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

Financial Statements and
Required Supplementary Information

For the Years Ended June 30, 2026, and 2025

(With Independent Auditors' Report Thereon)

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

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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 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 years ended June 30, 2026 and 2025, 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 accompanying 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, 2026 and 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.

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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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2026 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
October 9, 2026

MASSACHUSETTS CLEAN WATER TRUST
(A Component Unit of the Commonwealth of Massachusetts)
Management's Discussion and Analysis – Required Supplementary Information
(Unaudited)
June 30, 2026 and 2025

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 and is governed by Chapter 29C of the Massachusetts General Laws. Pursuant to an Operating Agreement between the United States Environmental Protection Agency (EPA), the Massachusetts Department of Environmental Protection (MassDEP), and the Trust, the Trust administers the Commonwealth's State Revolving Fund (SRF) programs, the Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF).

The Trust is administered by a three-member board of trustees that is chaired by the Treasurer and Receiver General 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. All board of trustees' materials can be found on the Trust's website along with all pertinent information for borrowers, investors and residents of Massachusetts.

The Trust, in partnership with MassDEP, supports communities across the Commonwealth by financing water quality infrastructure that protects ground and surface water resources, ensures safe drinking water, and fosters resilient communities.

It accomplishes these objectives by providing low or no-interest loans and grants to cities, towns, and water utilities through the SRF's. The SRF programs are partnerships between the EPA and the Commonwealth. 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 SRF programs: the CWSRF established in 1987 under Title VI of the federal Clean Water Act and the DWSRF established in 1996 under the federal Safe Drinking Water Act, as amended from time to time. The Trust manages the flow of funds to borrowers, while MassDEP manages the development and oversight of projects.

The Trust receives funding in the form of annual capitalization grants from the EPA, state matching funds from the Commonwealth 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".

The Trust utilizes a leveraged financing model that combines federal capitalization grants, state matching funds, and borrower loan repayments as security for municipal bonds, thereby increasing program capacity. Using these repayment sources, the Trust issues revenue bonds, rated AAA by all three major rating agencies, approximately once a year. The bonds are secured by loans to borrowers, providing long-term, low-cost capital for communities. This approach also preserves the Trust's cash resources, enabling the continuous provision of interim loans for new projects. This model has allowed the Trust to finance approximately $10.7 billion in projects from approximately $4.2 billion in federal grants and state matching funds.

The Trust's loan process for each SRF program 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 apply for financing for eligible projects during an annual solicitation process. MassDEP engineers review detailed project specifications and rank the projects 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 including targeting challenges like per- and polyfluoroalkyl substances (PFAS) remediation projects and elimination of lead service lines. Ultimately, MassDEP selects the highest priority projects and compiles the annual IUPs which establish the Commonwealth's priorities for the upcoming year and the projects to be funded through the Trust.

The Trust provides each borrower with 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 a general or special obligation bond to the Trust referred to as a "local bond" to secure their respective loan repayment obligations.

The CWSRF and DWSRF programs provide additional subsidies through reduced interest rates to address certain priority projects or through loan forgiveness to designated Disadvantaged Communities, which are communities that may otherwise not be able to afford to finance a project without additional subsidization. The Trust utilizes its annual disadvantaged community calculation to provide loan forgiveness to reduce the financial impact of these critical infrastructure projects. The Trust funds these subsidies through its federal grants and other funds from the Commonwealth including contract assistance as well as American Rescue Plan Act (ARPA) funds.

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.

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, noncapital subsidies, and the other 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.

The Trust's statements of fiduciary net position and statements of changes in fiduciary net position present information on accounts held by the Trust on behalf of other organizations or governmental entities. These funds include a custodial fund established with expanded room occupancy excise tax on short-term rentals collected and held on behalf of the Cape Cod and Islands Water Protection Fund (CCIWPF) Management Board and a fund held on behalf of the Commonwealth's Executive Office of Energy and Environmental Affairs (EOEEA) to provide loan servicing administration with respect to the Dam and Seawall Repair or Removal Program. These 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

Condensed Statement of Net Position
(In thousands)

