fiduciary assets are for the benefit of organizations or other government entities that are not part of the financial reporting entity. Furthermore, the assets are not derived from the Trust's own source revenues nor are they assets of the Trust and are therefore not recognized on the Trust's statements of net position. Accordingly, this fiduciary activity is reported on a separate statements of fiduciary net position and statements of changes in fiduciary net position.

Condensed Financial Information and Financial Analysis

Massachusetts Clean Water Trust's Net Position
(In thousands)

	June 30			Percentage change	
	2022	2021*	2020*	2022-2021	2021-2020
Cash and cash equivalents	\$ 968,958	1,058,177	646,082	(8.4)%	63.8 %
Investments	642,007	635,944	710,614	1.0	(10.5)
Project fund deposits	19,246	81,753	42,430	(76.5)	92.7
Grants receivable, EPA	40,965	40,983	41,663	—	(1.6)
Loans receivable	4,037,854	4,084,090	4,089,717	(1.1)	(0.1)
Accrued interest receivable	33,621	35,777	37,472	(6.0)	(4.5)
Other assets	4,339	1,354	—	220.5	—
Total assets	5,746,990	5,938,078	5,567,978	(3.2)	6.6
Deferred outflows of resources	26,759	32,121	42,459	(16.7)	(24.3)
Total assets and deferred outflows of resources	\$ 5,773,749	5,970,199	5,610,437	(3.3)%	6.4 %
Accrued expenses and interest payable	\$ 48,903	47,799	48,219	2.3 %	(0.9)%
Unearned revenue	30,552	15,894	15,901	92.2	—
Loan commitments and project funds payable	17,475	79,746	39,576	(78.1)	101.5
Long-term debt	2,689,048	2,931,745	2,724,344	(8.3)	7.6
Other commitments	6,303	7,805	—	(19.2)	100.0
Liability for derivative instruments	—	—	4,644	—	(100.0)
Total liabilities	2,792,281	3,082,989	2,832,684	(9.4)	8.8
Deferred inflows of resources	3,388	1,354	—	150.2	100.0
Total liabilities and deferred inflows of resources	\$ 2,795,669	3,084,343	2,832,684	(9.4)%	8.9 %
Net position:					
Restricted	\$ 2,375,750	2,277,366	2,180,047	4.3 %	4.5 %
Unrestricted	602,330	608,490	597,706	(1.0)	1.8
Total net position	\$ 2,978,080	2,885,856	2,777,753	3.2 %	3.9 %

*As restated - see note 2 to the financial statements

The Trust's net position as of June 30, 2022 and 2021 increased \$92,224, or 3.2%, to \$2.98 billion from \$2.89 billion, respectively. This increase reflects the receipt of the EPA federal grant funds for the CWSRF and DWSRF

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(Unaudited)
June 30, 2022 and 2021

programs in the amounts of \$53,946 and \$25,763, respectively, as well as \$15,894 in state matching grant funds. Offsetting this increase was a net operating loss of (\$3,379).

The Trust's net position as of June 30, 2021 and 2020 increased \$108,103, or 3.9%, to \$2.89 billion from \$2.78 billion, respectively. This increase reflects the receipt of the EPA federal grant funds for the CWSRF and DWSRF programs in the amounts of \$53,954 and \$25,549, respectively, as well as a \$2,998 award from EPA to create a Massachusetts Expanded School Water Improvement Grant program and \$16,650 in state matching grant funds. Contributing to this increase was net operating income of \$8,952.

Long-term Debt/Bonds Payable

The following is a summary of bonds payable at June 30, 2022, 2021 and 2020 (in thousands). More detailed information can be found in note 8 to the financial statements.

	Summary of bonds payable at June 30,		
	2022	2021	2020
State Revolving Fund Revenue Bonds:			
Master Trust Agreement	\$ 1,160,150	1,212,205	898,990
Pool Loan Program	430,430	445,480	491,275
Single Obligor Bonds – MWRA	4,170	4,870	5,625
Subtotal revenue bonds	1,594,750	1,662,555	1,395,890
Subordinated Revenue Refunding Bonds:			
Master Trust Agreement	157,835	183,585	183,585
Pool Loan Program	562,950	680,280	811,555
Single Obligor Bonds – MWRA	3,845	3,845	3,845
Subtotal revenue refunding bonds	724,630	867,710	998,985
Total bonds	2,319,380	2,530,265	2,394,875
Add unamortized bond premium	369,668	401,480	329,469
Total bonds payable, net	\$ 2,689,048	2,931,745	2,724,344

The Trust issues revenue bonds (SRF Bonds) in order to fund communities' projects under the CWSRF and DWSRF programs. The Trust uses a "leveraged model" to provide funding in excess of the federal and state grants received. SRF Bonds are issued in the capital markets and are secured by loans or reserves funded by SRF Program Equity Funds (pledged assets). The proceeds from the SRF Bonds are used to provide capital for new below market rate loans to borrowers for water infrastructure. The balance of the Trust's pledged assets as of June 30, 2022 is \$ 361,545 in reserve funds and \$ 591,832 in loans to borrowers. The SRF Bonds are payable from borrower loan repayments, reserve fund earnings and contract assistance payments made by the Commonwealth to the Trust on behalf of the borrowers.

In connection with the issuance of its Series 18 Bonds in early 2015, the Trust entered into the Master Trust Agreement (MTA). The MTA replaced the Trust's older Program Resolution and simplified the security framework

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for new Trust SRF Bonds. The Series 18 Bonds and all other SRF Bonds issued and to be issued under the MTA (MTA Bonds) are secured on a parity basis by the assets pledged under the MTA. Prior to Series 18, the Trust issued bonds pursuant to the Trust's older Program Resolution and standalone bond resolutions to finance or refinance loans to several borrowers concurrently (Pool Loan Program Bonds) or to finance or refinance loans to a single borrower (Prior Single Obligor Bonds). The Prior Single Obligor Bonds were issued to provide loans to the following three obligors: (1) the Massachusetts Water Resources Authority (MWRA); (2) the South Essex Sewerage District (SESD); and (3) the City of New Bedford. As of June 30, 2022, and 2021, there are no longer Single Obligor Bonds outstanding for SESD or the City of New Bedford. The City of New Bedford, MWRA and SESD are also borrowers under the Trust's Pool Loan Program Bonds and the MTA Bonds.

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	
	2022	2021*	2020*	2022-2021	2021-2020
Loan servicing fees	\$ 5,473	5,280	5,454	3.7 %	(3.2)%
Loan origination fees	—	—	83	—	(100.0)
Interest income	94,784	94,803	113,451	—	(16.4)
Net decrease in the fair value of investments	(25,130)	(7,887)	20,814	218.6	(137.9)
Contract assistance	63,383	63,383	63,383	—	—
Total operating revenues	138,510	155,579	203,185	(11.0)	(23.4)
DEP programmatic support costs	12,381	9,399	9,374	31.7	0.3
Loan forgiveness	32,542	37,353	43,252	(12.9)	(13.6)
General and administrative	1,876	3,318	3,263	(43.5)	1.7
Arbitrage rebate payments	886	4,240	12,242	(79.1)	(65.4)
Interest expense	94,204	92,317	94,839	2.0	(2.7)
Total operating expenses	141,889	146,627	162,970	(3.2)	(10.0)
Operating (loss) income	(3,379)	8,952	40,215	137.7	77.7
EPA capitalization grants	79,709	82,501	99,545	(3.4)	(17.1)
State matching grants	15,894	16,650	35,596	(4.5)	(53.2)
Total nonoperating revenues	95,603	99,151	135,141	(3.6)	(26.6)
Increase in net position	92,224	108,103	175,356	(14.7)	(38.4)
Net position, beginning of year	2,885,856	2,777,753	2,602,397	3.9	6.7
Net position, end of year	\$ 2,978,080	2,885,856	2,777,753	3.2 %	3.9 %

*As restated - see note 2 to the financial statements

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Results of Operations

For fiscal year 2022, the Trust recorded an operating loss of (\$3,379) as compared to operating income of \$8,952 in fiscal year 2021. Excluding the net decrease in the fair value of investments of (\$25,130) in fiscal year 2022 and the net decrease in the fair value of investments of (\$7,887) for fiscal year 2021, the Trust recorded operating income of \$21,751 and \$16,839 for fiscal year 2022 and 2021, respectively. This \$4,912 increase in the Trust's operating income was primarily attributable to a \$6,382 decrease in scheduled debt service payments made on behalf of borrowers by Commonwealth contract assistance offset by an increase in additional subsidies provided on priority projects and other initiatives year over year.

For fiscal year 2021, the Trust recorded operating income of \$8,952 as compared to operating income of \$40,215 in fiscal year 2020. Excluding the net decrease in the fair value of investments of (\$7,887) in fiscal year 2021 and the net increase in the fair value of investments of \$20,814 in fiscal 2020, the Trust recorded operating income of \$16,839 and \$19,401 for fiscal year 2021 and 2020, respectively. This \$2,562 decrease in the Trust's operating income was primarily attributable to a \$18,648 decrease in interest income offset by a \$8,002 decrease in arbitrage rebate payments, a \$6,468 decrease in scheduled debt service payments made on behalf of borrowers by Commonwealth contract assistance and a \$2,522 decrease in interest expense.

The Trust's operating income is negatively impacted by the inclusion of expenses such as DEP programmatic support costs of \$12,381, \$9,399, and \$9,374, for fiscal years 2022, 2021 and 2020, respectively, and federal loan forgiveness funded by the capitalization grant revenue which is classified as nonoperating revenue. The Trust's operating income is positively impacted by additional contract assistance payments received from the Commonwealth to provide loan principal subsidies to borrowers for certain priority projects and or initiatives that are recorded as operating revenue when received; however, the operating expenses are recorded as funds are disbursed which occurs in subsequent fiscal years.

Nonoperating revenues from the EPA federal grants totaled \$79,709 for fiscal year 2022, representing the Trust's annual federal 2021 capitalization grants for CWSRF, \$53,946, and DWSRF, \$25,763.

Nonoperating revenues from the EPA federal grants totaled \$82,501 for fiscal year 2021, representing the Trust's annual federal 2020 capitalization grants for CWSRF, \$53,954, and DWSRF, \$25,549, and a \$2,998 grant awarded by the EPA to create the Massachusetts Expanded School Water Improvement Grant (ESWIG) program. The goal of the ESWIG program is to develop and implement improvement investments through projects that will reduce lead exposure in drinking water by replacing thousands of water fountains that have tested positive for lead with filtered water fountains and bottle filling stations in hundreds of schools and childcare facilities.

Nonoperating revenues from state grants totaled \$15,894, for fiscal year 2022 as compared to \$16,650 in fiscal year 2021. Refer to footnote 6 for additional information.

Contract Assistance and Loan Forgiveness

Under state law, loans made by the Trust are required to provide for subsidies or other financial assistance to reduce the debt service expense on the loans. Most of the Trust's loans are subsidized to a 2% interest rate set by statute. Other loans made by the Trust may bear interest at lower rates, including a zero interest rate, and a portion of the principal of certain loans has also been subsidized by the Trust. To provide for a portion of the subsidy on most of its loans, the Trust receives contract assistance payments from the Commonwealth. The Commonwealth's agreement to provide contract assistance constitutes a general obligation of the

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Commonwealth for which its full faith and credit are pledged. These contract assistance funds are used to make debt service payments on behalf of the Trust's borrowers, both principal and interest, and are recorded as operating revenues upon receipt of funds from the Commonwealth. Total contract assistance funds used to make principal payments on behalf of the Trust's borrowers totaled \$9,305 and \$15,687 for fiscal years 2022 and 2021, respectively. These payment amounts were also recorded as loan forgiveness upon receipt of funds from the Commonwealth. Total contract assistance funds used to make interest payments on behalf of the Trust's borrowers totaled \$18,905 and \$20,863 for fiscal years 2022 and 2021, respectively.

Recent legislative changes have allowed the Trust to identify priority projects and/or initiatives to receive a higher rate of subsidy. These contract assistance payments are recorded as operating revenues upon receipt of funds from the Commonwealth and totaled \$35,173 and \$26,833 for fiscal years 2022 and 2021, respectively. As these funds are disbursed to borrowers they are recorded as operating expenses, specifically, loan forgiveness. The following loan programs work to further support various programs or state goals by providing a higher rate of subsidy.

0% Interest Rate Nutrient Enrichment Reduction Loans. Due to Massachusetts' geographic location and population distribution, many communities are coastal or on rivers that flow into saltwater bodies. This leads to wastewater pollution and additional nitrogen being deposited into saltwater areas. An increase in nitrogen in affected saltwater bodies can create algae blooms which negatively affect animal habitats, cause fish kills, and cause a reduction in the shellfish population. This CWSRF nutrient enrichment reduction loan program provides 0% interest rate loans to qualified projects to encourage communities to move such projects forward.

0% Interest Rate PFAS Mitigation Loans. PFAS are a family of chemicals used to manufacture firefighting, stain-resistant, water-resistant, and non-stick products. PFAS do not break down easily and will stay in the environment a long time, which is why they are sometimes called "forever chemicals." They can seep into surface soils and leach into ground and surface water which can contaminate drinking water. When ingested, PFAS may lead to negative health effects. In January 2020, the Trust launched a 0% interest rate pilot loan program for projects that remediate PFAS in public water supplies for the 2020 calendar year. The program was made permanent in July 2020. In April 2021, the Board approved expanding the program to the CWSRF. These 0% interest loans will help communities that have identified PFAS in their drinking water to expedite and complete the remediation projects that are vital to providing clean drinking water to residents.

Lead Abatement Loan Forgiveness Program. Lead has been a long-standing public health issue, especially given the severe health risk lead poses to infants and small children. The Trust is furthering the Commonwealth's commitment to providing lead-free drinking water by committing \$30 million for loan forgiveness to DWSRF projects that remediate lead in drinking water or planning projects that identify sources of lead for remediation.

Lead Service Line Planning Program. Starting July 2022, the Trust is offering \$20 million in loans with 100% loan forgiveness for planning activities assisting public water suppliers to complete planning projects for lead service line (LSL) inventories and for the development of LSL replacement programs.

0.5% Loan Interest Rate Reduction for Housing Choice Designation. Inadequate housing production is one of the core challenges facing the Commonwealth's families and economy. The Commonwealth has developed a multi-pronged effort (the Housing Choice Initiative) to help communities seeking assistance in increasing their housing supply. A crucial part of Housing Choice Initiative is the Housing Choice designation

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and grant program. The Trust has joined other state agencies in providing incentives to communities who achieve the designation by providing a 0.5% interest rate reduction to both CWSRF and DWSRF loans.

The Safe Drinking Water Act and the Clean Water Act require states to develop affordability criteria to identify communities that are in need of additional subsidization to afford the costs of constructing needed water infrastructure projects. SRFs are required to provide a percentage of the annual DWSRF and CWSRF federal capitalization grants as additional subsidy to these communities.

The Affordability Calculation is based on an adjusted per capita income (APCI) metric. Pursuant to EPA guidance, the criteria must be based upon income, unemployment data, population trends, and other data determined relevant by the state. The Trust calculates APCI for the Commonwealth and its 351 individual municipalities annually in connection with the IUP process. Communities that fall below the Commonwealth's APCI are assigned into three (3) affordability tiers based on a community's APCI as a percentage of the Commonwealth's APCI. The highest level of subsidy goes to tier 3 communities that are below 60% of the statewide APCI. The second highest level of subsidy goes to tier 2 communities that fall within 60-80% of the statewide APCI. The third highest level of subsidy goes to tier 1 communities that fall between 80-100% of the statewide APCI.

The table below shows how the tiers are designated and the corresponding loan forgiveness percentage by program. For more information regarding the annual affordability calculation, see <https://www.mass.gov/info-details/the-disadvantaged-community-program#the-affordability-calculation>.

Disadvantaged Community Tier Designation		Loan Forgiveness Percentage	
		CWSRF	DWSRF
Tier 1	APCI of ≥80% but <100% of the Commonwealth APCI	3.3%	6.6%
Tier 2	APCI of ≥60% but <80% of the Commonwealth APCI	6.6%	13.2%
Tier 3	APCI <60% of the Commonwealth APCI	9.9%	19.8%

The Trust provides this additional subsidization in the form of loan forgiveness and uses additional contract assistance from the Commonwealth to provide subsidy in excess of the amount funded by the DWSRF and CWSRF federal capitalization grants.

The additional subsidy is calculated based on construction contracts that are executed by June 30 of the year following the IUP year and is approved by the Trust's Board of Trustees in the fall. For fiscal year 2022, the Trust's Board of Trustees approved \$23,942 of additional affordability subsidy based on the 2020 IUP construction contracts executed by June 30, 2021. The federal grants provided funding for \$10,505 and the Commonwealth contract assistance provided the remaining \$13,437 of subsidy. For fiscal year 2021, the Trust's Board of Trustees approved \$20,936 of additional affordability subsidy based on the 2019 IUP construction contracts executed by June 30, 2020. The 2019 federal grants provided funding for \$12,094 and the Commonwealth contract assistance provided the remaining \$8,842 of subsidy.

Loan forgiveness is recorded as an operating expense on a first-in, first-out basis as disbursements are processed, up to the total amount of the loan forgiveness awarded to the individual loans. For a loan receiving loan forgiveness, the first loan disbursements are deemed to be provided first from the federal grants and then from contract assistance until the full amount of committed loan forgiveness has been disbursed. For fiscal year 2022 and 2021, total loan forgiveness disbursed from federal grant funds totaled \$10,003 and \$12,127, respectively and loan forgiveness disbursed from contract assistance totaled \$12,054 and \$7,338, respectively.

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Fiduciary Activity

Effective with the fiscal year ended June 30, 2021, the Trust implemented GASB Statement No. 84, Fiduciary Activities, which resulted in the reporting of fiduciary fund financial statements within the Trust's financial statements.

The Trust's fiduciary activities are the collection or receipt, and the subsequent accounting, investment, and disposition by the Trust of cash in which other entities have an ownership and controlling interest. Fiduciary assets are for the benefit of organizations or other government entities with which the Trust does not have direct financial involvement with. Furthermore, the assets are not derived from the Trust's own source revenues nor are they assets of the Trust and are therefore not recognized on the Trust's statements of net position.

Future Economic Factors

In August 2018, the Commonwealth enacted *An Act Promoting Climate Change Adaptation, Environmental and Natural Resource Protection, and Investment in Recreational Assets and Opportunity*, which provided for \$64,000 in matching capitalization funds to the CWSRF and DWSRF programs, and Bipartisan Infrastructure Law ("BIL") federal grants. The Trust estimates that this amount, combined with the \$9,225 balance remaining as of June 30, 2022, will be sufficient to meet its clean water and drinking water matching needs through FY 2024, assuming current federal funding levels are maintained.

COVID-19

In response to the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, and the declaration by the World Health Organization on March 11, 2020 of a COVID-19 pandemic, international, federal, state, and local governments, as well as private organizations, undertook numerous measures intended to address the effects of COVID-19. The COVID-19 pandemic and the numerous measures taken in response to it continue to impact the global, national, and state economies. Even as the pandemic eases, the extent to which the COVID-19 impacts businesses, organizations and the residents of the Commonwealth is unknown.