	June 30			Percentage change	
	2026	2025	2024	2026–2025	2025–2024
Cash and cash equivalents	$ 1,308,444	1,516,069	1,274,014	(13.7)%	19.0 %
Investments	812,161	306,612	368,392	164.9	(16.8)
Project fund deposits	386,812	148,143	124,590	161.1	18.9
Grants receivable, EPA	260,320	346,740	300,340	(24.9)	15.4
Loans receivable	5,068,937	4,529,943	4,284,502	11.9	5.7
Accrued interest receivable	39,439	36,550	37,578	7.9	(2.7)
Other assets	3,340	4,409	2,614	(24.2)	68.7
Total assets	7,879,453	6,888,466	6,392,030	14.4	7.8
Deferred outflows of resources	2,085	2,656	3,412	(21.5)	(22.2)
Total assets and deferred outflows of resources	$ 7,881,538	6,891,122	6,395,442	14.4 %	7.8 %
Accrued expenses and interest payable	$ 61,685	50,935	49,300	21.1 %	3.3 %
Unearned revenue	38,141	109,945	132,543	(65.3)	(17.0)
Loan commitments and project funds payable	381,133	144,525	121,660	163.7	18.8
Long-term debt	3,071,134	2,635,218	2,384,125	16.5	10.5
Other commitments	—	—	4,425	—	(100.0)
Total liabilities	3,552,093	2,940,623	2,692,053	20.8	9.2
Deferred inflows of resources	15,012	14,900	10,928	0.8	36.3
Total liabilities and deferred inflows of resources	$ 3,567,105	2,955,523	2,702,981	20.7 %	9.3 %
Net position:					
Restricted	$ 3,226,401	3,007,274	2,881,678	7.3 %	4.4 %
Unrestricted	1,088,032	928,325	810,783	17.2	14.5
Total net position	$ 4,314,433	3,935,599	3,692,461	9.6 %	6.6 %

The Trust's net position as of June 30, 2026 increased $378,834 or 10%, to $4.3 billion from $3.9 billion as of June 30, 2025. This increase reflects the receipt of noncapital subsidies including the EPA federal grants in the amount of $335,195, the associated state matching funds of $49,654 and contract assistance of $63,383, and net operating income of $54,997, offset by loan forgiveness provided to borrowers totaling $119,342.

The Trust's net position as of June 30, 2025 increased $243,138, or 7%, to $3.9 billion from $3.7 billion as of June 30, 2024. This increase reflects the receipt of noncapital subsidies including the EPA federal grants in the amount of $248,584, the associated state matching funds of $26,078 and contract assistance of $63,383, and net operating income of $54,062, offset by loan forgiveness provided to borrowers totaling $168,065.

Refer to ***Results of Operations*** section for further information.

Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2026, of $1.3 billion decreased $207,625 or 14% from June 30, 2025. The decrease reflects net cash used in investing activities of $1,020,895 offset by net cash provided by noncapital

financing activities of $761,641. For more information on the Trust's cash and cash equivalents activities refer to the Statements of Cash Flows.

Cash and cash equivalents as of June 30, 2025, of $1.5 billion increased $242,055, or 19%, from $1.3 billion as of June 30, 2024. The increase primarily reflects net cash provided by noncapital financing activities of $394,113 offset by cash used in investing activities of $204,807. For more information on the Trust's cash and cash equivalents refer to the Statements of Cash Flows.

Investments

The Trust's investment balance increased to $812,161 as of June 30, 2026, from $306,612 as of June 30, 2025, primarily due to $549,559 purchases of U.S. Treasuries and Agencies offset by $47,801 of scheduled maturities. For more information on the Trust's investments refer to note 5 to the financial statements.

The Trust's investment balance decreased to $306,612 as of June 30, 2025, from $368,392 as of June 30, 2024, primarily due to $32,102 of GIC terminations and $41,257 of scheduled maturities.

Summary of Investments

(In thousands)

	June 30			Percentage change	
	2026	2025	2024	2026-2025	2025-2024
U.S. Treasuries and Agencies	$ 697,337	196,069	231,114	255.7 %	(15.2) %
MMDT Short-term Bond Portfolio	114,787	110,174	104,333	4.2	5.6
Guaranteed Investment Contracts	37	369	32,945	(90.0)	(98.9)
Total investments	$ 812,161	306,612	368,392	164.9 %	(16.8) %

Grants Receivable

The CWSRF and DWSRF programs were established in each state by capitalization grants from the EPA. 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. These CWSRF and DWSRF base capitalization grants are made available to states annually. To receive these base capitalization grants, states are required to provide state matching funds in an amount equal to 20% of the base capitalization grant.

The Infrastructure Investment and Jobs Act (IIJA) of 2021 was signed into law in November 2021. This law, also referred to herein as the Bipartisan Infrastructure Law (BIL), was a historic investment in American infrastructure by the United States Congress. BIL created five new SRF specific grants; two for the CWSRF program and three for the DWSRF program that are available each year beginning FFY 2022 until FFY 2026. For more details on the BIL grant awards received, refer to note 6 to the financial statements.

The Trust's grants receivable balance decreased to $260,320 as of June 30, 2026, from $346,740 as of June 30, 2025, as grant funds drawn of $331,353 during fiscal year 2026 exceeded grant awards of $244,933. For more information on the Trust's grants receivable refer to note 6 to the financial statements.

The Trust's grants receivable balance increased to $346,740 as of June 30, 2025, from $300,340 as of June 30, 2024, as grant awards of $243,386 during fiscal year 2025 exceeded grant funds drawn of $196,986.

The following table depicts the Trust's EPA grants receivable balances by program by grant.

Summary of Grants Receivable

(In thousands)

	June 30			Percentage change	
	2026	2025	2024	2026-2025	2025-2024
CWSRF Base grant	$ 2,155	28,226	1,220	(92.4) %	2,213.6 %
DWSRF Base grant	23,852	10,115	10,626	135.8	(4.8)
CWSRF BIL supplemental grants	50,299	81,919	98,001	(38.6)	(16.4)
DWSRF BIL supplemental grants	60,989	59,475	63,248	2.5	(6.0)
DWSRF EC (PFAS) grants	25,596	36,516	31,145	(29.9)	17.2
DWSRF LSL grants	82,405	118,010	86,676	(30.2)	36.2
Other grants	15,024	12,479	9,424	20.4	32.4
Total Grants Receivable	$ 260,320	346,740	300,340	(24.9) %	15.4 %

Loans Receivable

The loan receivable balance of $5.1 billion is comprised of interim loans and permanently financed loans. The Trust offers interim construction financing to communities at a zero percent interest rate with no fees. 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 permanently financed loan. The Trust provides loan forgiveness to assist borrowers in their efforts to comply with water quality standards by making projects even more affordable. Permanently financed loans are construction loans that have been refinanced and put into repayment status.

Summary of Loans Receivable

(In thousands)

	June 30			Percentage change	
	2026	2025	2024	2026-2025	2025-2024
Permanently financed loans	$4,916,982	4,189,347	3,955,670	17.4 %	5.9 %
Interim loans, net [(a)]	151,955	340,596	328,832	(55.4)	3.6
Total loans receivable	$5,068,937	$ 4,529,943	$ 4,284,502	11.9 %	5.7 %

[(a)] Interim loans are shown net of loan forgiveness amounts. For more information refer to note 7 to the financial statements.

The net interim loan balance has decreased $188,641 in fiscal year 2026, reflecting $410,976 of project disbursements offset by $599,617 of loans permanently financed as part of the issuance of Series 27 Bonds in February 2026.

Permanently financed loans increased $727,635 as of June 30, 2026, reflecting $1,070,594 of new permanently financed loans as part of Series 27 bond financing, offset by $342,959 in loan repayments. For more information on the Trust's loans refer to note 7 to the financial statements.

The Trust's net interim loan balance increased from $328,832 at June 30, 2024 to $340,596 at June 30, 2025, reflecting the issuance of the Series 26 Bonds in February 2025 that permanently financed $427,643 of interim loans offset by $439,181 of new loan disbursements. The Trust's permanently financed loan balance increased to $4.2 billion as of June 30, 2025, from $4.0 billion as of June 30, 2024. The balance reflects $560,251 permanently financed loans offset by $315,941 of loan repayments from borrowers made during fiscal year 2025.

Bonds Payable

Year over year, the Trust's bonds payable increased $435,916 to $3.1 billion as of June 30, 2026. The balance reflects the issuance of Series 27 Bonds in February 2026 in the par amount of $700,685 which also redeemed the outstanding Series 19 Bonds along with $164,885 in debt service payments made during fiscal year 2026.

The Trust's bonds payable increased by $251,093 to $2.6 billion as of June 30, 2025. The balance reflects the issuance of Series 26 Bonds in February 2025 in the par amount of $410,015 which was offset by the net impact of 2025 Refunding Bonds issued to refund outstanding Series 20 Bonds along with $160,685 in debt service payments made during fiscal year 2025.

The following is a summary of bonds payable as of June 30, 2026, 2025 and 2024. More detailed information can be found in note 9 to the financial statements.