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 addressed via email to Sue Perez, Executive Director, sperez@tre.state.ma.us or Sally Peacock, Controller, speacock@tre.state.ma.us or mail to Massachusetts Clean Water Trust, 1 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, 2022 and 2021

(In thousands)

	<u>2022</u>	<u>2021</u>
Assets and deferred outflows of resources:		
Current assets:		
Cash and cash equivalents (note 3)	\$ 968,958	1,058,177
Short-term investments (note 5)	197,748	208,331
Project fund deposits (note 4)	19,246	81,753
Grants receivable - Environmental Protection Agency (note 6)	40,965	40,983
Loans receivable, net (note 7)	690,204	423,408
Accrued interest receivable	33,621	35,777
Total current assets	<u>1,950,742</u>	<u>1,848,429</u>
Noncurrent assets:		
Long-term investments (note 5)	444,259	427,613
Loans receivable, long-term (note 7)	3,347,650	3,660,682
Other assets (note 12)	4,339	1,354
Total noncurrent assets	<u>3,796,248</u>	<u>4,089,649</u>
Total assets	5,746,990	5,938,078
Deferred outflows of resources (note 8)	26,759	32,121
Total assets and deferred outflows of resources	<u>5,773,749</u>	<u>5,970,199</u>
Liabilities and deferred inflows of resources:		
Current liabilities:		
Accrued expenses and interest payable	48,903	47,799
Unearned revenue (note 6)	30,552	15,894
Loan commitments and project funds payable	17,475	79,746
Current portion long-term debt (note 8)	219,785	210,885
Other commitment (note 9)	6,303	7,805
Total current liabilities	<u>323,018</u>	<u>362,129</u>
Noncurrent liabilities:		
Long-term debt, net (note 8)	2,469,263	2,720,860
Total noncurrent liabilities	<u>2,469,263</u>	<u>2,720,860</u>
Total liabilities	2,792,281	3,082,989
Deferred inflows of resources (note 2)	3,388	1,354
Total liabilities and deferred inflows of resources	<u>2,795,669</u>	<u>3,084,343</u>
Net position:		
Restricted for program purposes (note 10)	2,375,750	2,277,366
Unrestricted (note 10)	602,330	608,490
Commitments (note 11)	—	—
Total net position	<u>\$ 2,978,080</u>	<u>2,885,856</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, 2022 and 2021
(In thousands)

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Loan servicing fees	\$ 5,473	5,280
Interest income	94,784	94,803
Net decrease in the fair value of investments	(25,130)	(7,887)
Contract assistance from Commonwealth of Massachusetts	63,383	63,383
Total operating revenues	<u>138,510</u>	<u>155,579</u>
Operating expenses:		
Commonwealth of Massachusetts:		
Department of Environmental Protection – programmatic support costs	12,381	9,399
Loan forgiveness	32,542	37,353
General and administrative	1,876	3,318
Arbitrage rebate payments	886	4,240
Interest expense	94,204	92,317
Total operating expenses	<u>141,889</u>	<u>146,627</u>
Operating income (loss)	<u>(3,379)</u>	<u>8,952</u>
Nonoperating revenue:		
Grant revenue:		
Environmental Protection Agency capitalization grants (note 6)	79,709	82,501
Commonwealth of Massachusetts grants (note 6)	15,894	16,650
Total nonoperating revenue	<u>95,603</u>	<u>99,151</u>
Increase in net position	92,224	108,103
Net position – beginning of year (as restated - note 2)	<u>2,885,856</u>	<u>2,777,753</u>
Net position – end of year	<u>\$ 2,978,080</u>	<u>2,885,856</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, 2022 and 2021
(In thousands)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Other cash received from borrowers	\$ 5,473	5,280
Cash paid to vendors	<u>(14,674)</u>	<u>(17,041)</u>
Net cash used in operating activities	<u>(9,201)</u>	<u>(11,761)</u>
Cash flows from noncapital financing activities:		
Bond proceeds	—	452,788
Cash used in debt refunding	—	(2,901)
Repayment of bonds	(210,885)	(213,180)
Interest paid	(115,299)	(112,170)
Proceeds from Environmental Protection Agency capitalization grants	79,727	83,181
Proceeds from Commonwealth of Massachusetts grants	30,552	15,894
Proceeds received from Cape Cod and Islands Water Protection Fund (note 3)	<u>—</u>	<u>13,709</u>
Net cash provided by (used in) noncapital financing activities	<u>(215,905)</u>	<u>237,321</u>
Cash flows from investing activities:		
Loans disbursed to recipients	(278,124)	(313,591)
Cash received from borrowers	283,989	272,787
Contract assistance received from Commonwealth of Massachusetts	63,383	63,383
Interest received	96,299	95,250
Purchases of investments	(102,099)	(3,425)
Sales/maturities of investments, net	<u>72,439</u>	<u>72,131</u>
Net cash provided by investing activities	<u>135,887</u>	<u>186,535</u>
Net increase in cash and cash equivalents	(89,219)	412,095
Cash and cash equivalents, beginning of year	<u>1,058,177</u>	<u>646,082</u>
Cash and cash equivalents, end of year	<u>\$ 968,958</u>	<u>1,058,177</u>
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating income (loss)	\$ (3,379)	8,952
Adjustments to reconcile operating income to net cash used in operating activities:		
Reclassification of:		
Interest income	(94,784)	(94,803)
Net decrease in the fair value of investments	25,130	7,887
Contract assistance from Commonwealth of Massachusetts	(63,383)	(63,383)
Interest expense	94,204	92,317
Loan forgiveness	32,542	37,353
Changes in operating assets and liabilities:		
Other assets and liabilities, net	<u>469</u>	<u>(84)</u>
Net cash used in operating activities	<u>\$ (9,201)</u>	<u>(11,761)</u>

See accompanying notes to financial statements.

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

Statements of Fiduciary Net Position

June 30, 2022 and 2021

(In thousands)

	<u>2022</u>	<u>2021</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 27,785	9,341
Accrued receivables	<u>2,459</u>	<u>2,017</u>
Total assets	<u><u>30,244</u></u>	<u><u>11,358</u></u>
Net Position		
Net position restricted for other governments	<u>30,244</u>	<u>11,358</u>
Total net position	<u><u>\$ 30,244</u></u>	<u><u>11,358</u></u>

See accompanying notes to financial statements.

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

Statements of Changes in Fiduciary Net Position

Years ended June 30, 2022 and 2021

(In thousands)

	<u>2022</u>	<u>2021</u>
Additions:		
Taxes collected	\$ 20,266	15,557
DSRRP loan repayment receipts	784	63
Interest income	101	26
Total additions	<u>21,151</u>	<u>15,646</u>
Deductions:		
Payment of subsidy for loan forgiveness	1,303	13,709
Fiduciary reimburseable costs	962	—
Total deductions	<u>2,265</u>	<u>13,709</u>
Increase in fiduciary net position	18,886	1,937
Net position – beginning of year	<u>11,358</u>	<u>9,421</u>
Net position – end of year	<u>\$ 30,244</u>	<u>11,358</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

Years ended June 30, 2022 and 2021

(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 Agreements between the United States Environmental Protection Agency (EPA), the Massachusetts Department of Environmental Protection (MassDEP), and the Trust, the Trust administers the Commonwealth's Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF) programs.

The Trust is administered by a three-member board of trustees that is chaired by the Treasurer of the Commonwealth. The Secretary of the Executive Office for Administration and Finance and the Commissioner of MassDEP serve as trustees. The Trust's Board of Trustees approves all financial commitments and program decisions during monthly meetings. Meeting agendas, minutes and other board materials can be found on the Trust's website, <https://www.mass.gov/orgs/the-massachusetts-clean-water-trust>.

(b) Description of Business

The Trust administers two State Revolving Fund (SRF) programs: the CWSRF was established in 1987 under Title VI of the federal Clean Water Act, as amended from time to time, and the DWSRF established in 1996 under the federal Safe Drinking Water Act. MassDEP evaluates projects, manages project development, and provides project oversight, while the Trust manages the flow of funds to borrowers. The Trust, in collaboration with MassDEP, helps communities build or replace water quality infrastructure that enhances ground and surface water resources, ensures the safety of drinking water, protects public health, and develops resilient communities. It accomplishes these objectives by providing low-interest loans and grants to cities, towns, and other eligible borrowers through the Massachusetts State Revolving Funds (SRF) programs. The SRF programs are partnerships between the EPA and the Trust. SRFs function like an environmental infrastructure bank by financing water infrastructure projects.

The Trust receives funding from the EPA in the form of annual capitalization grants, supplemented by 20% state matching grants and the repayment of loans. When loans to borrowers are repaid, the funds are then loaned out again, which is how the SRF programs "revolve". SRF Program Equity Funds are expected to be used for loans or to secure bonds through the Trust's SRF programs in perpetuity.

The Trust uses a "leveraged model" to provide funding in excess of the federal and state grants. Bonds are issued in the capital markets and are secured by loans or reserves funded by SRF Program Equity Funds. The proceeds from the bonds are used to provide capital for new below market rate loans to borrowers for water infrastructure. This model has allowed the Trust to leverage nearly \$2.8 billion in federal capitalization grants and Commonwealth matching grants to finance approximately \$8.1 billion in water infrastructure loans.

The Trust's loan process for each SRF is guided by an annual list of projects the Trust commits to finance called the Intended Use Plan (IUP). MassDEP compiles the two IUPs annually. Project eligibility is determined by the Clean Water Act and the Safe Drinking Water Act for the CWSRF and DWSRF, respectively. Eligible borrowers are encouraged to apply for financing for eligible projects during an annual solicitation process. MassDEP engineers review detailed project specifications and rank them using an established set of criteria that measures the severity of the problem, the sensitivity of the environmental hazard, the public health risk, and the appropriateness of the proposed solution.

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Notes to Financial Statements

Years ended June 30, 2022 and 2021

For CWSRF projects, the program emphasizes watershed management priorities, stormwater management, green infrastructure, and encourages communities to undertake projects with meaningful water quality and public health benefits. DWSRF projects emphasize compliance with federal and state water requirements to protect the public health while addressing the Commonwealth's drinking water needs. MassDEP selects the highest priority projects and compiles the annual IUPs which establish the Commonwealth's priorities for the upcoming year.

Total project grant funds received, both federal and state, less the amounts provided as loan forgiveness, are required to remain in the SRF program in perpetuity in support of the state revolving fund per the Clean Water Act and Safe Drinking Water Act. As a result, these funds are classified as restricted on the statements of net position. The remaining funds are classified as unrestricted on the statements of net position; however, the use of these funds is governed by laws and regulations of the EPA and the Commonwealth.

(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.

Effective with the fiscal year ended June 30, 2021, the Trust implemented GASB Statement No. 84, Fiduciary Activities, which resulted in the reporting of fiduciary fund financial statements within the Trust's financial statements.

(b) Revenue Recognition

Operating revenues, including interest income, are generated through the issuance of loans to borrowers within the Commonwealth. Operating expenses include interest expense related to the Trust's outstanding debt as well as programmatic and administrative expenses.

Under state law, loans made by the Trust are required to provide for subsidies or other financial assistance to reduce the debt service expense on the loans. Most of the Trust's loans are subsidized to a 2% interest rate set by statute. Other loans made by the Trust may bear interest at lower rates, including a zero percent interest rate, and a portion of the principal of certain loans has also been subsidized by the Trust. To provide for a portion of the subsidy on most of its loans, the Trust receives contract assistance payments from the Commonwealth. The Commonwealth's agreement to provide contract assistance constitutes a general obligation of the Commonwealth for which its full faith and credit are pledged. These contract assistance funds are used to make debt service payments on behalf of the Trust's borrowers, both principal and interest, and are recorded as operating revenues upon receipt of funds from the Commonwealth. Total contract assistance funds used to make principal payments on behalf of the Trust's borrowers totaled \$9,305 and \$15,687 for fiscal years 2022 and 2021, respectively. These payment amounts were also recorded as loan forgiveness upon receipt of funds from the

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Notes to Financial Statements

Years ended June 30, 2022 and 2021

Commonwealth. Total contract assistance funds used to make interest payments on behalf of the Trust's borrowers totaled \$18,905 and \$20,863 for fiscal years 2022 and 2021, respectively.

Recent legislative changes have allowed the Trust to identify priority projects and/or initiatives to receive a higher rate of subsidy for certain loans as approved by the Board of Trustees. The Trust receives additional contract assistance payments from the Commonwealth to provide these subsidies. For detail of these various program, refer to note 3. These additional contract assistance payments are recorded as operating revenues upon receipt of funds from the Commonwealth and totaled \$35,173 and \$26,833 for fiscal years 2022 and 2021, respectively. Disbursements of funds related to these priority projects and/or initiatives are recorded as operating expenses when disbursed to borrowers.

The Trust has restated its July 1, 2020 beginning net position of the business-type activities to correct revenue recognition of contract assistance from the Commonwealth.

	July 1, 2020
Net position as previously reported	\$ 2,742,671
Restatement	35,082
Net position as restated	<u>\$ 2,777,753</u>

The change in net position for the year ended June 30, 2021 is as follows:

	June 30, 2021 Amount Previously Reported	Restatement Adjustment	June 30, 2021 As Restated
Increase in Net Position	\$ 87,727	\$ -	\$ 87,727
Revenues	-	36,063	36,063
Expenses	-	(15,687)	(15,687)
Increase in Net Position	<u>\$ 87,727</u>	<u>20,376</u>	<u>\$ 108,103</u>

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 federal capitalization grants require a portion of the grant funds be provided as additional subsidization in the form of loan forgiveness, grants, or negative interest loans. The Trust provides the additional subsidization in the form of loan forgiveness, which is recorded as an operating expense when the funds are disbursed to borrowers.

(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.

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Notes to Financial Statements

Years ended June 30, 2022 and 2021

(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 (GICs), repurchase agreements, and other permitted investments such as qualified municipal obligations.

The Trust categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* defines a certain hierarchy of inputs to valuation techniques used to measure fair value. All the Trust's investments in U.S. Treasuries and Agencies are categorized as Level 2.

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 the MMDT cash portfolio (cash and cash equivalents) is valued at the share value of \$1.00 and carried at amortized cost. The short-term bond investment portfolio is 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 GASB Statement No. 72, *Fair Value Measurement and Application*. These investment values will continue to be measured in accordance with existing accounting standards and are recorded at contract value.

(e) Allowance for Uncollectible Amounts and Loan 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 loan forgiveness expected to be provided upon project completion. The amount of loan forgiveness is determined by the Trust's Board of Trustees and is recorded on a first-in, first-out basis as disbursements are processed, up to the total amount of the loan forgiveness awarded to the individual loans.

(f) Loan Origination Fees and Costs of Issuance

The Trust may charge loan origination fees from borrowers. Payments would be collected at the time of the first debt service payment. This origination fee revenue, if any, 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.

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Notes to Financial Statements

Years ended June 30, 2022 and 2021

(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 Office of the State Treasurer, MassDEP, 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 Premiums

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

(i) 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. At June 30, 2022 and 2021, the Trust has reported deferred inflows of resources representing the payment due from JP Morgan, in the amounts of \$3,388 and \$1,354, respectively, for the positive valuation of its hedging derivative instruments in the accompanying financial statements. Refer to note 12. At June 30, 2022 and 2021, the Trust has reported deferred outflows of resources related to the calculated difference between the reacquisition price and the net carrying amount of refunded bonds of \$26,759 and \$32,121, respectively. Refer to note 8.

(j) 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, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of 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.

(k) Reclassifications

Certain amounts in the statements of net position for the year ended June 30, 2021 have been reclassified to conform with the June 30, 2022 presentation.

MASSACHUSETTS CLEAN WATER TRUST
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Notes to Financial Statements

Years ended June 30, 2022 and 2021

(3) Cash and Cash Equivalents

Cash and cash equivalents for the years ended June 30, 2022 and 2021 are as follows.

	<u>2022</u>	<u>2021</u>
Program equity funds	\$ 762,282	889,481
Other restricted funds	124,945	104,248
State match funds	32,397	17,775
Administrative funds	29,048	29,639
Debt service funds	8,922	4,822
Revenue funds	6,549	5,644
Rebate funds	4,113	5,871
Other cash funds	<u>702</u>	<u>697</u>
Total cash and cash equivalents	\$ <u>968,958</u>	<u>1,058,177</u>

SRF Program Equity Funds. The Trust receives funding from the EPA in the form of annual capitalization grants, supplemented by 20% state matching grants and the repayment of loans (SRF Program Equity Funds). When loans to local governments are paid back, the funds are then loaned out again, which is how the SRF programs “revolve”. 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 SRF. These funds are also derived from interest earnings on investments or deposits of amounts held in the program equity accounts; proportional amounts released from the pledged assets available as a result of loan repayments in accordance with the provisions specified in the applicable bond resolutions; amounts derived from financing activities of the Trust; and other amounts appropriated to the Trust by the Commonwealth for purposes of the SRF programs.

On June 29, 2022, the Trust invested \$99,509 of program equity funds in U.S. Treasury securities. See footnote 5 for more information.

The Trust initially allocates SRF Program Equity Funds to make loans. On May 11, 2021, the Trust issued Series 23A Green Bonds and Series 23B Sustainability Bonds (Series 23 Bonds) in the par amount of \$351,440. Proceeds from the Series 23 Bonds replenished SRF Program Equity Funds used to fund the construction phase of financed projects in the amount of \$367,143.

Other Restricted Funds. Recent legislative changes have allowed the Trust to identify priority projects and/or initiatives to provide additional subsidy. The balances in these funds reflect the committed and unexpended or unallocated balance as of June 30, 2022 and 2021. These priority projects and initiatives include the following.

School Water Improvement Grant (SWIG) Program. On January 8, 2020, the Trust’s Board of Trustees approved the pilot round of the School Water Improvement Grant (SWIG) program. The goal of the SWIG program is to reduce lead in school drinking water to the lowest levels possible by incentivizing schools to test their drinking water fixtures and remediate any lead exceedances that are detected. It accomplishes this by providing funds to purchase and install point-of-use filtered water bottle filling stations to replace drinking water fixtures that tested above the remediation lead action level of 1 ppb. SWIG was launched in concert with MassDEP’s expanded version of the lead testing program using

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for \$10,505 and the Commonwealth additional contract assistance provided the remaining \$13,437 of subsidy.

For fiscal year 2021, the Trust's Board of Trustees approved \$20,936 of additional affordability subsidy based on the 2019 IUP construction contracts executed by June 30, 2020. The 2019 federal grants provided funding for \$12,094 and the Commonwealth additional contract assistance provided the remaining \$8,842 of subsidy.

The additional contract assistance committed but unexpended balance as of June 30, 2022, and 2021 was \$3,067 and \$2,075, respectively. The additional contract assistance funds received but uncommitted as of June 30, 2022 and 2021 was \$109,846 and \$87,469, respectively.