Summary of Bonds Payable
(In thousands)

	June 30			Percentage Change	
	2026	**2025**	**2024**	**2026-2025**	**2025-2024**
Senior revenue bonds	$ 2,724,960	2,279,720	2,006,690	19.5 %	13.6 %
Subordinated revenue bonds [(a)]	93,065	118,440	156,910	(21.4)	(24.5)
Total bonds	2,818,025	2,398,160	2,163,600	17.5	10.8
Unamortized bond premium	253,109	237,058	220,525	6.8	7.5
Total bonds payable, net	$ 3,071,134	2,635,218	2,384,125	16.5 %	10.5 %

[(a)] Pool Loan Program Refunding Bonds and Single Obligor Refunding Bonds were issued subordinate to the Senior Revenue Bonds.

The Trust utilizes a leveraged financing model that combines federal capitalization grants, state matching funds, and borrower loan repayments as security for municipal bonds, thereby increasing program capacity. Using these repayment sources, the Trust issues revenue bonds (SRF Bonds), rated AAA by all three major rating agencies, approximately once a year. The bonds are secured by loans to borrowers, providing long-term, low-cost capital for communities. This approach also preserves the Trust's cash resources, enabling the continuous provision of interim loans for new projects. The SRF Bonds are payable from borrower loan repayments consisting of principal and interest payments on the Trust's permanently financed loans, reserve fund earnings, and contract assistance payments made by the Commonwealth to the Trust on behalf of the borrowers. Loan repayments and principal maturities in the debt service reserve fund not needed for debt service revolve back to the Trust's program equity funds.

Revolving Funds
(In thousands)

	Fiscal year 2026	2025	2024
Borrower loan repayments - principal	$ 316,623	304,114	299,213
Borrower loan repayments - interest	67,940	67,920	68,882
DSRF maturities and interest	18,638	11,131	64,549
Contract assistance received for debt service	26,250	23,725	23,057
BABs subsidy income	2,923	3,318	3,708
Debt service paid	(281,869)	(269,804)	(314,544)
Total revolving funds	$ 150,505	140,404	144,865

Results of Operations

Prior year's information has been reclassified, where applicable, to conform with the current year presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*. For fiscal year 2026, the Trust recorded an operating income of $54,997 as compared to an operating income of $54,062 in fiscal year 2025. This $935 increase in the Trust's operating income was primarily attributable to $2,677 increase in operating revenues caused by increased loan balances, offset by a $1,742 increase in operating expenses.

For fiscal year 2025, the Trust recorded operating income of $54,062 as compared to operating income of $57,167 in fiscal year 2024. This $3,105 decrease in the Trust's operating income was primarily attributable to $1,105 decrease in operating revenues combined with a $2,000 increase in operating expenses.

The Trust's operating income is reduced by the inclusion of expenses such as DEP programmatic support costs that are funded by the federal grant revenue which is classified as nonoperating revenue.

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	
	2026	**2025**	**2024**	**2026–2025**	**2025–2024**
Loan servicing fees	$ 6,061	5,846	5,576	3.7 %	4.8 %
Loan interest income	70,116	67,654	69,029	3.6	(2.0)
Total operating revenues	76,177	73,500	74,605	3.6	(1.5)
DEP programmatic support costs	15,537	14,612	13,189	6.3	10.8
General and administrative	5,643	4,826	4,249	16.9	13.6
Total operating expenses	21,180	19,438	17,438	9.0	11.5
Operating income	54,997	54,062	57,167	(1.7)	5.4
EPA capitalization grants	335,195	248,584	169,985	34.8	46.2
State matching grants	49,654	26,078	18,812	90.4	38.6
Contract assistance	63,383	63,383	63,383	—	—
Total noncapital subsidies	448,232	338,045	252,180	32.6	34.0
Operating income and noncapital subsidies	503,229	392,107	309,347	28.3	26.8
Interest income from cash and investments	87,631	87,507	98,874	0.1	(11.5)
Net increase (decrease) in the fair value of investments	(442)	7,785	(3,424)	(105.7)	(327.4)
Interest expense	(88,219)	(76,184)	(77,746)	15.8	(2.0)
Loan forgiveness	(119,342)	(168,065)	(132,444)	(29.0)	26.9
Arbitrage rebate payments	(4,023)	(12)	(2,718)	33,425.0	(99.6)
Total other nonoperating revenues and expenses	(124,395)	(148,969)	(117,458)	(16.5)	26.8
Increase in net position	378,834	243,138	191,889	55.8	26.7
Net position, beginning of year	3,935,599	3,692,461	3,500,572	6.6	5.5
Net position, end of year	$ 4,314,433	3,935,599	3,692,461	9.6 %	6.6 %

The following table summarizes the noncapital subsidies from the EPA federal grants and the state matching fund grants during fiscal years 2026, 2025, and 2024. Refer to note 6 to the financial statements for more information.