Cape Cod and Islands Water Protection Fund (CCIWPF). The CCIWPF was created pursuant to Chapter 337 of the Acts of 2018 "An Act Regulating and Insuring Short-Term Rentals". The legislation added a 2.75% local option excise tax on traditional lodging and short-term rentals for communities on Cape Cod, Nantucket, and Martha's Vineyard (Cape Cod and Islands). This 2.75% excise tax can only be collected by communities participating in the fund and may only be deposited to the fund. The fund is owned and managed by the CCIWPF Management Board which is comprised of representatives from each Cape Cod and Islands community.

Monies from the fund may be used to provide loan forgiveness to eligible CWSRF projects financed by the Trust or to pay for debt service for pre-existing debt incurred outside the Trust for certain Cape Cod and Islands communities. In fiscal year 2022, the CCIWPF Management Board approved commitment amounts for \$108,265 of eligible projects and \$52,105 for debt service for pre-existing debt incurred outside the Trust for certain Cape Cod and Islands communities. In fiscal year 2021, the CCIWPF Management Board approved commitment amounts for \$54,835 of eligible projects. These commitment amounts for the pre-existing debt will be provided over a period of ten years while the other committed amounts will be paid over four years. In fiscal year 2022 and 2021, the Trust received instructions from the CCIWPF Management Board to transfer \$1,303 and \$13,709, respectively, from the fiduciary account to a designated account at the Trust. These funds will be disbursed to the respective projects as reimbursement requests are received; or used to reimburse the Trust for disbursements already made; or remain in the account until project disbursement requests are received. As of June 30, 2022, and 2021 the balance of committed but unexpended funds in this account was \$6,303 and \$7,805, respectively.

Administrative Funds. Annual loan servicing fees equal to 0.15% of outstanding loan principal charged pursuant to financing agreements as well as origination fees, if any, and any other amount received by the Trust for such purposes are used to fund the administrative costs of the Trust.

State Match Funds. The Trust receives the state matching grant from the Commonwealth capital budget. The Trust is required to obtain the matching grant prior to receiving its federal annual grants. The Bipartisan Infrastructure Law (BIL) signed into law on November 15, 2021, provided a significant investment in the water sector. The BIL appropriated \$55 billion to EPA to improve drinking water and wastewater infrastructure. Most of the water infrastructure dollars will flow through the DWSRF and CWSRF. The BIL appropriation for federal fiscal years 2022 through 2026 will represent a substantial increase over regular annual appropriations to this program. The Trust's 2022 total EPA grant allotments and their respective state match requirements are listed below.

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EPA Grant	FFY 2022 Allotment	Required State Match	FFY 2021 Allotment	Required State Match
CWSRF Base Grant	\$39,285	\$7,857	\$53,946	\$10,789
CWSRF Supplemental Grant*	60,428	6,043	--	--
CWSRF Emerging Contaminant Grant*	3,175	--	--	--
Total CWSRF Grants	102,888	13,900	53,946	10,789
DWSRF Base Grant	16,260	3,252	25,526	5,105
DWSRF Supplemental Grant*	41,750	4,175	--	--
DWSRF Emerging Contaminant Grant*	17,531	--	--	--
DWSRF Lead Service Line Replacement Grant*	65,783	--	--	--
Total DWSRF Grants	141,324	7,427	25,526	5,105
TOTAL SRF GRANTS	\$244,212	\$21,327	\$79,472	\$15,894

*New grants provided by BIL.

The state match fund balance as of June 30, 2022, includes the federal fiscal year 2022 required state match amounts listed above totaling \$21,327, the \$749 state match for the ESWIG grant as well as a \$9,225 reserve for future incremental match and \$1,096 in accumulated interest earnings.

The state match balance as of June 30, 2021, includes the federal fiscal year 2021 required state match amounts listed above totaling \$15,894, the \$749 state match for the ESWIG grant and \$1,131 in accumulated interest earnings.

Rebate Funds. The Trust sets aside certain amounts of its revenue funds collected to pay arbitrage rebate liabilities to the United States Treasury when due. Arbitrage rebate filings are due on the fifth anniversary of the respective bond issuance dates and every five years thereafter until bonds are matured and/or no longer outstanding.

Revenue Funds. Program revenues including borrower repayments, pledged assets earnings and contract assistance are deposited to this fund and are restricted or committed for specific purposes including the payment of debt service on February 1 or August 1.

Debt Service Funds. These funds accumulate the amounts required to pay principal and interest due on debt service payment dates. The balance at June 30, 2022 and June 30, 2021 reflect principal maturities and related accrued interest payments related to U.S. Treasury and Agencies debt service reserve fund investments received prior to the respective August debt service payment dates.

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Cash and cash equivalents include investments in MMDT. The Office of the Treasurer and Receiver-General (Treasury) manages MMDT, the Commonwealth's short-term external mixed investment pool. 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 amortized cost.

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. 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, 2022 and 2021.

(4) Project Fund Deposits

The project fund deposits are held by the Trustee and disbursed in accordance with executed loan agreements. Project fund deposits are disbursed to borrowers for eligible project costs 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 deposits will normally be applied to the repayment of the applicable borrower's principal. Project fund deposits are invested as part of the MMDT Cash Portfolio. As of June 30, 2022, project fund deposits represented \$17,475 in project fund deposits related to executed loan agreements for SRF Bonds and \$1,771 of interest earnings for a total balance of \$19,246. The Trust recorded an offsetting \$17,475 commitment and project fund payable in its statement of net position. As of June 30, 2021, project fund deposits represented \$79,746 in project fund deposits related to executed loan agreements for SRF Bonds and \$2,007 of interest earnings for a total balance of \$81,753. The Trust recorded an offsetting \$79,746 commitment and project fund payable in its statement of net position. The June 30, 2021 balance reflects the new project fund deposits in the amount of \$85,641 from the May 2021 bond sale. There was no bond sale in fiscal year 2022.

(5) Investments

Investments primarily consist of debt service reserve accounts that were established as security for certain series of bonds issued by the Trust. The amounts deposited in each debt service reserve account were determined at the time of the issuance of the bonds and varied from 33% to 50% of the par amount of the bonds issued. In most cases, debt service reserve funds were funded from the SRF Program Equity Funds. 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 GICs or U.S. Treasuries and Agencies.

GICs are recorded at contract value and U.S. Treasuries and Agencies are reported at fair market value. Reductions in GIC balances year over year reflect the scheduled maturities that correspond to debt service principal payments. As the Trust pays principal on its debt, proportional amounts are released from the pledged assets securing the related debt. Since 2012, the Trust has been pledging direct loans as security

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for its bonds rather than establishing debt service reserve funds. As a result, the debt service reserve fund investment balance continues to decline as scheduled maturities occur.

The Trust invests a portion of its program equity in accordance with its investment policy.

The table below provides details of the Trust's investments as of June 30, 2022 and 2021.

Total Investments		2022	2021
Debt Service Reserve Funds			
GICs by Provider:			
Mass Mutual Financial Group	\$	79,176	93,033
Mass Mutual Financial Group (formerly FSA)*		65,636	77,609
Natixis Funding Corporation		58,664	69,610
Citigroup Global Markets Inc.		43,747	52,484
		<u>247,223</u>	<u>292,736</u>
Total GIC's			
U.S. Treasuries and Agencies		<u>114,322</u>	<u>140,994</u>
Total debt service reserve fund investments		<u>361,545</u>	<u>433,730</u>
Program Equity Fund Investments			
MMDT Short-term Bond Portfolio		104,148	102,293
U.S. Treasuries and Agencies		175,570	99,451
Citigroup Global Markets Inc. GIC		744	470
		<u>280,462</u>	<u>202,214</u>
Total program equity fund investments			
Total Investments	\$	<u>642,007</u>	<u>635,944</u>

*Mass Mutual Financial Group purchased FSA Capital Management Services outstanding GICs on 2/2/2022.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Trust does not have a concentration of credit risk policy. The following list sets forth the GIC providers with which the Trust's investments exceed 5% of the Trust's total investment balance.

Provider	2022		2021	
Mass Mutual Financial Group	\$ 79,176	12 %	\$ 93,033	15 %
Mass Mutual Financial Group (formerly FSA)	65,636	10	77,609	12
Natixis Funding Corp.	58,664	9	69,610	11
Citigroup Global Markets Inc.	44,491	7	52,954	8

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 S&P Global Ratings and

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“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. The MMDT Short-term Bond Portfolio 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 in the debt service reserve funds was structured in its principal and interest return to support debt service on the related bonds.

For the years ended June 30, 2022 and 2021 the Trust’s total investment portfolio matures as follows.

June 30, 2022				
			MMDT	
	GICs	U.S. Treasuries and Agencies	Short-term Bond Portfolio	Total investments
Less than 1 year	\$ 80,750	12,850	104,148	197,748
One to five years	120,919	170,223	—	291,142
Six to ten years	39,499	65,567	—	105,066
More than ten years	6,799	41,252	—	48,051
	<u>\$ 247,967</u>	<u>289,892</u>	<u>104,148</u>	<u>642,007</u>
June 30, 2021				
			MMDT	
	GICs	U.S. Treasuries and Agencies	Short-term Bond Portfolio	Total investments
Less than 1 year	\$ 80,876	25,162	102,293	208,331
One to five years	156,045	76,673	—	232,718
Six to ten years	42,338	85,553	—	127,891
More than ten years	13,947	53,057	—	67,004
	<u>\$ 293,206</u>	<u>240,445</u>	<u>102,293</u>	<u>635,944</u>

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(6) Capitalization Grants

The CWSRF and DWSRF programs were established in each state by capitalization grants from the EPA. These capitalization grants have been available to states annually, typically received in August or September before the beginning of each federal fiscal year. EPA implemented the SRF programs in a manner that preserves a high degree of flexibility for states in operating their revolving funds in accordance with each state's unique needs and circumstances. States are required to provide an amount equal to 20 percent of the base capitalization grants as state matching funds in order to receive a grant.

These base grants require that the Trust enter into binding commitments with local government units within one year of the receipt of each federal grant award to provide assistance in an amount equal to 120% (including 20% state matching grant) of each grant award. The CWSRF base grant contains a 4% administrative allowance. The DWSRF base grant provides the Trust with set asides to provide a 4% administrative allowance, a 15% local assistance set-aside to support the public water system supervision programs, and a 2% small system technical assistance set-aside.

The Safe Drinking Water Act and the Clean Water Act require states to develop affordability criteria to identify communities that are in need of additional subsidization to afford the costs of constructing needed water infrastructure projects. SRFs are required to provide a percentage of the annual DWSRF and CWSRF federal capitalization grants as additional subsidy to these communities.

The Affordability Calculation is based on an adjusted per capita income (APCI) metric. Pursuant to EPA guidance, the criteria must be based upon income, unemployment data, population trends, and other data determined relevant by the state. The Trust calculates APCI for the Commonwealth and its 351 individual municipalities annually in connection with the IUP process. Communities that fall below the Commonwealth's APCI are assigned into three (3) affordability tiers based on a community's APCI as a percentage of the Commonwealth's APCI.

The highest level of subsidy goes to tier 3 communities that are below 60% of the statewide APCI. The second highest level of subsidy goes to tier 2 communities that fall within 60-80% of the statewide APCI. The third highest level of subsidy goes to tier 1 communities that fall between 80-100% of the statewide APCI. The percentage of subsidy provided ranges from 3.3% to 9.9% for tiers 1 to 3 for the CWSRF program and 6.6% to 19.8% for tiers 1 to 3 for the DWSRF program. The Trust provides this additional subsidization in the form of loan forgiveness and uses additional contract assistance from the Commonwealth to provide subsidy in excess of the amount funded by the DWSRF and CWSRF federal capitalization grants.

Each state may opt to transfer a portion of its CWSRF base capitalization grant, not to exceed 33 percent of its DWSRF base capitalization grant, to the DWSRF program. The Trust has taken advantage of this option in each year beginning with its 2013 clean water capitalization grant to provide additional capacity to its drinking water program. In total, \$60,014 has been transferred from CWSRF to DWSRF to date under this option.

Grant draws may begin in the quarter in which the grant is awarded and end no later than eight quarters after the grant is awarded. The Trust draws on its federal grants based on the amount of incurred costs for certain eligible projects or activities.

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The following table depicts the Trust's EPA grants receivable by program. The Trust receives its state match funds in June prior to the receipt of the federal grants.

	EPA Grants Receivable		
	Clean Water	Drinking Water	Total Program
Grants receivable at June 30, 2020	\$ 32,628	9,035	41,663
Project grant award/match – FFY 2020	51,796	20,184	71,980
Admin/Set asides grant – FFY 2020	2,158	5,365	7,523
Expanded school water improvement grant FFY2020	—	2,998	2,998
Total grant award/match	53,954	28,547	82,501
Grant funds drawn	(58,610)	(24,571)	(83,181)
Grants receivable at June 30, 2021	27,972	13,011	40,983
Project grant award/match – FFY 2021	51,788	24,732	76,520
Admin/Set asides grant – FFY 2021	2,158	1,031	3,189
Total grant award/match	53,946	25,763	79,709
Grant funds drawn	(54,876)	(24,851)	(79,727)
Grants receivable at June 30, 2022	\$ 27,042	13,923	40,965

Federal grant revenue is recognized in accordance with the funding schedules contained within the individual grant agreements. Under the state matching grant, typically drawn prior to fiscal year end, revenue is unearned until the Federal grant is awarded, typically in August or September, at which time state matching revenue is recognized in accordance with each corresponding federal grant's funding schedules.

EPA federal grant revenue totaled \$79,709 for fiscal year 2022 and represents the Trust's annual federal 2021 base capitalization grants for CWSRF in the amount of \$53,946, and DWSRF in the amount of \$25,763.

EPA federal grant revenue totaled \$82,501 for fiscal year 2021 and represents the Trust's annual federal 2020 capitalization grants for CWSRF in the amount of \$53,954, and DWSRF in the amount of \$25,549. Additionally, the Trust was awarded a \$2,998 from the EPA to create the Massachusetts Expanded School Water Improvement Grant (ESWIG) program. The goal of the ESWIG program is to develop and implement improvement investments through projects that will reduce lead exposure in drinking water by replacing thousands of water fountains that have tested positive for lead with filtered water fountains and bottle filling stations in hundreds of schools and childcare facilities.

State grant revenue totaled \$15,894, for fiscal year 2022 as compared to \$16,650 in fiscal year 2021. Fiscal year 2021 included an additional \$749 state grant for the Massachusetts Expanded School Water Improvement Grant (ESWIG) the Trust was awarded by the EPA in fiscal year 2021.

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On November 15, 2021, President Biden signed into law the Bipartisan Infrastructure Law (BIL). The BIL provides two new federal grants through the CWSRF and three new federal grants through the DWSRF

- CWSRF Supplemental Grant
- CWSRF Emerging Contaminants Grant
- DWSRF Supplemental Grant
- DWSRF Emerging Contaminants Grant
- DWSRF Lead Service Line Replacement Grant

These grants will be provided annually over the next five years beginning with federal fiscal year 2022. The CWSRF Supplemental Grant, the DWSRF Supplemental Grant and the DWSRF Lead Service Line Replacement Grant require that 49% of the total grant amounts be provided as loan forgiveness to disadvantaged communities. The CWSRF and DWSRF Emerging Contaminants Grants are expected to target PFAS remediation projects and require that the full amount of the grant amounts be provided as loan forgiveness and that at least 25% of the grant be directed to disadvantaged communities.

The Trust receives its state match prior to applying for the federal EPA grants. The Trust records the receipt of the state match funds prior to receipt of the grant as unearned revenue in its statements of net position. The unearned revenue balance as of June 30, 2022, includes the federal fiscal year 2022 required state match amounts totaling \$21,327 and a \$9,225 reserve for future incremental match. See footnote 3 for more details on the specific state match funds received.

The unearned revenue balance as of June 30, 2021, includes the federal fiscal year 2021 required state match amounts totaling \$15,894.

(7) 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 CWSRF, DWSRF, and Community Septic Management Programs.

The Trust's loan process is dictated by the IUPs. MassDEP compiles annually, one for each SRF program. Project eligibility is determined by the Clean Water Act and the Safe Drinking Water Act for the CWSRF and DWSRF, respectively. Eligible borrowers are encouraged to apply for financing for eligible projects during an annual solicitation process. MassDEP engineers review detailed project specifications and rank them using an established set of criteria that measures the severity of the problem, the sensitivity of the environmental hazard, the public health risk, and the appropriateness of the proposed solution.

For CWSRF project selection, the program emphasizes watershed management priorities, stormwater management, green infrastructure, and encourages communities to undertake projects with meaningful water quality and public health benefits. For DWSRF project selection, the program emphasizes compliance with federal and state water requirements to protect the public health while addressing the Commonwealth's drinking water needs. Ultimately, MassDEP selects the highest priority projects and compiles the annual IUPs which establish the Commonwealth's priorities for the upcoming year.

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The Trust provides each borrower a subsidized loan pursuant to a financing agreement between the Trust and the borrower. The Trust makes loans with terms up to thirty (30) years, but the loan term is limited by the expected useful life of the project being financed or refinanced. Twenty (20) year loans bear interest at a subsidized rate of 2% per annum set by statute and thirty (30) year loans bear a slightly higher interest rate. Borrowers deliver their own general or special obligation bond to the Trust referred to as a “local bond” in order to secure their respective loan repayment obligations.

A summary of loan receivables as of June 30, 2022 and 2021 is as follows.

	<u>2022</u>	<u>2021</u>
Leveraged loans	\$ 3,061,058	3,332,063
Direct loans pledged for bond debt service	586,570	621,571
Other direct loans	<u>5,262</u>	<u>5,890</u>
Total permanently financed loans receivable	3,652,890	3,959,524
Interim loans	469,228	189,675
Loan forgiveness	<u>(84,264)</u>	<u>(65,109)</u>
Total interim loans net loan forgiveness	384,964	124,566
Total loans receivable	<u>4,037,854</u>	<u>4,084,090</u>
Less current portion loans receivable		
Permanently financed	305,240	298,842
Interim loans	<u>384,964</u>	<u>124,566</u>
Total current portion loans receivable	<u>690,204</u>	<u>423,408</u>
Long-term portion – loans receivable	<u>\$ 3,347,650</u>	<u>3,660,682</u>

The increase in interim loans is due to the Trust not issuing bonds in fiscal year 2022. This number is expected to decrease in fiscal year 2023 when a portion of these interim loans is permanently financed with a bond issuance early in fiscal year 2023.

The Trust recognizes the need for construction funds to be available to communities 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. The Trust initially allocates SRF Program Equity Funds to make these interim loans. Interim loans are temporary loans provided by the Trust to eligible borrowers in accordance with a financing agreement for all or any part of the costs of a project in anticipation of a leveraged or direct loan. This interim construction financing is offered to communities at a zero percent interest rate with no fees. The interim loan receivable balances were \$469,228 and \$189,675 as of June 30, 2022 and 2021, respectively.

The Trust issues revenue bonds (SRF Bonds) in order to fund communities’ projects under the CWSRF and DWSRF programs. The Trust uses a “leveraged model” to provide funding in excess of the federal and state grants received. SRF Bonds are issued in the capital markets and are secured by loans or reserves funded by SRF Program Equity Funds (pledged assets). The proceeds from the SRF Bonds are used to provide capital for new below market rate loans to borrowers for water infrastructure, referred to in the table above

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as leveraged loans. The loans securing the SRF Bonds that are funded with SRF Equity Program Funds are referred in the table above as direct loans pledged for bond debt service.

The June 30, 2021 leveraged loan balance reflects the issuance of the Trust's Series 23 Bonds in May 2021. Proceeds from the Series 23 Bonds replenished SRF Program Equity Funds applied to fund the construction phase of financed projects in the amount of \$367,143, and an additional \$85,641 of bond proceeds were deposited to project funds for the remaining project expenses for these leveraged loans.

The Trust did not issue any bonds in fiscal year 2022. As a result, the leveraged loan balance decreased \$271,005 during the fiscal year reflecting loan repayments. Offsetting this decrease was a \$279,553 increase in the interim loan balance reflecting the continued construction financing during the year.

The Safe Drinking Water Act and the Clean Water Act require states to develop affordability criteria to identify communities that are in need of additional subsidization to afford the costs of constructing needed water infrastructure projects. SRFs are required to provide a percentage of the annual DWSRF and CWSRF federal capitalization grants as additional subsidy to these communities. The Trust provides this additional subsidization in the form of loan forgiveness. Loan forgiveness can assist borrowers in their efforts to comply with water quality standards by making projects even more affordable. Loans funded by loan forgiveness grants are advanced to local communities on a cost reimbursement basis up to the amount of the awarded loan forgiveness. The amount of interim loan balances for which a subsidy was provided in the form of loan forgiveness was \$84,264 and \$65,109, as of June 30, 2022 and 2021, respectively. The subsidized interim loan amounts will be legally forgiven as the applicable projects are completed. Financing agreements require repayment of the forgiven loan if all program requirements are not met.

Aggregate principal maturities on loans receivable are as follows.

		Leveraged loans	Direct loans pledged for bond debt service	Other direct loans	Total permanently financed loans receivable
Years ending June 30:					
2023	\$	274,367	30,244	629	305,240
2024		263,187	30,834	629	294,650
2025		248,706	31,436	630	280,772
2026		237,928	30,539	630	269,097
2027		216,341	31,137	631	248,109
2028–2032		897,725	161,618	2,113	1,061,456
2033–2037		592,015	124,285	—	716,300
2038–2042		253,266	74,074	—	327,340
2043–2047		57,185	54,052	—	111,237
2048–2052		20,338	18,351	—	38,689
Total	\$	<u>3,061,058</u>	<u>586,570</u>	<u>5,262</u>	<u>3,652,890</u>

Payments on loans are due to the Trust fifteen (15) days in advance of debt service payments on the Trust's bonds: February 1 and August 1. Accordingly, the Trust records in its statements of net position accrued

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interest receivable equal to 5/6ths of the interest received from borrowers on August 1 at fiscal year-end. On June 30, 2022 and 2021 accrued interest receivable totaled \$33,621 and \$35,777, respectively.

The Trust's loans to its borrowers are subsidized by interest earnings on its pledged assets which include debt service reserve funds and direct loans. Additionally, contract assistance is provided to the Trust by the Commonwealth on behalf of certain loan financing agreements. Although borrowers are obligated to the Trust to make scheduled payments, these subsidies are expected to be available for the duration of the loan financing agreements as described in note 8. These contract assistance funds are used to make debt service payments on behalf of the Trust's borrowers, both principal and interest. These funds are received by the Trust in advance of debt service payments on the Trust's bonds: February 1 and August 1. These funds are recorded upon receipt of funds from the Commonwealth with no accrued receivable recorded in the statements of net position.

(8) Bonds Payable

The Trust issues special obligation bonds under its SRF programs to provide low-cost financing to cities, towns, and other eligible borrowers primarily for the construction and improvement of drinking water and wastewater infrastructure. Coupons on the bonds range from approximately 2.00% to 5.75% and each series is payable semiannually with the latest maturity occurring in FY 2047. Bond proceeds are used to provide financial assistance through leveraged loans from the Trust to the borrowers as described in note 7.

In connection with the issuance of its Series 18 Bonds in early 2015, the Trust entered into the Master Trust Agreement (MTA). The MTA replaced the Trust's older Program Resolution and simplified the security framework for new Trust SRF Bonds. The Series 18 Bonds and all other SRF Bonds issued and to be issued under the MTA (MTA Bonds) are secured on a parity basis by the assets pledged under the MTA. Prior to Series 18, the Trust issued bonds pursuant to the Trust's older Program Resolution and standalone bond resolutions to finance or refinance loans to several borrowers concurrently (Pool Loan Program Bonds) or to finance or refinance loans to a single borrower (Prior Single Obligor Bonds). The Prior Single Obligor Bonds were issued to provide loans to the following three obligors: (1) the Massachusetts Water Resources Authority (MWRA); (2) the South Essex Sewerage District (SESD); and (3) the City of New Bedford. There are no longer Single Obligor Bonds outstanding for SESD or the City of New Bedford. The City of New Bedford, MWRA and SESD also are borrowers under the Trust's Pool Loan Program Bonds and the MTA Bonds.

The MTA Bonds are special obligations of the Trust and do not constitute a pledge of its full faith and credit. The MTA Bonds are payable solely from the funds pledged pursuant 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 borrowers 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. Debt service is paid semi-annually, with principal and interest payments due February 1 and August 1.

The Commonwealth and the Trust have entered into a contract pursuant to which the Commonwealth has committed to provide contract assistance payments to the Trust to reduce the borrowers' debt service obligations to the Trust in the amount of \$165,708 over 30 years. This obligation of the Commonwealth to

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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.

The following is a summary of bonds payable as of June 30, 2022 and 2021.

Bond issue	Program	Issue date	Final maturity	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Due within one year
Senior revenue bonds:								
Series 6	Pool Loan	11/8/2000	8/1/2023	\$ 2,650	—	925	1,725	885
Series 7	Pool Loan	7/26/2001	2/1/2023	790	—	400	390	390
Series 2002A	MWRA	10/31/2002	8/1/2032	4,870	—	700	4,170	635
Series 8	Pool Loan	11/26/2002	8/1/2026	4,165	—	575	3,590	310
Series 9	Pool Loan	11/6/2003	8/1/2027	6,390	—	905	5,485	685
Series 11	Pool Loan	11/16/2005	8/1/2025	16,600	—	310	16,290	15,130
Series 12	Pool Loan	12/14/2006	8/1/2026	22,830	—	—	22,830	—
Series 15B	Pool Loan	6/8/2010	8/1/2040	252,595	—	3,000	249,595	21,990
Series 17A and B	Pool Loan	5/22/2013	2/1/2043	139,460	—	8,935	130,525	9,285
Series 18	MTA	1/7/2015	2/1/2045	179,790	—	8,995	170,795	9,315
Series 19	MTA	2/11/2016	2/1/2046	166,265	—	9,300	156,965	9,665
Series 20	MTA	4/13/2017	2/1/2047	179,060	—	7,460	171,600	7,670
Series 21	MTA	9/12/2018	8/1/2038	150,985	—	6,570	144,415	6,785
Series 22	MTA	10/24/2019	8/1/2039	184,665	—	6,720	177,945	6,960
Series 23	MTA	5/11/2021	2/1/2041	351,440	—	13,010	338,430	12,175
Subordinated revenue refunding bonds:								
Series 1999A	MWRA	11/3/1999	8/1/2029	3,845	—	—	3,845	—
Series 2004A	Pool Loan	9/9/2004	8/1/2027	42,400	—	12,975	29,425	11,415
Series 2006	Pool Loan	12/14/2006	8/1/2034	271,300	—	45,565	225,735	30,650
Series 2012A	Pool Loan	6/13/2012	8/1/2032	43,855	—	11,910	31,945	16,900
Series 2014	Pool Loan	6/12/2014	8/1/2028	322,725	—	46,880	275,845	48,120
Series 2017	MTA	4/13/2017	8/1/2029	96,280	—	25,750	70,530	10,820
Series 2020	MTA	5/21/2020	8/1/2042	87,305	—	—	87,305	—
Subtotal				2,530,265	—	210,885	2,319,380	219,785
Add unamortized bond premiums				401,480	—	31,812	369,668	—
Total bonds payable				<u>\$ 2,931,745</u>	<u>—</u>	<u>242,697</u>	<u>2,689,048</u>	<u>219,785</u>

Total bonds payable decreased \$242,697 during fiscal year 2022 due to scheduled debt service payments, and premium amortization. In fiscal year 2022, the Trust did not issue any new bonds that would offset this decrease. The Trust anticipates a bond issuance in November 2022.

On May 11, 2021, the Trust issued State Revolving Fund Bonds Series 23A and 23B (Green Bonds and Sustainability Bonds) in the par amount of \$351,440 with a premium of \$101,348. The \$141,945 Series 23A Bonds were designated by the Trust as "Green Bonds" based on the intended use of the bond proceeds for the financing of projects that adhere to the federal Clean Water Act and Safe Drinking Water Act, as determined by the EPA, and represented the Trust's sixth Green Bond issuance. The \$209,495 Series 23B were designated by the Trust as "Sustainability Bonds" providing both environmental and social benefits. The

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Series 23B Bonds were the first issuance of Sustainability Bonds for the Trust and for any SRF program in the country and provided investors an opportunity to support Massachusetts communities identified as the most economically disadvantaged.

Series 23 Bond proceeds were applied to fund \$452,784 in loans for CWSRF and DWSRF projects. The Trust anticipates expending all the proceeds within three years. In connection with the issuance of the Series 23 Bonds, the Trust pledged \$44,815 of its loans to borrowers funded with SRF Program Equity Funds. The interest collected on these loans will be applied to pay a portion of the debt service on the MTA Bonds, thereby supplementing the loan repayment obligations of the local borrowers while the principal payments collected on the direct loans are pledged as further security for the Trust's bonds.

The Trust issued its Series 15B Bonds in the form of "Build America Bonds" (BABs). BABs were authorized under the federal American Recovery and Reinvestment Act of 2009 (ARRA). Pursuant to ARRA, the Trust is entitled to receive cash subsidy payments from the federal government equal to 35% of the interest payable on the BABs provided that the Trust makes certain required filings in accordance with applicable federal rules. Receipt of these subsidy payments has been and will be adversely affected by implementation of certain provisions of federal law. In federal fiscal year 2016, such payments were subject to a sequestration reduction of 6.8%, with the Bipartisan Budget Act of 2015, approved by the President on November 2, 2015, extending the sequestration provisions through federal fiscal year 2025. For federal fiscal years 2021 through 2030, the sequestration reduction rate has been set at 5.7%, unless a law is enacted that modifies or amends the rate, at which time the sequestration reduction may be subject to change. Such interest subsidy payments could become subject to a much larger sequestration reduction, and potentially eliminated altogether, under the Statutory Pay-As-You-Go (PAYGO) Act of 2010, which is designed to limit the federal deficit spending. Since the enactment of the PAYGO Act, the U.S. Congress has consistently acted to prevent its implementation, but there can be no assurance that it will continue to do so. The Trust received \$4,277 and \$4,360 in BABs subsidies for fiscal year 2022 and 2021, respectively.

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The following is a summary of bonds payable as of June 30, 2021 and 2020.

Bond issue	Program	Issue date	Final maturity	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Due within one year
Senior revenue bonds:								
Series 6	Pool Loan	11/8/2000	8/1/2023	\$ 2,905	—	255	2,650	925
Series 7	Pool Loan	7/26/2001	2/1/2023	1,040	—	250	790	400
Series 2002A	MVRA	10/31/2002	8/1/2032	5,625	—	755	4,870	700
Series 8	Pool Loan	11/26/2002	8/1/2026	4,980	—	815	4,165	575
Series 9	Pool Loan	11/6/2003	8/1/2027	7,500	—	1,110	6,390	905
Series 11	Pool Loan	11/16/2005	8/1/2025	17,150	—	550	16,600	310
Series 12	Pool Loan	12/14/2006	8/1/2026	22,830	—	—	22,830	—
Series 15B	Pool Loan	6/8/2010	8/1/2040	273,105	—	20,510	252,595	3,000
Series 16A and B	Pool Loan	6/13/2012	8/1/2025	13,705	—	13,705	—	—
Series 17A and B	Pool Loan	5/22/2013	2/1/2043	148,060	—	8,600	139,460	8,935
Series 18	MTA	1/7/2015	2/1/2045	188,505	—	8,715	179,790	8,995
Series 19	MTA	2/11/2016	2/1/2046	175,250	—	8,985	166,265	9,300
Series 20	MTA	4/13/2017	2/1/2047	186,265	—	7,205	179,060	7,460
Series 21	MTA	9/12/2018	8/1/2038	157,360	—	6,375	150,985	6,570
Series 22	MTA	10/24/2019	8/1/2039	191,610	—	6,945	184,665	6,720
Series 23	MTA	5/11/2021	2/1/2041	—	351,440	—	351,440	13,010
Subordinated revenue refunding bonds:								
Series 1999A	MVRA	11/3/1999	8/1/2029	3,845	—	—	3,845	—
Series 2004A	Pool Loan	9/9/2004	8/1/2027	77,020	—	34,620	42,400	12,975
Series 2006	Pool Loan	12/14/2006	8/1/2034	313,020	—	41,720	271,300	45,565
Series 2012A	Pool Loan	6/13/2012	8/1/2032	43,855	—	—	43,855	11,910
Series 2014	Pool Loan	6/12/2014	8/1/2028	377,660	—	54,935	322,725	46,880
Series 2017	MTA	4/13/2017	8/1/2029	96,280	—	—	96,280	25,750
Series 2020	MTA	5/21/2020	8/1/2042	87,305	—	—	87,305	—
Subtotal				2,394,875	351,440	216,050	2,530,265	210,885
Add unamortized bond premiums				329,469	101,348	29,337	401,480	—
Total bonds payable				<u>\$ 2,724,344</u>	<u>452,788</u>	<u>245,387</u>	<u>2,931,745</u>	<u>210,885</u>

Debt service payments on the Trust's bonds are due semi-annually on February 1 and August 1. Accordingly, the Trust records in its statements of net position an accrued interest payable equal to 5/6ths of the interest paid on August 1 at fiscal yearend. On June 30, 2022 and 2021 accrued expenses and interest payable totaled \$48,903 and \$47,799, respectively.

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As of June 30, 2022, debt service requirements to maturity for principal and interest are as follows.

	<u>Total debt service</u>	<u>Principal</u>	<u>Interest</u>
Year ending June 30:			
2023 \$	329,342	219,785	109,557
2024	304,165	204,605	99,560
2025	286,033	196,030	90,003
2026	264,592	184,090	80,502
2027	247,221	175,565	71,656
2028–2032	908,096	657,555	250,541
2033–2037	545,659	431,075	114,584
2038–2042	251,196	219,590	31,606
2043–2047	34,609	31,085	3,524
Total debt service requirements \$	<u><u>3,170,913</u></u>	<u><u>2,319,380</u></u>	<u><u>851,533</u></u>

The Trust defeased certain bonds by purchasing securities from the proceeds of advance refunding bonds or from surplus program funds and placing them in irrevocable trusts to provide for all future debt service payments on the defeased bonds. The irrevocable trust's assets and the liabilities for the defeased bonds are not included in the Trust's financial statements. The balance of bonds defeased in irrevocable trusts outstanding as of June 30, 2022 and June 30, 2021, was \$29,660 related to the Series 2012A Refunding Bonds that were redeemed on April 13, 2017 and have a final escrow payment date of August 1, 2022.

When the Trust refunds its bonds, it calculates the difference between the reacquisition price and the net carrying amount of the bonds being refunded. The resulting accounting gain or loss is recorded as deferred outflow of resources on the statements of net position and is amortized generally over the life of the refunding bonds. The amortization is recorded as a component of interest expense on the statements of revenues, expenses, and changes in net position. The net accounting loss on debt refunding as of June 30, 2022 and 2021 is as follows.

Deferred Outflow of Resources

	<u>2022</u>	<u>2021</u>
Beginning net accounting loss	\$ 32,121	37,815
Amortization	<u>(5,362)</u>	<u>(5,694)</u>
Ending net accounting loss	<u><u>\$ 26,759</u></u>	<u><u>32,121</u></u>

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(9) Other Commitments

The Trust acts as custodian for the Cape Cod and Islands Water Protection Fund (CCIWPF) that was created pursuant to Chapter 337 of the Acts of 2018 "Act Regulating and Insuring Short-Term Rentals." The legislation added a 2.75% local option excise tax on traditional lodging and short-term rentals for communities on Cape Cod and Islands. This 2.75% excise tax can only be collected by communities participating in the fund and may only be deposited to the fund. The fund is owned and managed by the CCIWPF Management Board which is comprised of representatives from each Cape Cod and Islands community.

Monies from the fund may be used to provide loan forgiveness to eligible CWSRF projects financed by the Trust or to pay for debt service for pre-existing debt incurred outside the Trust for certain Cape Cod and Islands communities. In fiscal year 2022, the CCIWPF Management Board approved commitment amounts for \$108,265 of eligible projects and \$52,105 for debt service for pre-existing debt incurred outside the Trust for certain Cape Cod and Islands communities. In fiscal year 2021, the CCIWPF Management Board approved commitment amounts for \$54,835 of eligible projects. These commitment amounts for the pre-existing debt will be provided over a period of ten years while the other committed amounts will be paid over four years. In fiscal year 2022 and 2021, the Trust received instructions from the CCIWPF Management Board to transfer \$1,303 and \$13,709, respectively, from the fiduciary account to a designated account at the Trust. These funds will be disbursed to the respective projects as reimbursement requests are received; or used to reimburse the Trust for disbursements already made; or remain in the account until project disbursement requests are received. As of June 30, 2022, and 2021 the balance of committed but unexpended funds in this account was \$6,303 and \$7,805, respectively.

The Trust provides additional subsidization to communities that are in need of additional subsidization to afford the costs of construction needed for water infrastructure projects. The Trust provides this additional subsidization in the form of loan forgiveness and uses additional contract assistance from the Commonwealth to provide subsidy in excess of the amount funded by the DWSRF and CWSRF federal capitalization grants. The contract assistance committed but unexpended balance of the as of June 30, 2022, and 2021 was \$3,067 and \$2,075, respectively as described in note 3.

(10) Net Position

As of June 30, 2022 and 2021, the Trust has a restricted net position in the amount of \$2.98 billion and \$2.89 billion, respectively, and an unrestricted net position in the amount of \$602 and \$608 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. Restricted net position also includes additional contract assistance provided by the Commonwealth to the Trust to provide a higher rate of subsidy on certain priority projects and/or initiatives approved by the Board of Trustees.

(11) Commitment

As of June 30, 2022 and 2021, the Trust has agreed to provide interim financing loans to eligible borrowers amounting to approximately \$490,282 and \$217,584, respectively, excluding loan amounts already disbursed, which will be funded or collateralized with grant awards received by the Trust.

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(12) Derivative Instrument 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 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 JPMorgan Chase & Co. The terms of each swap agreement are summarized below:

	2022	2023
	Termination	Termination
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, 2022	859	2,529
Fair value at June 30, 2021	631	723
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. Reference period refers to 15 months preceding the debt service payment date.