Summary of Noncapital Subsidies
(In thousands)

	June 30			Percentage change	
	2026	2025	2024	2026-2025	2025-2024
EPA base grants [(a)]	$ 77,905	39,072	37,405	99.4 %	4.5 %
EPA BIL grants	257,290	209,512	132,580	22.8	58.0
Base grant matching funds [(a)]	15,456	7,545	7,214	104.9	4.6
BIL grant matching funds	27,419	25,312	11,598	8.3	118.2
Other state funds/ARPA	6,779	(6,779)	-	(200.0)	200.0
Contract Assistance	63,383	63,383	63,383	-	-
Total noncapital subsidies	$ 448,232	338,045	252,180	32.6 %	34.0 %

[(a)] Includes CWSRF and DWSRF base capitalization grants as well as Sewer Overflow and Stormwater Reuse Municipal Grants (OSG)

Federal grant revenue is recognized in accordance with the funding availability 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, at which time the state matching revenue is recognized.

The following table summarizes loan forgiveness disbursed during fiscal years 2026, 2025, and 2024. Sources of funding include federal grants, program equity funds, ARPA funds, and other restricted funds. Refer to note 7 to the financial statements for more information on the Trust's loan forgiveness programs.

Summary of Loan Forgiveness

(In thousands)

	June 30			Percentage change	
	2026	2025	2024	2026-2025	2025-2024
Affordability and priority project subsidies:					
PFAS projects	$ 26,618	39,567	5,964	(32.7) %	563.4 %
CWSRF projects	43,982	69,583	64,582	(36.8)	7.7
DWSRF projects	26,464	24,881	43,722	6.4	(43.1)
BIL LSL Replacement projects	7,065	11,203	5,217	(36.9)	114.7
Total affordability and priority project subsidies	104,129	145,234	119,485	(28.30)	21.5
LSL planning and inventory grants	9,285	19,392	10,512	(52.1)	84.5
AMP grants	5,173	3,052	2,303	69.5	32.5
SWIG grants	141	93	144	51.6	(35.4)
Cybersecurity grants	465	294	-	58.2	100.0
OSG grants	149	-	-	100.0	0.0
Total loan forgiveness	$ 119,342	168,065	132,444	(29.0) %	26.9 %

The Trust's nonoperating revenues are positively impacted with the additional contract assistance payments received from the Commonwealth to provide loan forgiveness to borrowers for certain priority projects and, or initiatives that are recorded as nonoperating revenue when received; however, the operating expenses are recorded as funds are disbursed in subsequent fiscal years.

Fiduciary Activity

The Trust's fiduciary activities include two accounts held by the Trust on behalf of other organizations or governmental entities. These funds include a custodial fund established with expanded room occupancy excise tax on short-term rentals collected and held on behalf of the CCIWPF Management Board and a custodial fund held on behalf of the EOEEA to provide loan servicing administration with respect to the Dam and Seawall Repair or Removal Program. The Trust distributes these funds at the direction of these entities. Refer to note 12 to the financial statements for more information.

Currently Known Facts, Decisions or Conditions

The Commonwealth enacted Chapter 140 of the Acts of 2022, *An Act Financing the General Governmental Infrastructure of the Commonwealth* providing for $64 million in state matching funds for the Clean Water and Drinking Water State Revolving Fund programs. Additionally, the Commonwealth enacted Chapter 2 of the Acts of 2023, *An Act Making Appropriations for the Fiscal Year 2023 to Provide for Supplementing Certain Existing Appropriations for Certain Other Activities and Projects* providing for $104 million in state matching funds for the CWSRF and DWSRF programs included in the federal Infrastructure Investment and Jobs Act (IIJA) of 2021. The Trust estimates these amounts to be sufficient to meet its matching fund requirements through 2027.

The Trust continues to navigate uncertainty at the federal level. The reintroduction of Congressionally Directed Spending (CDS), or earmarks, negatively impacted the federal funding the Trust receives, as the CDS funds are deducted from the annual SRF Base Grants appropriations each year. In addition to impacting projects in the given grant year, the diversion of funds directly reduces the capital available for future projects. By reducing the total amount of funding that will revolve back into the fund, CDS makes it more challenging to meet the substantial demand for water infrastructure improvements across the Commonwealth. The table below demonstrates the impact on the annual appropriation for state SRF funding. The impact is especially detrimental for the DWSRF because the grants are lesser dollar amounts and approximately 30% is used as set-asides for administering the state's drinking water programs.