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Fair Value – Because the Muni-CPI rate increased in excess of the synthetic fixed rate, the swaps had positive fair values as of June 30, 2022 and 2021. This means that on the next debt service payment dates of August 1, 2022 and August 1, 2021, the Trust receives a payment from its swap counterparty. At June 30, 2022 and 2021, the fair value of these swaps is reflected as an asset from derivative instruments, in the amounts of \$3,388 and \$1,354, respectively, and is recorded as a component of other assets, and deferred inflow from derivative instruments in the accompanying financial statements.

The fair value (Level 2) of the derivative instrument was estimated 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. Because the coupons on the Trust's variable rate bonds adjust to the changing Muni-CPI rates, the bonds do not have corresponding fair value increase or decrease.

Credit Risk – As of June 30, 2022, the Trust is exposed to credit risk equal to the amount of the derivative instrument's fair value. The swap counterparty is JPMorgan Chase & Co. and is rated AA-/Aa1/AA- by S&P Global Ratings, 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 S&P Global Ratings and Moody's Investors Service, respectively.

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 swap 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, 2022, the variable rate was calculated using the May 31, 2022, Muni-CPI rate. As the Muni-CPI rate varies, the variable rate payments on the bonds and the variable rate receipts from the swap are equal, and the net debt service will remain fixed. 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.

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	<u>Variable rate bonds¹</u>		<u>Net swap</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>payments²</u>	<u>debt service</u>
Years ending June 30:				
2023	30,650	5,879	(3,467)	33,062
2024	46,605	2,212	(1,303)	47,514

¹ Calculated rate uses May 31, 2022 Muni-CPI rate to reflect debt service payment for August 1, 2022.

² A negative net swap payment requires a payment from the counterparty to the Trust.

The derivative instrument is not exposed to basis risk.

(13) Fiduciary Activities

The Trust's fiduciary activities are the collection or receipt, and the subsequent accounting, investment, and disposition by the Trust of cash in which other entities have an ownership and controlling interest. Fiduciary assets are for the benefit of organizations or other government entities that are not part of the financial reporting entity. Furthermore, the assets are not derived from the Trust's own source revenues nor are they assets of the Trust and are therefore not recognized on the Trust's statements of net position.

The Trust acts as custodian for a separate fund established with expanded room occupancy excise tax on short-term rentals collected and held on behalf of the CCIWPF Management Board. The CCIWPF was established pursuant to Chapter 337 of the Acts of 2018 "An Act Regulating and Insuring Short-Term Rentals". The act expanded the application of the room occupancy excise tax in M.G.L. C. 64G to operators of short-term rentals as of July 1, 2019. The act also allowed for additional local option 2.75% excise tax for those cities and towns that are members of the CCIWPF. Revenues received from the 2.75% excise tax imposed will be credited to the CCIWPF, as well as any investment income earned on the fund's assets. Amounts credited to the fund shall be expended or applied only with the approval of the CCIWPF Management Board established under the act and in a manner determined by the CCIWPF Management Board. Any amounts remaining in the fund at the end of a fiscal year shall be carried forward into the following fiscal year and shall remain available for application and disbursement without further appropriation.

The Trust acts as servicer to the Executive Office of Energy and Environmental Affairs ("EOEEA") to provide loan servicing administration with respect to the Dam and Seawall Repair or Removal Program ("DSRRP"). The EOEEA administers and provides loans to qualified cities, towns, and municipalities under the DSRRP for projects that enhance, preserve, and protect the natural resources and the scenic, historic, and aesthetic qualities of the Commonwealth. Pursuant to M.G.L. C 40.4D the Trust performs routine duties in accordance with the loan servicing standards; invoicing borrowers for amounts due on the DSRRP loans, monitoring collection and receipt from the DSRRP borrowers, keeping proper books and records with respect to any DSRRP debt service payments, and providing EOEEA with summary reports. The Trust maintains a separate fund on behalf of EOEEA for receipts of DSRRP borrower loan repayments which are subsequently transferred to EOEEA's DSRRP fund. In consideration of the Trust's services, any investment earnings from amounts on deposit in this separate fund are transferred to the Trust on each debt service cycle.

MASSACHUSETTS CLEAN WATER TRUST

Combining Financial Statements and Schedules For the Year Ended June 30, 2022
(With Comparative Amounts as of June 30, 2021)

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Narrative

Federally Capitalized Clean Water 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 required state matching of federal funding.

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 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.

Fiduciary Activity - is the collection or receipt, and subsequent accounting, investment, and disposition by the Trust of cash in which other entities have an ownership and controlling interest.

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:

Combining Financial Statements and Schedules

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Massachusetts Clean Water Trust
Combining Statement of Net Position
June 30, 2022 (With Comparative Amounts as of June 30, 2021)
(in thousands)

	Federally Capitalized Clean Water Loan Program	Federally Capitalized Drinking Water State Revolving Fund Loan Program	Commonwealth of Massachusetts Capitalized State Revolving Fund Loan Program	Program for General Operations	Combined Totals 6/30/2022	Combined Totals 6/30/2021
Assets and deferred outflows of resources:						
Current assets:						
Cash and cash equivalents	\$ 526,134	\$ 295,864	\$ 117,912	\$ 29,048	\$ 968,958	\$ 1,058,177
Short-term investments	159,595	14,511	-	23,642	197,748	208,331
Project fund deposits	9,187	10,059	-	-	19,246	81,753
Grants receivable - Environmental Protection Agency	27,042	13,923	-	-	40,965	40,983
Loans receivable, net	483,131	207,015	-	58	690,204	423,408
Accrued interest receivable	24,765	8,710	146	-	33,621	35,777
Total current assets	1,229,854	550,082	118,058	52,748	1,950,742	1,848,429
Noncurrent assets:						
Long-term investments	389,561	54,698	-	-	444,259	427,613
Loans receivable, long-term	2,476,398	871,038	-	214	3,347,650	3,660,682
Other assets	2,258	1,130	-	951	4,339	1,354
Total noncurrent assets	2,868,217	926,866	-	1,165	3,796,248	4,089,649
Total assets	4,098,071	1,476,948	118,058	53,913	5,746,990	5,947,454
Deferred outflows of resources	21,875	4,884	-	-	26,759	32,121
Total assets and deferred outflows of resources	4,119,946	1,481,832	118,058	53,913	5,773,749	5,979,575
Liabilities and deferred inflows of resources:						
Current liabilities:						
Accrued expenses and interest payable	33,381	14,960	-	562	48,903	47,799
Unearned revenue	23,125	7,427	-	-	30,552	15,894
Loan commitments and project funds payable	7,944	9,531	-	-	17,475	79,746
Current portion long-term debt	157,302	62,483	-	-	219,785	210,885
Other commitment	6,303	-	-	-	6,303	7,805
Total current liabilities	228,055	94,401	-	562	323,018	362,129
Noncurrent liabilities:						
Long-term debt, net	1,726,103	743,160	-	-	2,469,263	2,720,860
Total noncurrent liabilities	1,726,103	743,160	-	-	2,469,263	2,720,860
Total liabilities	1,954,158	837,561	-	562	2,792,281	3,082,989
Deferred inflows of resources	2,258	1,130	-	-	3,388	1,354
Total liabilities and deferred inflows of resources	1,956,416	838,691	-	562	2,795,669	3,084,343
Net position:						
Restricted for program purposes	1,689,104	590,194	96,452	-	2,375,750	2,277,366
Unrestricted	474,426	52,947	21,606	53,351	602,330	608,490
Commitments	-	-	-	-	-	-
Total net position	2,163,530	643,141	118,058	53,351	2,978,080	2,885,856

See Independent Auditors' Report

Massachusetts Clean Water Trust
Combining Statement of Revenues, Expenses and Changes in Net Position
June 30, 2022 (With Comparative Amounts as of June 30, 2021)
(in thousands)

	Federally Capitalized Clean Water State Revolving Fund Loan Program	Federally Capitalized Drinking Water State Revolving Fund Loan Program	Commonwealth of Massachusetts Capitalized State Revolving Fund Loan Program	Program for General Operations	Combined Totals 6/30/2022	Combined Totals 6/30/2021
OPERATING REVENUES:						
Loan servicing fees	\$ -	\$ -	\$ -	5,473	\$ 5,473	\$ 5,280
Interest income	72,842	20,239	1,179	524	94,784	94,803
Net decrease in the fair value of investments	(22,600)	(2,530)	-	-	(25,130)	(7,887)
Contract assistance from Commonwealth of Massachusetts	21,260	6,950	35,173	-	63,383	63,383
Total operating revenues	71,502	24,659	36,352	5,997	138,510	155,579
OPERATING EXPENSES:						
Commonwealth of Massachusetts:						
Department of Environmental Protection - programmatic support costs	1,929	6,631	-	3,821	12,381	9,399
Loan forgiveness	16,129	16,413	-	-	32,542	37,353
General and administrative	-	-	-	1,876	1,876	3,318
Arbitrage rebate payments	886	-	-	-	886	4,240
Interest expense	68,414	25,790	-	-	94,204	92,317
InterFund transfers	11,714	(21,411)	9,662	35	-	-
Total operating expenses	99,072	27,423	9,662	5,732	141,889	146,627
OPERATING (LOSS) INCOME	(27,570)	(2,764)	26,690	265	(3,379)	8,952
NONOPERATING REVENUE:						
Grant Revenue:						
Environmental Protection Agency capitalization grants	53,946	25,763	-	-	79,709	82,501
Commonwealth of Massachusetts grants	10,789	5,105	-	-	15,894	16,650
Total nonoperating revenues	64,735	30,868	-	-	95,603	99,151
INCREASE IN NET POSITION	37,165	28,104	26,690	265	92,224	108,103
NET POSITION - BEGINNING OF YEAR, AS RESTATED	2,126,365	615,037	91,368	53,086	2,885,856	2,777,753
NET POSITION - END OF YEAR	2,163,530	643,141	118,058	53,351	2,978,080	2,885,856

See Independent Auditors' Report

MASSACHUSETTS CLEAN WATER TRUST

Combining Statement of Fiduciary Net Position

Years ended June 30, 2022 (With Comparative Amounts as of June 30, 2021)

(In thousands)

	Cape Cod and Islands Water Protection Program	Dam and Seawall Repair or Removal Program	Combined Totals 6/30/2022	Combined Totals 6/30/2021
Assets:				
Current assets:				
Cash and cash equivalents	\$ 27,785	\$ —	\$ 27,785	\$ 9,341
Accrued receivables	2,459	—	2,459	2,017
Total assets	30,244	—	30,244	11,358
Net Position				
Net position restricted for other governments	30,244	—	30,244	11,358
Total net position	\$ 30,244	\$ —	\$ 30,244	\$ 11,358

See Independent Auditors' Report

MASSACHUSETTS CLEAN WATER TRUST

Combining Statement of Changes in Fiduciary Net Position

Years ended June 30, 2022 (With Comparative Amounts as of June 30, 2021)

(In thousands)

	Cape Cod and Islands Water Protection Program	Dam and Seawall Repair or Removal Program	Combined Totals 6/30/2022	Combined Totals 6/30/2021
Additions:				
Taxes collected	\$ 20,266	\$ —	\$ 20,266	\$ 15,557
DSRRP loan repayment receipts	—	784	784	63
Interest income	101	—	101	26
Total additions	20,367	784	21,151	15,646
Deductions:				
Payment of subsidy for loan forgiveness	1,303	—	1,303	13,709
Fiduciary reimburseable costs	115	847	962	—
Total deductions	1,418	847	2,265	13,709
Increase (decrease) in fiduciary net position	18,949	(63)	18,886	1,937
Net position – beginning of year	11,295	63	11,358	9,421
Net position – end of year	\$ 30,244	\$ —	\$ 30,244	\$ 11,358

See Independent Auditors' Report

MASSACHUSETTS CLEAN WATER TRUST
Five Year Schedule of Fifteen Largest Borrowers
For fiscal years ending June 30, 2018 through June 30, 2022
(in thousands)

<u>BORROWER NAME</u>	<u>June 30, 2022</u>		<u>June 30, 2021</u>		<u>June 30, 2020</u>		<u>June 30, 2019</u>		<u>June 30, 2018</u>	
	<u>Outstanding Loan Amount</u>	<u>% of Loans</u>	<u>Outstanding Loan Amount</u>	<u>% of Loans</u>	<u>Outstanding Loan Amount</u>	<u>% of Loans</u>	<u>Outstanding Loan Amount</u>	<u>% of Loans</u>	<u>Outstanding Loan Amount</u>	<u>% of Loans</u>
Massachusetts Water Resources Authority	\$ 822,049	22.53%	\$ 893,938	22.58%	\$ 912,802	24.27%	\$ 927,393	24.94%	\$ 942,880	25.42%
City of Fall River	158,159	4.33%	169,772	4.29%	146,067	3.88%	141,271	3.80%	140,057	3.78%
Springfield Water & Sewer Commission	134,357	3.68%	141,940	3.58%	93,225	2.48%	96,673	2.60%	102,307	2.76%
City of New Bedford	129,822	3.55%	142,549	3.60%	123,059	3.27%	102,875	2.77%	111,075	3.00%
Upper Blackstone Clean Water	122,449	3.35%	129,298	3.27%	135,782	3.61%	125,066	3.36%	121,769	3.28%
City of Chicopee	107,694	2.95%	113,482	2.87%	120,216	3.20%	126,481	3.40%	108,302	2.92%
City of Lowell	93,355	2.56%	100,164	2.53%	90,348	2.40%	70,253	1.89%	77,707	2.10%
City of Haverhill	79,946	2.19%	84,553	2.14%	72,084	1.92%	43,968	1.18%	34,888	0.94%
City of Revere	76,775	2.10%	82,254	2.08%	73,682	1.96%	62,806	1.69%	61,335	1.65%
City of Taunton	75,504	2.07%	82,394	2.08%	79,046	2.10%	85,034	2.29%	86,743	2.34%
City of Lawrence	68,409	1.87%	73,552	1.86%	54,969	1.46%	44,056	1.18%	47,872	1.29%
Town of Nantucket	66,632	1.82%	71,326	1.80%	71,858	1.91%	67,420	1.81%	47,680	1.29%
City of Pittsfield	62,359	1.71%	64,194	1.62%	6,942	0.18%	7,416	0.19%	7,881	0.20%
City of Marlborough	62,149	1.70%	64,661	1.63%	67,166	1.79%	69,636	1.87%	72,212	1.95%
Town of Falmouth	61,439	1.68%	65,508	1.65%	69,519	1.85%	73,458	1.98%	75,128	2.03%
Total all others	<u>1,531,792</u>	41.91%	<u>1,679,939</u>	42.42%	<u>1,644,578</u>	43.72%	<u>1,675,149</u>	45.05%	<u>1,670,716</u>	45.05%
TOTALS AS OF FISCAL YEAR END	<u>\$ 3,652,890</u>	100%	<u>\$ 3,959,524</u>	100%	<u>\$ 3,761,343</u>	100%	<u>\$ 3,718,955</u>	100%	<u>\$ 3,708,552</u>	100%

See Independent Auditors' Report

MASSACHUSETTS CLEAN WATER TRUST

Schedule of Loans Outstanding By Borrower June 30, 2022

Borrower Name	Loans Securing Prior Bonds	Loans Securing MTA Bonds	Loans Outstanding as of June 30, 2022	% of Total Loans Outstanding
Abington	\$ 2,155,422	\$ -	\$ 2,155,422	0.06%
Acton	9,777,425	-	9,777,425	0.27
Acushnet	1,123,439	249,509	1,372,948	0.04
Adams	585,168	-	585,168	0.02
Adams Fire District	881,072	1,090,513	1,971,585	0.05
Agawam	327,999	-	327,999	0.01
Amesbury	8,718,960	-	8,718,960	0.24
Andover	1,599,982	5,137,049	6,737,031	0.18
Aquarion Water Company of Massachusetts	435,000	-	435,000	0.01
Ashburnham	46,204	-	46,204	0.00
Athol	2,404,813	122,310	2,527,123	0.07
Attleboro	7,720,755	-	7,720,755	0.21
Auburn	136,719	-	136,719	0.00
Auburn Water District	708,990	3,470,221	4,179,211	0.11
Avon	22,831	380,000	402,831	0.01
Barnstable	11,620,697	15,768,179	27,388,876	0.75
Barnstable County	8,850,000	5,943,680	14,793,680	0.40
Barre	-	44,512	44,512	0.00
Belchertown	1,567,599	-	1,567,599	0.04
Bellingham	345,946	10,655,560	11,001,506	0.30
Belmont	4,562,849	1,604,705	6,167,554	0.17
Beverly	94,949	-	94,949	0.00
Billerica	8,764,289	46,179,723	54,944,012	1.50
Boston	-	11,116,256	11,116,256	0.30
Bourne	58,834	-	58,834	0.00
Brewster	20,000	-	20,000	0.00
Bridgewater	1,014,195	2,364,548	3,378,743	0.09
Bristol County	659,361	-	659,361	0.02
Brockton	38,833,762	19,136,557	57,970,319	1.59
Burlington	2,357,656	-	2,357,656	0.06
Cambridge	1,015,177	10,203,340	11,218,517	0.31
Canton	1,871,600	-	1,871,600	0.05
Centerville-Osterville-Marstons Mills FireDistrict	1,190,630	-	1,190,630	0.03
Charles River Pollution Control District	1,902,681	16,854,238	18,756,919	0.51
Charlton	1,295,799	-	1,295,799	0.04
Chatham	7,390,912	22,484,890	29,875,802	0.82
Chelmsford	13,183,455	-	13,183,455	0.36
Chelmsford Water District	745,671	-	745,671	0.02
Chelsea	122,418	-	122,418	0.00
Cherry Valley & Rochdale Water District	83,464	387,620	471,084	0.01
Chesterfield	20,000	-	20,000	0.00
Chicopee	53,586,087	54,108,042	107,694,129	2.95
Clinton	727,574	38,745	766,319	0.02
Cohasset	11,403,771	143,932	11,547,703	0.32
Concord	4,181,105	658,177	4,839,282	0.13
Danvers	12,272,280	-	12,272,280	0.34
Dartmouth	7,885,610	8,916,386	16,801,996	0.46

(Continued)

Borrower Name	Loans		Loans Outstanding as of June 30, 2022	% of Total Loans Outstanding
	Loans Securing Prior Bonds	Loans Securing MTA Bonds		
Dedham-Westwood Water District	\$ -	\$ 8,118,340	\$ 8,118,340	0.22%
Deerfield Fire District	265,740	-	265,740	0.01
Dennis	60,000	-	60,000	0.00
Dennis Water District	2,736,063	-	2,736,063	0.07
Dighton	36,606	60,120	96,726	0.00
Dighton Water District	1,825,576	-	1,825,576	0.05
Dighton-Rehoboth Regional School District	286,717	-	286,717	0.01
Douglas	1,278,563	-	1,278,563	0.04
Dracut	13,956,394	10,068,565	24,024,959	0.66
Dunstable	-	2,578,688	2,578,688	0.07
Duxbury	1,243,925	-	1,243,925	0.03
East Bridgewater	6,678,786	-	6,678,786	0.18
East Longmeadow	130,934	-	130,934	0.00
Eastham	40,000	48,817,175	48,857,175	1.34
Easthampton	1,720,390	859,354	2,579,744	0.07
Easton	3,602,451	4,996,877	8,599,328	0.24
Erving	1,781,545	-	1,781,545	0.05
Essex	4,144,934	-	4,144,934	0.11
Everett	1,863,167	891,204	2,754,371	0.08
Fairhaven	431,485	515,642	947,127	0.03
Fall River	88,218,085	69,940,591	158,158,676	4.33
Falmouth	5,762,706	55,676,388	61,439,094	1.68
Fitchburg	8,622,224	41,709,060	50,331,284	1.38
Foxborough	2,067,371	-	2,067,371	0.06
Framingham	28,658,731	5,827,003	34,485,734	0.94
Franklin	1,116,154	11,950,525	13,066,679	0.36
Gardner	799,041	9,440,204	10,239,245	0.28
Gloucester	25,205,461	21,680,896	46,886,357	1.28
Goshen	-	551,273	551,273	0.02
Grafton	-	35,193,165	35,193,165	0.96
Great Barrington	-	6,728,732	6,728,732	0.18
Greater Lawrence Sanitary District	10,567,475	34,403,589	44,971,064	1.23
Greenfield	11,369	-	11,369	0.00
Groton	1,276,931	-	1,276,931	0.03
Hadley	1,560,649	124,945	1,685,594	0.05
Halifax	40,000	-	40,000	0.00
Hanover	15,000	191,100	206,100	0.01
Hanson	497,500	727,500	1,225,000	0.03
Harvard	1,529,860	149,871	1,679,731	0.05
Harwich	12,242	1,394,696	1,406,938	0.04
Haverhill	14,401,981	65,543,957	79,945,938	2.19
Hillcrest Sewer District	440,227	-	440,227	0.01
Hingham	115,657	-	115,657	0.00
Hinsdale	1,055,000	-	1,055,000	0.03
Holbrook	4,691,210	-	4,691,210	0.13
Holden	1,927,525	390,452	2,317,977	0.06
Holliston	-	1,744,244	1,744,244	0.05
Holyoke	11,066,210	-	11,066,210	0.30
Hoosac Water Quality District	2,074,715	-	2,074,715	0.06
Hopedale	175,535	4,916,862	5,092,397	0.14
Hopkinton	5,506,542	90,000	5,596,542	0.15
Hudson	10,616,481	-	10,616,481	0.29
Hull	265,636	11,760,546	12,026,182	0.33
Ipswich	1,866,894	3,197,453	5,064,347	0.14
Kingston	16,625,002	3,212,801	19,837,803	0.54

(Continued)

Borrower Name	Loans			
	Loans Securing Prior Bonds	Loans Securing MTA Bonds	Outstanding as of June 30, 2022	% of Total Loans Outstanding
Lakeville	\$ 34,189	\$ -	\$ 34,189	0.00%
Lancaster	8,193	-	8,193	0.00
Lawrence	8,788,178	59,620,530	68,408,708	1.87
Lee	6,046,779	-	6,046,779	0.17
Leicester	36,511	-	36,511	0.00
Leicester Water Supply District	92,030	-	92,030	0.00
Leominster	17,382,671	10,055,692	27,438,363	0.75
Lincoln	265,000	-	265,000	0.01
Littleton	-	1,077,324	1,077,324	0.03
Longmeadow	1,133,184	-	1,133,184	0.03
Lowell	59,636,982	33,717,909	93,354,891	2.56
Ludlow	2,294,226	374,593	2,668,819	0.07
Lunenburg	1,094,704	884,380	1,979,084	0.05
Lunenburg Water District	1,643,178	-	1,643,178	0.04
Lynn Water and Sewer Commission	27,887,969	5,317,505	33,205,474	0.91
Lynnfield	218,700	-	218,700	0.01
Malden	5,925,014	8,441,422	14,366,436	0.39
Manchester - by - the - Sea	-	1,135,816	1,135,816	0.03
Mansfield	7,974,634	-	7,974,634	0.22
Marion	11,282,083	8,656,189	19,938,272	0.55
Marlborough	31,423,692	30,725,232	62,148,924	1.70
Marshfield	4,149,560	130,000	4,279,560	0.12
Mashpee	64,064	-	64,064	0.00
Massachusetts Development Finance Agency	6,238,742	-	6,238,742	0.17
Massachusetts Water Resources Authority	565,224,963	256,824,360	822,049,323	22.53
Mattapoissett	4,704,421	-	4,704,421	0.13
Mattapoissett River Valley Water District	4,515,548	-	4,515,548	0.12
Maynard	5,459,535	-	5,459,535	0.15
Medfield	639,516	-	639,516	0.02
Medway	7,198	2,529,638	2,536,836	0.07
Melrose	1,042,553	-	1,042,553	0.03
Merrimac	-	2,128,892	2,128,892	0.06
Methuen	9,010,949	-	9,010,949	0.25
MFN Regional Wastewater District	4,991,109	35,169,000	40,160,109	1.10
Middleborough	601,317	19,418,852	20,020,169	0.55
Middleton	11,386	-	11,386	0.00
Millbury	12,276,462	-	12,276,462	0.34
Millville	117,434	162,992	280,426	0.01
Milton	14,054	-	14,054	0.00
Monroe	-	110,065	110,065	0.00
Monson	704,073	-	704,073	0.02
Montague	1,467,218	1,386,733	2,853,951	0.08
Nantucket	32,155,510	34,476,662	66,632,172	1.82
Natick	1,100,642	-	1,100,642	0.03
Needham	4,035,081	-	4,035,081	0.11
New Bedford	55,401,619	74,420,515	129,822,134	3.55
Newbury	4,421,120	-	4,421,120	0.12
Newburyport	27,581,669	206,783	27,788,452	0.76
Newton	10,000	-	10,000	0.00
Norfolk	90,205	-	90,205	0.00
North Adams	29,002	-	29,002	0.00
North Andover	1,900,390	-	1,900,390	0.05
North Attleboro	13,142,478	8,368,276	21,510,754	0.59
North Raynham Water District	1,688,113	-	1,688,113	0.05

(Continued)

Borrower Name	Loans			
	Loans Securing Prior Bonds	Loans Securing MTA Bonds	Outstanding as of June 30, 2022	% of Total Loans Outstanding
North Reading	\$ 75,000	\$ -	\$ 75,000	0.00%
North Sagamore Water District	299,568	-	299,568	0.01
Northampton	8,362,118	57,682	8,419,800	0.23
Northbridge	4,796	-	4,796	0.00
Norton	351,274	16,528,785	16,880,059	0.46
Norwell	33,786	-	33,786	0.00
Norwood	2,274,942	4,083,524	6,358,466	0.17
Oak Bluffs	992,234	-	992,234	0.03
Orange	210,865	-	210,865	0.01
Orleans	20,000	-	20,000	0.00
Palmer	2,973,803	4,309,469	7,283,272	0.20
Paxton	-	1,018,894	1,018,894	0.03
Peabody	-	9,318,430	9,318,430	0.26
Pembroke	1,964,648	551,042	2,515,690	0.07
Pepperell	940,000	11,946,526	12,886,526	0.35
Pittsfield	3,101,978	59,256,752	62,358,730	1.71
Plainville	1,733,583	331,452	2,065,035	0.06
Plymouth	1,162,985	23,766,803	24,929,788	0.68
Provincetown	3,821,596	-	3,821,596	0.10
Quincy	5,009,531	5,331,748	10,341,279	0.28
Randolph	6,901,054	1,340,028	8,241,082	0.23
Raynham	867,500	-	867,500	0.02
Revere	7,761,971	69,013,375	76,775,346	2.10
Richmond	1,595,766	-	1,595,766	0.04
Rockland	1,821,348	-	1,821,348	0.05
Rowley	6,960,406	256,320	7,216,726	0.20
Russell	70,000	-	70,000	0.00
Rutland	8,290	-	8,290	0.00
Salem	673,898	-	673,898	0.02
Salisbury	1,194,073	-	1,194,073	0.03
Sandwich	20,000	-	20,000	0.00
Saugus	5,784,836	8,532,144	14,316,980	0.39
Scituate	5,477,369	191,163	5,668,532	0.16
Seekonk	630,886	-	630,886	0.02
Seekonk Water District	95,477	-	95,477	0.00
Shirley	44,776	46,730	91,506	0.00
Shrewsbury	542,367	12,767,683	13,310,050	0.36
Shutesbury	54,297	-	54,297	0.00
Somerset	2,114,004	-	2,114,004	0.06
South Essex Sewerage District	1,316,105	3,940,147	5,256,252	0.14
South Grafton Water District	897,460	-	897,460	0.02
South Hadley	1,701,875	-	1,701,875	0.05
South Hadley Fire District #1	249,815	-	249,815	0.01
Southampton	115,000	1,661,373	1,776,373	0.05
Southborough	237,578	-	237,578	0.01
Southbridge	5,431,998	1,470,206	6,902,204	0.19
Spencer	3,362,667	1,707,912	5,070,579	0.14
Springfield Water & Sewer Commission	32,730,668	101,626,800	134,357,468	3.68
Sterling	277,123	-	277,123	0.01
Stockbridge	2,035,198	1,394,365	3,429,563	0.09
Stoughton	482,500	634,788	1,117,288	0.03
Stow	112,507	-	112,507	0.00
Sturbridge	8,423,327	-	8,423,327	0.23
Sutton	1,587,066	-	1,587,066	0.04
Swampscott	135,177	-	135,177	0.00

(Continued)

Borrower Name	Loans			
	Loans Securing Prior Bonds	Loans Securing MTA Bonds	Outstanding as of June 30, 2022	% of Total Loans Outstanding
Swansea	\$ 77,258	\$ -	\$ 77,258	0.00%
Swansea Water District	7,795,375	-	7,795,375	0.21
Taunton	39,690,225	35,813,496	75,503,721	2.07
Templeton	1,349,762	-	1,349,762	0.04
Tewksbury	2,079,129	-	2,079,129	0.06
The Greens Condominium Trust	-	68,170	68,170	0.00
Tisbury	907,602	61,606	969,208	0.03
Townsend	520,476	-	520,476	0.01
Turners Falls Fire District	-	579,715	579,715	0.02
Tyngsborough	114,703	9,615,291	9,729,994	0.27
Upper Blackstone Clean Water	100,334,260	22,115,065	122,449,325	3.35
Uxbridge	-	40,388,697	40,388,697	1.11
Wakefield	198,157	-	198,157	0.01
Walpole	667,614	-	667,614	0.02
Waltham	1,002,384	-	1,002,384	0.03
Wareham	10,010,473	394,214	10,404,687	0.28
Wareham Fire District	-	12,543,948	12,543,948	0.34
Warren Water District	20,000	-	20,000	0.00
Water Supply District of Acton	-	9,398,520	9,398,520	0.26
Wayland	5,974	630,000	635,974	0.02
Webster	4,947,473	12,172,719	17,120,192	0.47
Wellfleet	155,000	139,540	294,540	0.01
West Boylston	4,062,443	-	4,062,443	0.11
West Boylston Water District of West Boylston	341,497	1,425,663	1,767,160	0.05
West Bridgewater	200,503	416,855	617,358	0.02
West Groton Water Supply District	428,499	-	428,499	0.01
West Newbury	31,092	-	31,092	0.00
West Springfield	5,166,004	17,695,078	22,861,082	0.63
Westborough	26,329,039	277,065	26,606,104	0.73
Westfield	1,841,061	1,640,211	3,481,272	0.10
Westford	1,817,313	-	1,817,313	0.05
Westminster	-	255,000	255,000	0.01
Westport	-	523,997	523,997	0.01
Weymouth	18,213,564	-	18,213,564	0.50
Whately	-	384,503	384,503	0.01
Whitman	625,559	13,117	638,676	0.02
Wilbraham	1,788,809	-	1,788,809	0.05
Wilmington	67,654	-	67,654	0.00
Winchendon	1,119,872	-	1,119,872	0.03
Woburn	6,304,574	-	6,304,574	0.17
Woodvale Condominium Trust	-	73,814	73,814	0.00
Worcester	3,225,803	3,210,325	6,436,128	0.18
Wrentham	523,789	-	523,789	0.01
Total	<u>\$ 1,846,119,717</u>	<u>\$ 1,806,770,620</u>	<u>\$ 3,652,890,337</u>	100%
Clean Water Program			\$ 2,694,183,171	
Drinking Water Program			\$ 958,707,166	

See Independent Auditors' Report

Massachusetts Clean Water Trust

A Component Unit of the Commonwealth of Massachusetts



III. Statistical Section

Annual Comprehensive Financial Report as of and for the Years Ended June 30, 2022 and June 30, 2021
and Independent Auditors' Report

STATISTICAL SECTION – TABLE OF CONTENTS

(unaudited)

Financial Trends

These schedules contain trend information to help the reader understand how the Trust's financial performance and fiscal health have changed over time. Schedules included are:

Ten Year Schedule of Changes in Net Position	1
Ten Year Schedule of Net Position Components	2

Revenue Capacity

This schedule contains information to help the reader assess the factors affecting the Trust's ability to provide interim loans and general operations. Schedule included is:

Ten Year Combined Schedule of Operating Revenues by Source	3
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Debt Capacity

These schedules present information to help the reader assess the affordability of the Trust's current level of outstanding debt and Trust's ability to issue additional debt in the future. Schedules included are:

Ten Year Debt Schedule	4
Ten Year Schedule of Pledged Revenue Coverage	5
Ten Year Combined Schedule of Operating Expenses	6

Operating Information

This schedule contains information to help the reader assess the factors affecting the Trust's ability to provide interim loans and general operations. Schedule included is:

Ten Year Schedule of Full Time Equivalent Employees by Program and Agency	7
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Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment which the Trust's financial activities take place and the aid provided by the Commonwealth to the Trust. Schedules included are:

Ten Year Schedule of Contract Assistance Provided by the Commonwealth of Massachusetts, Massachusetts Population and Per Capita Contract Assistance	8
Ten Year Schedule of Annual Civilian Labor Force, Unemployment and Unemployment Rates for Massachusetts and the United States	9
Ten Year Schedule of Massachusetts and United States Resident Population	10
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Ten Year Schedule of Total Net Debt, Massachusetts Resident Population and Debt Per Capita Largest Private Sector Massachusetts Employers 2022 and 2013	12
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Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial report for the relevant year.

MASSACHUSETTS CLEAN WATER TRUST

Ten Year Schedule of Changes in Net Position

For fiscal years ending June 30, 2013 through June 30, 2022

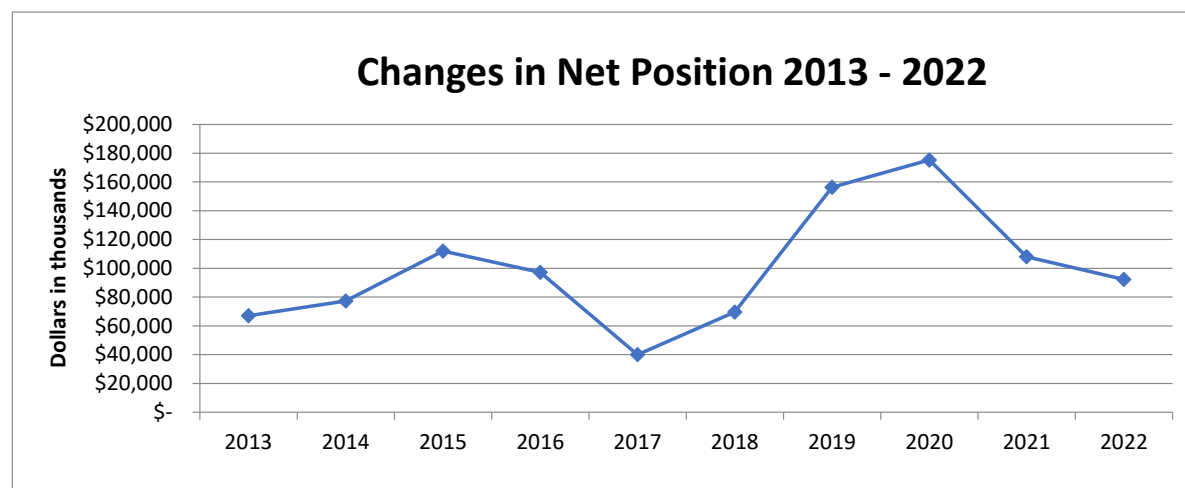
(in thousands)

Fiscal Year	Operating Revenues	⁽¹⁾ Operating Expenses	Operating Income (Loss)	Nonoperating Revenue	Changes in Net Position ⁽¹⁾
2022	\$ 138,510	\$ 141,889	\$ (3,379)	\$ 95,603	\$ 92,224
2021	155,579 ⁽²⁾	146,627	8,952	99,151	108,103
2020	203,185	162,970	40,215	135,141	175,356
2019	190,071	125,151	64,920	91,339	156,259
2018	139,646	142,579	(2,933)	72,520	69,587
2017	124,574	158,306	(33,732)	73,697	39,965
2016	170,273	149,662	20,611	76,519	97,130
2015	184,909	148,939	35,970	76,099	112,069
2014	164,121	160,970 ⁽³⁾	3,151	74,155	77,306
2013	190,947	202,622 ⁽³⁾	(11,675)	78,670	66,995

⁽¹⁾ Effective with fiscal year 2022's reporting, the Trust has restated prior years' net position and changes in net position beginning in 2019 to recognize nonexchange revenues of unallocated contract assistance from the Commonwealth of Massachusetts in accordance with GASB 33, Accounting and Financial Reporting for Nonexchange Transactions, and GASB 65, Items Previously Reported as Assets and Liabilities. See Note 2 to Financial Statements.

⁽²⁾ Includes \$15.9 million decrease in interest income primarily due to a decrease in average monthly Massachusetts Municipal Depository Trust (MMDT) yields, and a \$28.7 change in fair market value of investments year over year.

⁽³⁾ Includes a \$7.6 million, \$12.3 million, and a \$33.7 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, and 2012, respectively.



MASSACHUSETTS CLEAN WATER TRUST

Ten Year Schedule of Net Position Components

For fiscal years ending June 30, 2013 through June 30, 2022

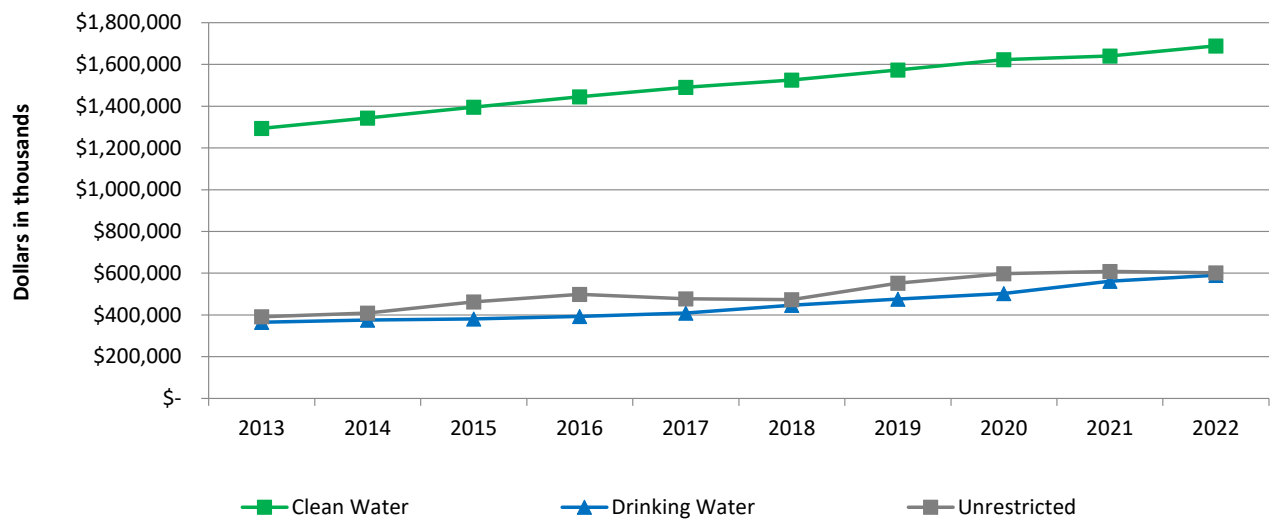
(in thousands)

Year	Restricted Clean Water	Restricted Drinking Water	Restricted State Revolving Fund	Total Restricted ⁽¹⁾	Unrestricted	Total
2022	\$ 1,689,104	\$ 590,194	\$ 96,452	\$ 2,375,750	\$ 602,330	\$ 2,978,080
2021	1,640,855	561,354	75,157	2,277,366	608,490	2,885,856
2020	1,622,527	502,739	54,781	2,180,047	597,706	2,777,753
2019	1,574,201	475,674	71	2,049,946	552,451	2,602,397
2018	1,525,377	446,807	-	1,972,184	473,954	2,446,138
2017	1,490,110	409,456	-	1,899,566	476,986	2,376,552
2016	1,445,703	392,748	-	1,838,451	498,135	2,336,586
2015	1,396,156	380,671	-	1,776,827	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	391,193	2,050,081

⁽¹⁾ Effective with fiscal year 2022's reporting, the Trust has restated prior years' net position and changes in net position beginning in 2019 to recognize nonexchange revenues of unallocated contract assistance from the Commonwealth of Massachusetts in accordance with GASB 33, Accounting and Financial Reporting for Nonexchange Transactions, and GASB 65, Items Previously Reported as Assets and Liabilities. See Note 2 to Financial Statements.

Schedule of Net Position Components* 2013 - 2022

*Chart does not reflect State Revolving Fund Restricted Net Position



MASSACHUSETTS CLEAN WATER TRUST
Ten Year Combined Schedule of Operating Revenues by Source
For fiscal years ending June 30, 2013 through June 30, 2022
(in thousands)

OPERATING REVENUES

Fiscal Year	Loan Servicing Fees	Loan Origination Fees	Interest Income⁽¹⁾	Commonwealth Contract Assistance⁽¹⁾	Unrealized Gain (Loss) on Investments⁽²⁾	Total Operating Revenues
2022	\$ 5,473	\$ -	\$ 94,784 ⁽³⁾	\$ 63,383 ⁽³⁾	\$ (25,130)	\$ 138,510
2021	5,280	-	94,803	63,383	(7,887)	155,579
2020	5,454	83	113,451	63,383	20,814	203,185
2019	5,479	1,542	94,673	73,383	14,994	190,071
2018	5,615	-	85,401	55,452	(6,822)	139,646
2017	5,608	1,821	77,903 ⁽⁴⁾	51,179	(11,937)	124,574
2016	5,515	1,926	85,150	57,379	20,303	170,273
2015	5,315	2,150	81,493 ⁽⁵⁾	61,802	34,149	184,909
2014	5,137	19	96,475	62,490	-	164,121
2013	5,288	1,698	121,150	62,811	-	190,947

(1) Effective with fiscal year 2022's reporting, the Trust has restated prior years' net position and changes in net position beginning in 2019 to recognize nonexchange revenues of unallocated contract assistance from the Commonwealth of Massachusetts in accordance with GASB 33, Accounting and Financial Reporting for Nonexchange Transactions, and GASB 65, Items Previously Reported as Assets and Liabilities. See Note 2 to Financial Statements.

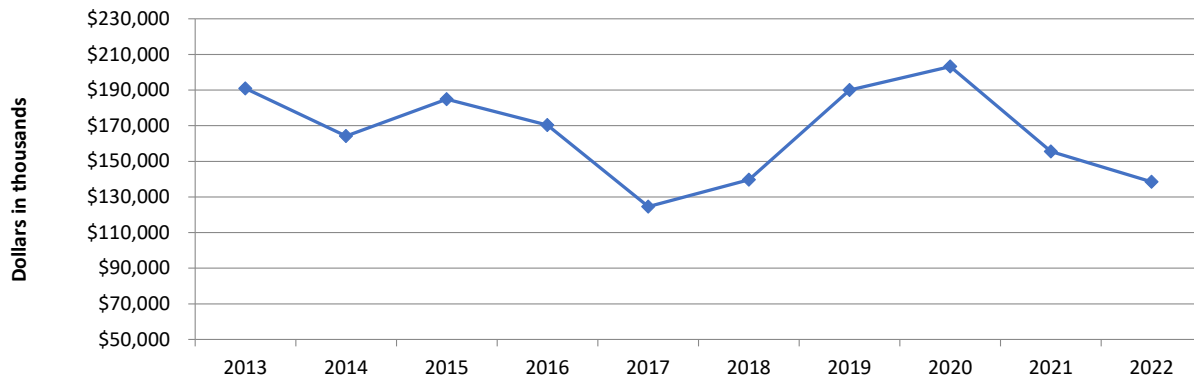
(2) Implemented GASB 72, Fair Value Measurement and Application in Fiscal Year 2016

(3) Includes \$15.9 million decrease in interest income primarily due to a decrease in average monthly Massachusetts Municipal Depository Trust (MMDT) yields year over year.

(4) Includes a \$10.0 million payment of refunding savings to the Commonwealth

(5) Fiscal Year 2015 has been adjusted to conform to presentation in accordance with Fiscal Year 2016's implementation of GASB 72, Fair Value Measurement and Application.

Operating Revenues 2013 - 2022



MASSACHUSETTS CLEAN WATER TRUST

Ten Year Debt Schedule
For fiscal years ending June 30, 2013 through June 30, 2022
(in thousands)

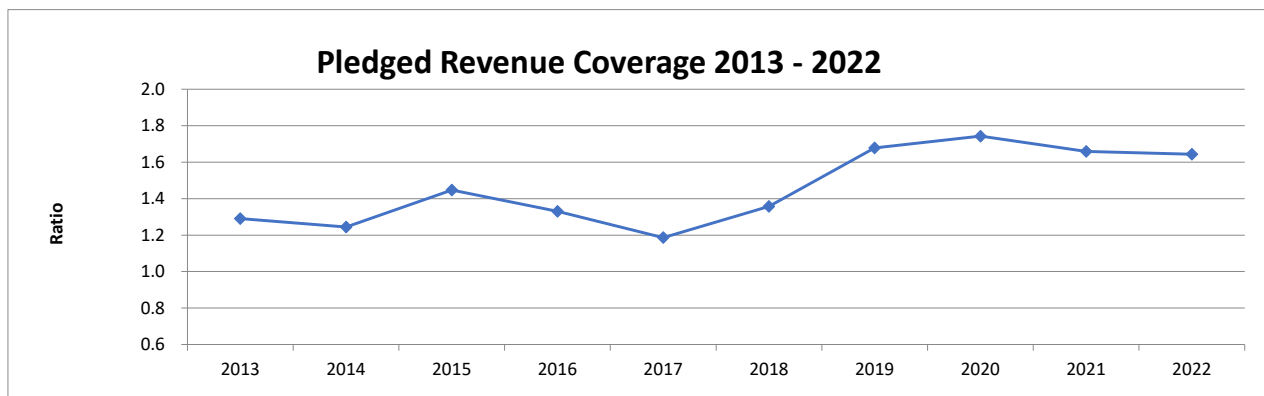
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Water Pollution Abatement Revenue Bonds:										
Massachusetts Water Resources Authority Loan Program	\$ 4,170	\$ 4,870	\$ 5,625	\$ 6,430	\$ 7,280	\$ 8,170	\$ 9,100	\$ 10,060	\$ 11,365	\$ 16,410
South Essex Sewerage District Loan Program	-	-	-	-	-	-	285	890	1,855	2,765
New Bedford Loan Program	-	-	-	-	-	-	-	270	785	1,515
Pool Loan Program	430,430	445,480	491,275	668,690	836,630	892,585	1,037,980	1,134,240	1,328,845	2,078,738
Master Trust Agreement	1,160,150	1,212,205	898,990	737,635	597,670	620,750	428,720	228,155	-	-
Subtotal Revenue Bonds	1,594,750	1,662,555	1,395,890	1,412,755	1,441,580	1,521,505	1,476,085	1,373,615	1,342,850	2,099,428
Subordinated Revenue Refunding Bonds:										
Massachusetts Water Resources Authority Loan Program	3,845	3,845	3,845	19,845	36,595	54,040	54,040	54,040	63,620	63,775
New Bedford Loan Program	-	-	-	-	-	-	-	-	-	36,460
Pool Loan Program	562,950	680,280	811,555	927,760	1,044,890	1,296,575	1,462,805	1,583,935	1,678,245	1,311,580
Master Trust Agreement	157,835	183,585	183,585	96,280	96,280	96,280	-	-	-	-
Subtotal Revenue Refunding Bonds	724,630	867,710	998,985	1,043,885	1,177,765	1,446,895	1,516,845	1,637,975	1,741,865	1,411,815
Total Bonds Payable	2,319,380	2,530,265	2,394,875	2,456,640	2,619,345	2,968,400	2,992,930	3,011,590	3,084,715	3,511,243
Unamortized amounts:										
Bond premium	369,668	401,480	329,469	305,552	313,333	347,809	335,272	320,762	304,295	259,765
Total Bonds Payable, net	\$ 2,689,048	\$ 2,931,745	\$ 2,724,344	\$ 2,762,192	\$ 2,932,678	\$ 3,316,209	\$ 3,328,202	\$ 3,332,352	\$ 3,389,010	\$ 3,771,008

MASSACHUSETTS CLEAN WATER TRUST
Ten Year Schedule of Pledged Revenue Coverage
For fiscal years ending June 30, 2013 through June 30, 2022
(in thousands)

Fiscal Year	Changes in Net Position ⁽¹⁾	Commonwealth of Massachusetts Contract Assistance ⁽¹⁾	Principal and Interest Received from Borrowers ⁽²⁾	Total Receivable and Revenue	Debt Service Requirements			Coverage ratio
					Principal	Interest	Total Debt Service	
2022	\$ 92,224	\$ 63,383	\$ 380,288	\$ 535,895	\$ 210,885	\$ 115,299	\$ 326,184	1.64
2021	108,103	63,383	368,037	539,523	213,180	112,170	325,350	1.66
2020	175,356	63,383	371,729	610,468	232,395	117,860	350,255	1.74
2019	156,259	73,383	369,159	598,801	230,280	126,609	356,889	1.68
2018	69,587	55,452	375,557	500,596	231,485	137,460	368,945	1.36
2017	39,965	51,179	343,632	434,776	225,895	140,716	366,611	1.19
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	77,306	62,490	332,531	472,327	215,753	163,928	379,681	1.24
2013	66,995	62,811	305,725	435,531	172,306	165,171	337,477	1.29

⁽¹⁾ Effective with fiscal year 2022's reporting, the Trust has restated prior years' net position and changes in net position beginning in 2019 to recognize nonexchange revenues of unallocated contract assistance from the Commonwealth of Massachusetts in accordance with GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. See Note 2 to Financial Statements.

⁽²⁾ Includes interest received from earnings on Debt Service Reserve Funds.



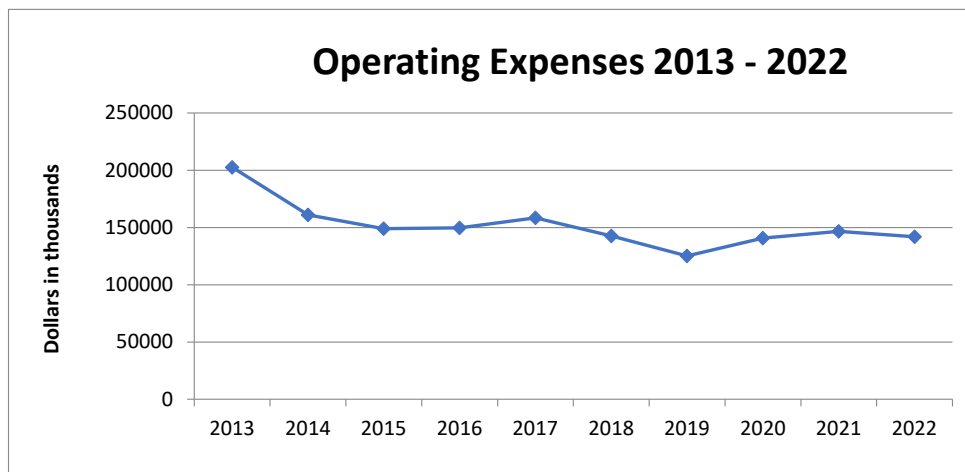
MASSACHUSETTS CLEAN WATER TRUST
Ten Year Combined Schedule of Operating Expenses
For fiscal years ending June 30, 2013 through June 30, 2022
(in thousands)

OPERATING EXPENSES

Fiscal Year	DEP Programmatic Support Costs	Loan Forgiveness ⁽¹⁾	General and Adminstrative	Arbitrage Rebate Payments	Interest Expense	Total Operating Expenses
2022	\$ 12,381	\$ 32,542	\$ 1,876	\$ 886	\$ 94,204	\$ 141,889
2021	9,399	37,353	3,318	4,240	92,317	146,627
2020	9,374	43,252	3,263	12,242	94,839	162,970
2019	8,731	7,698	2,693	1,468	104,561	125,151
2018	7,583	7,372	2,331	-	125,293	142,579
2017	8,545	5,672	5,210	12,328	126,551	158,306
2016	8,421	6,117	4,092	3,785	127,247	149,662
2015	5,793	4,797	5,923	1,538	130,888	148,939
2014	7,418	7,567	7,860	166	137,959	160,970
2013	8,921	12,335	5,046	6,725	169,595	202,622

⁽¹⁾ Represents loan forgiveness provided pursuant to the federal capitalization grants received from EPA, and funded by the Commonwealth of Massachusetts through contract assistance.

Effective with fiscal year 2022's reporting, the Trust has restated prior years' net position and changes in net position beginning in 2019 to recognize nonexchange revenues of unallocated contract assistance from the Commonwealth of Massachusetts in accordance with GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. See Note 2 to Financial Statements.

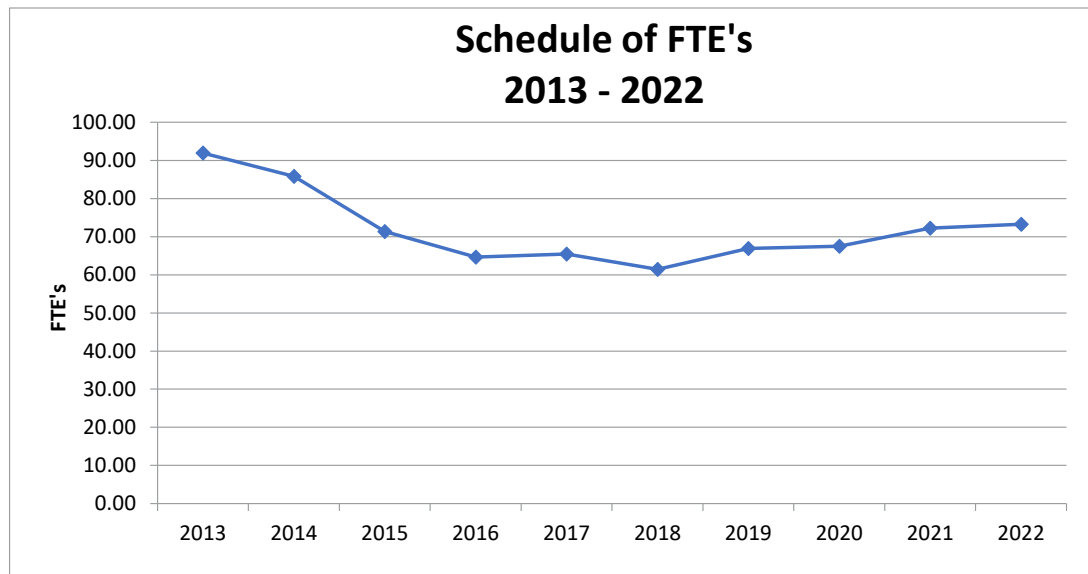


MASSACHUSETTS CLEAN WATER TRUST
Ten Year Schedule of Full Time Equivalent Employees
By Program and Agency
For fiscal years ending June 30, 2013 through June 30, 2022

Year	MCWT - Administrative	DEP - Clean Water Program	DEP - Drinking Water Program	DEP - Admin Expendable Trust	Total
2022	11.58	11.75	41.20	8.75	73.28
2021	11.00	13.25	41.00	7.00	72.25
2020	10.92	12.00	36.10	8.50	67.52
2019	11.17	13.25	35.75	6.75	66.92
2018	10.13	19.05	29.35	2.90	61.43
2017	8.76	19.15	33.30	4.20	65.41
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

MCWT - Massachusetts Clean Water Trust

DEP - Department of Environmental Protection



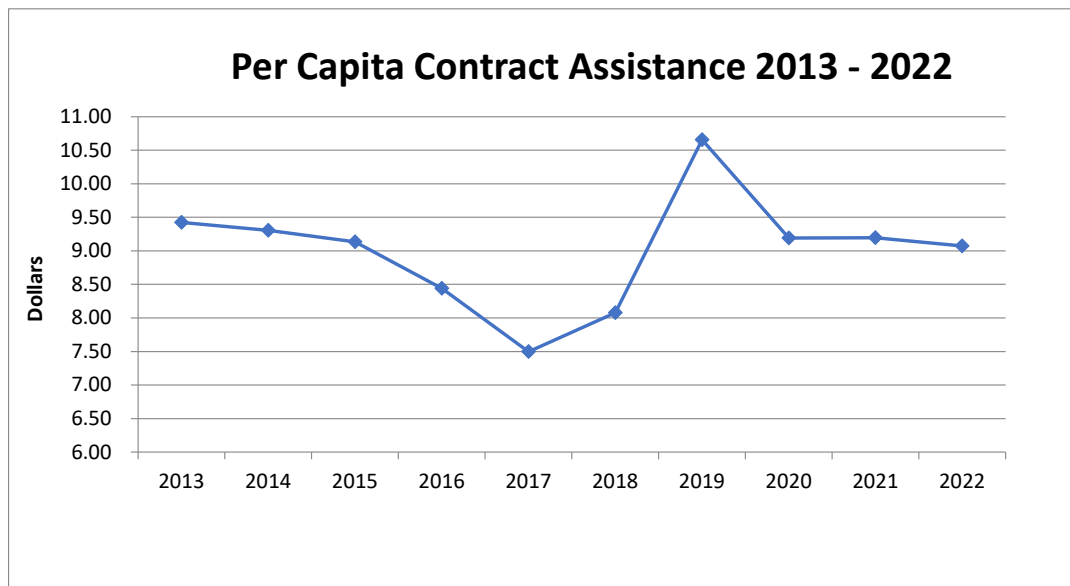
MASSACHUSETTS CLEAN WATER TRUST

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, 2013 through June 30, 2022 (in thousands)

Fiscal Year ending June 30	Contract Assistance provided ⁽¹⁾	Population estimates ⁽²⁾	Per Capita Contract Assistance
2022	\$ 63,383	6,985	\$ 9.07
2021	63,383	6,894	9.19
2020	63,383	6,895	9.19
2019	73,383	6,886	10.66
2018	55,452	6,864	8.08
2017	51,179	6,827	7.50
2016	57,379	6,797	8.44
2015	61,802	6,765	9.14
2014	62,490	6,715	9.31
2013	62,811	6,664	9.43

(1) Effective with fiscal year 2022's reporting, the Trust has restated prior years' net position and changes in net position beginning in 2019 to recognize nonexchange revenues of unallocated contract assistance from the Commonwealth of Massachusetts in accordance with GASB 33, Accounting and Financial Reporting for Nonexchange Transactions, and GASB 65, Items Previously Reported as Assets and Liabilities. See Note 2 to Financial Statements.

(2) 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.

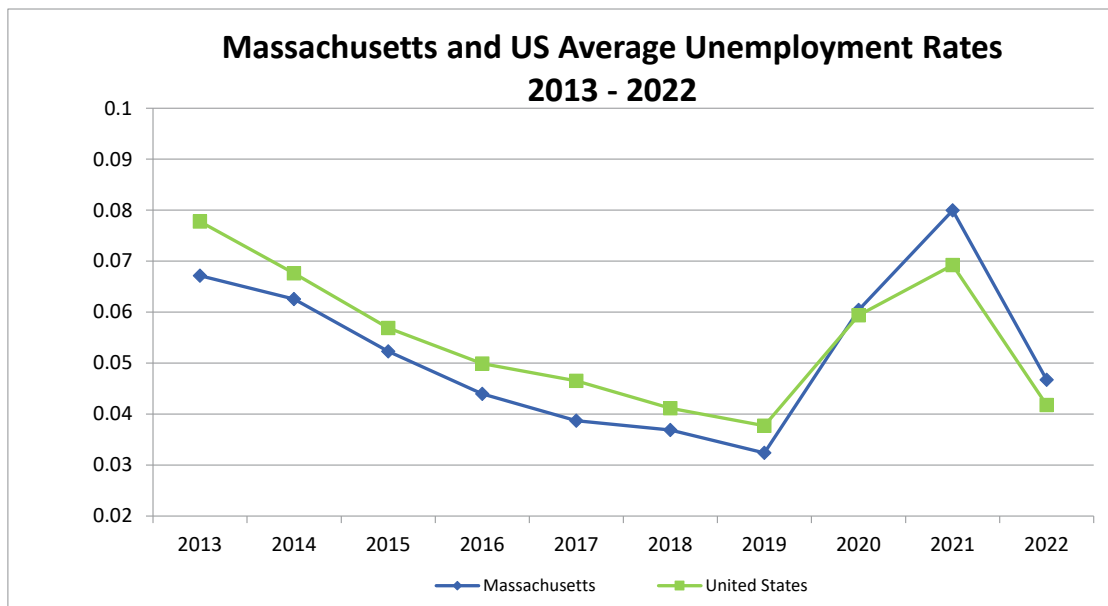


MASSACHUSETTS CLEAN WATER TRUST
Ten Year Schedule of Fiscal Year Annual Average Civilian Labor Force,
Unemployment and Unemployment Rates
For Massachusetts and the United States
For fiscal years ending June 30, 2013 through June 30, 2022

(in thousands)

Fiscal 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 %	
2022	3,765	176	4.7%	162,909	6,809	4.2%	111.9%
2021	3,752	300	8.0%	160,582	11,118	6.9%	115.9%
2020	3,774	228	6.0%	162,567	9,651	5.9%	101.8%
2019	3,829	124	3.2%	162,676	6,136	3.8%	85.9%
2018	3,767	139	3.7%	161,174	6,630	4.1%	89.7%
2017	3,671	142	3.9%	159,790	7,429	4.6%	83.2%
2016	3,594	158	4.4%	158,047	7,887	5.0%	88.1%
2015	3,594	188	5.2%	156,626	8,908	5.7%	92.0%
2014	3,533	221	6.3%	155,470	10,514	6.8%	92.5%
2013	3,514	236	6.7%	155,346	12,079	7.8%	86.4%

Source-Federal Bureau of Labor Statistics, July 2022. Seasonally adjusted. Previous data has been updated by the Federal Bureau of Labor Statistics



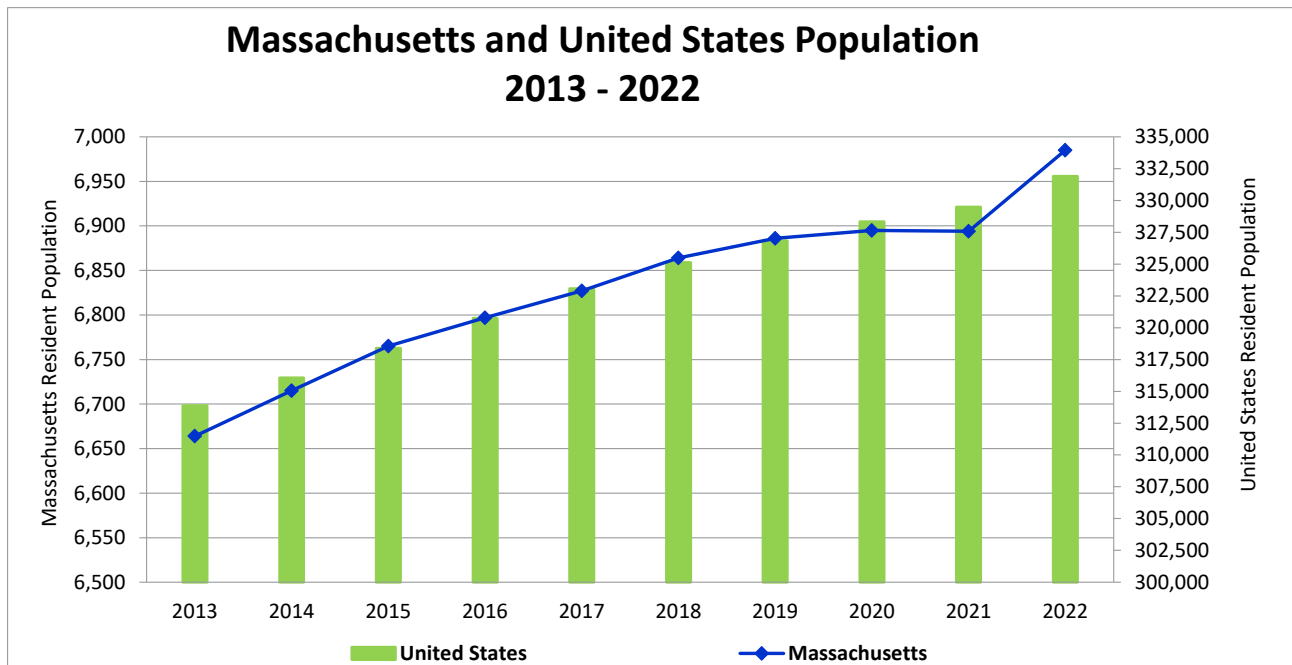
MASSACHUSETTS CLEAN WATER TRUST

Ten Year Schedule of Massachusetts and United States Resident Population For fiscal years ending June 30, 2013 through June 30, 2022

(in thousands)

Beginning of Fiscal Year	Massachusetts Resident Population ⁽¹⁾	% Change	United States Resident Population ⁽¹⁾	% Change	Massachusetts as % of U.S.
2022	6,985	1.3%	331,894	0.7%	2.1%
2021	6,894	0.0%	329,484	0.4%	2.1%
2020	6,895	0.1%	328,330	0.5%	2.1%
2019	6,886	0.3%	326,838	0.5%	2.1%
2018	6,864	0.5%	325,122	0.6%	2.1%
2017	6,827	0.4%	323,072	0.7%	2.1%
2016	6,797	0.5%	320,739	0.7%	2.1%
2015	6,765	0.7%	318,386	0.7%	2.1%
2014	6,715	0.8%	316,060	0.7%	2.1%
2013	6,664	0.8%	313,878	0.7%	2.1%

⁽¹⁾ Population estimates have been restated using 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.



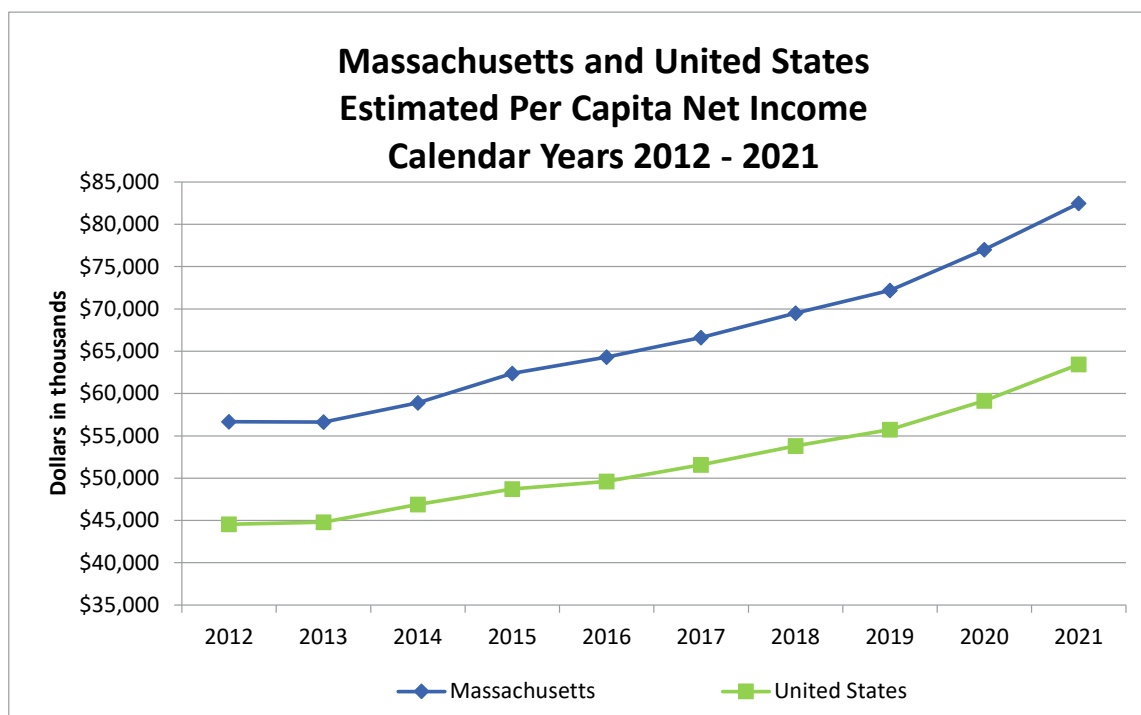
MASSACHUSETTS CLEAN WATER TRUST

Ten Year Schedule of Massachusetts and United States Resident Per Capita Net Income Calendar Years 2012 - 2021

(in thousands)

Calendar Year	Massachusetts ⁽¹⁾	% Change	United States ⁽¹⁾	% Change	Massachusetts as % of U.S.
2021	\$ 82,475	7.1%	\$ 63,444	7.3%	130.0%
2020	77,021	6.7%	59,147	6.1%	130.2%
2019	72,202	3.9%	55,724	3.5%	129.6%
2018	69,517	4.3%	53,817	4.4%	129.2%
2017	66,625	3.6%	51,573	4.0%	129.2%
2016	64,295	3.1%	49,613	1.8%	129.6%
2015	62,376	5.9%	48,725	3.9%	128.0%
2014	58,924	4.1%	46,887	4.7%	125.7%
2013	56,628	-0.1%	44,798	0.6%	126.4%
2012	56,669	3.4%	44,548	4.2%	127.2%

⁽¹⁾ Source. Bureau of Economic Analysis, US Department of Commerce. Prior years restated due to revised estimates updated on March 23, 2022



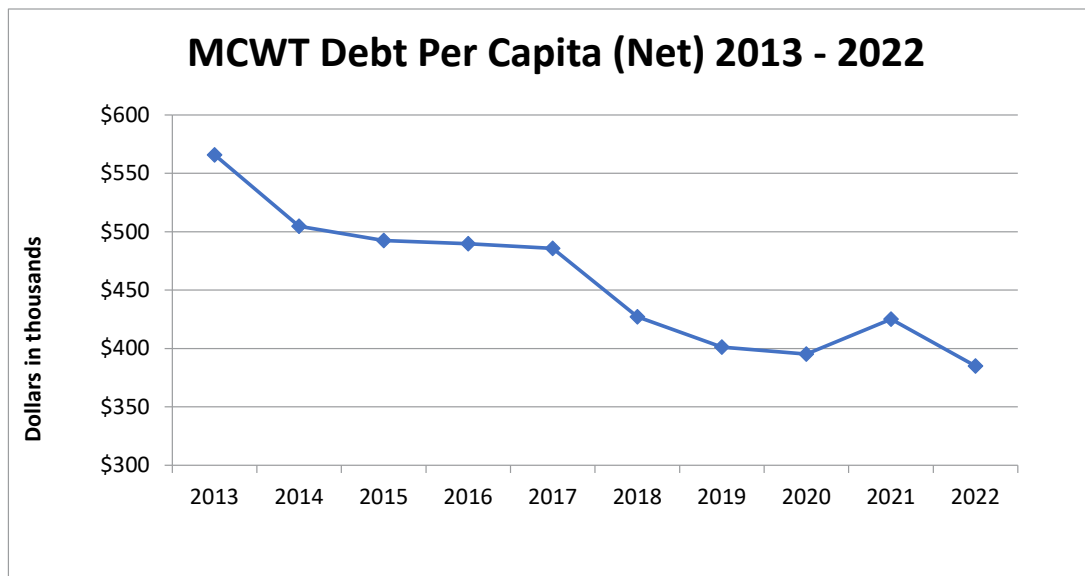
MASSACHUSETTS CLEAN WATER TRUST

Ten Year Schedule of MCWT Debt Per Capita (Net) For fiscal years ending June 30, 2013 through June 30, 2022

(in thousands)

Fiscal Year ending June 30	Total MCWT Debt (Net)	Massachusetts Resident Population ⁽¹⁾	Debt Per Capita (Net)
2022	\$ 2,689,048	6,985	\$ 385
2021	2,931,745	6,894	425
2020	2,724,344	6,895	395
2019	2,762,192	6,886	401
2018	2,932,678	6,864	427
2017	3,316,209	6,827	486
2016	3,328,202	6,797	490
2015	3,332,352	6,765	493
2014	3,389,010	6,715	505
2013	3,771,008	6,664	566

⁽¹⁾ Population estimates have been restated using 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
Largest Private Sector Massachusetts Employers 2022 and 2013
(Alphabetical Order)

2022				2013			
Employer	Headquarters	Product or Service	Employer	Headquarters	Product or Service	Employer	Product or Service
Bay State Medical Center, Inc.	Springfield	Hospital	Bay State Medical Center, Inc	Springfield	Hospital	Bay State Medical Center, Inc	Hospital
Beth Israel Deaconess Medical Center	Boston	Hospital	Beth Israel Deaconess Medical Center	Boston	Hospital	Beth Israel Deaconess Medical Center	Hospital
Boston Medical Center Corporation	Boston	Hospital	Boston Medical Center Corporation	Boston	Hospital	Boston Medical Center Corporation	Hospital
Boston University	Boston	University	Boston University	Boston	University	Boston University	University
Brigham and Women's Hospital, Inc.	Boston	Hospital	Brigham and Women's Hospital, Inc.	Boston	Hospital	Brigham and Women's Hospital, Inc.	Hospital
Dana-Farber Cancer Institute, Inc.	Boston	Hospital	DeMoulas Supermarkets, Inc.	Tewksbury	Supermarket	DeMoulas Supermarkets, Inc.	Supermarket
DeMoulas Supermarkets, Inc.	Tewksbury	Supermarket	EMC Corporation	Hopkinton	Computer Storage & Peripherals	EMC Corporation	Computer Storage & Peripherals
General Hospital Corporation	Boston	Hospital	General Hospital Corporation	Boston	Hospital	General Hospital Corporation	Hospital
Harvard University	Cambridge	University	Harvard University	Cambridge	University	Harvard University	University
Massachusetts Institute of	Cambridge	University	Massachusetts Institute of Technology	Cambridge	University	Massachusetts Institute of Technology	University
Northeastern University	Boston	University	Partners Healthcare Systems, Inc.	Boston	Hospital	Partners Healthcare Systems, Inc.	Hospital
Raytheon Company	Lexington	Electronics /	Raytheon Company	Lexington	Electronics / Defense	Raytheon Company	Electronics / Defense
Shaw's Supermarkets, Inc.	West Bridgewater	Supermarket	S & S Credit Company, Inc. (Stop & Shop)	Quincy	Supermarket	S & S Credit Company, Inc. (Stop & Shop)	Supermarket
State Street Bank and Trust Company	Boston	Banking	Shaw's Supermarkets, Inc.	West Bridgewater	Supermarket	Shaw's Supermarkets, Inc.	Supermarket
The Children's Hospital Corporation	Boston	Hospital	Southcoast Hospitals Group	New Bedford	Hospital	Southcoast Hospitals Group	Hospital
The Stop & Shop Supermarkets, Co	Quincy	Supermarket	State Street Bank and Trust Company	Boston	Banking	State Street Bank and Trust Company	Banking
The TJX Companies, Inc.	Framingham	Retail	The Children's Hospital Corporation	Boston	Hospital	The Children's Hospital Corporation	Hospital
Tufts University	Somerville	University	The TJX Companies, Inc.	Framingham	Retail	The TJX Companies, Inc.	Retail
UMASS Memorial Medical Center, Inc.	Worcester	Hospital	UMASS Memorial Medical Center, Inc.	Worcester	Hospital	UMASS Memorial Medical Center, Inc.	Hospital

Source: - Massachusetts Executive Office of Labor and Workforce Development, Division of Unemployment Assistance. In addition, Amazon Com Services, Inc., CVS Pharmacy, Inc., Home Depot U.S.A., Inc., Target Corp., United Parcel Services, Inc., Wal-Mart Associates, Inc. and Whole Foods Market Group, Inc. are all large Massachusetts employers, but are headquartered outside of Massachusetts. The information is based on the September 2022 employment for employers as registered for unemployment insurance. The list may not include those employers who do business in Massachusetts



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