Annual Appropriation for State SRF Funding by FFY and CDS Reductions

Clean Water SRF (in millions)				Drinking Water SRF (in millions)			
FFY	**Appropriated No CDS**	**Allotted to SRFs with CDS**	**% Reduced**	**FFY**	**Appropriated No CDS**	**Allotted to SRFs with CDS**	**% Reduced**
2022	$1,638.8	$1,241.1	$24.3%	**2022**	$1,126.1	$682.4	39.4%
2023	1,638.9	775.8	52.7%	**2023**	1,126.1	516.8	54.1%
2024	1,638.9	851.2	48.1%	**2024**	1,126.1	494.4	56.1%
2025[1]	1,638.9	1,638.9	0.0%	**2025**[1]	1,126.1	1,126.1	0.0%
2026	1,638.9	746.1	54.5%	**2026**	1,126.1	410.7	63.5%

[1] In FFY 2025, Congress passed a continuing resolution that did not contain any CDS funding.

The increase in federal funding to the Massachusetts SRFs through the IIJA programs helped to mitigate the negative CDS reductions in the short-term. However, IIJA funds have a 49% additional subsidy requirement for the Supplemental and LSL grants, and 100% additional subsidy requirement for the Emerging Contaminant (PFAS) grants, meaning only approximately 45% of the IIJA funds will revolve back into the SRFs.

An additional concern for both the CWSRF and DWSRF is the cost of multi-year carryover projects, which constrain the program's ability to invest in new projects. With the influx of supplemental IIJA funding, the Trust and MassDEP have been able to support an increasing number of projects and project costs. Many of these large project costs have been phased over several years, leading to an increase in the carryover costs on subsequent IUPs. With the scheduled expiration of IIJA funding in 2026, the Trust and MassDEP have had to heavily restrict the amount of new funding offered in future IUPs.

This situation has been driven by increasing project costs and larger, more complex projects, including PFAS mitigation for DWSRF projects and nitrogen remediation and CSO correction for CWSRF projects. Such projects are vital to public health and the environment and require funding across multiple years, consuming a disproportionate share of available resources. These factors necessitate careful capacity planning to ensure the Trust can sustain its impact while balancing ongoing commitments with new needs.

Despite these challenges, the Trust remains committed to leveraging federal and state resources to maximize the benefits for Massachusetts communities. Looking ahead, the Trust is dedicated to maintaining it financial stewardship and exploring innovative strategies to overcome funding limitations. The Trust is focused on continuing disciplined financial management practices to ensure the long-term viability and success of its mission to deliver essential, cost-effective water infrastructure investments to the Commonwealth. The Trust and MassDEP will continue to prioritize projects that enhance public health and environmental quality, ensuring a sustainable future for water infrastructure for all Massachusetts residents.

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 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, 2026, and 2025

(In thousands)

	2026	2025
Assets and deferred outflows of resources:		
Current assets:		
Cash and cash equivalents (note 3)	$ 1,308,444	1,516,069
Short-term investments (note 5)	124,805	157,680
Project fund deposits (note 4)	386,812	148,143
Grants receivable - Environmental Protection Agency (note 6)	260,320	346,740
Loans receivable, net (note 7)	496,024	666,388
Accrued interest receivable	39,439	36,550
Total current assets	2,615,844	2,871,570
Noncurrent assets:		
Loans receivable, long-term (note 7)	4,572,913	3,863,555
Long-term investments (note 5)	687,356	148,932
Other assets (note 8)	3,340	4,409
Total noncurrent assets	5,263,609	4,016,896
Total assets	7,879,453	6,888,466
Deferred outflows of resources (note 9)	2,085	2,656
Total assets and deferred outflows of resources	7,881,538	6,891,122
Liabilities and deferred inflows of resources:		
Current liabilities:		
Accrued expenses and interest payable	61,685	50,935
Unearned revenue (note 6)	38,141	109,945
Loan commitments and project funds payable	381,133	144,525
Current portion long-term debt (note 9)	191,105	164,885
Total current liabilities	672,064	470,290
Noncurrent liabilities:		
Long-term debt, net (note 9)	2,880,029	2,470,333
Total noncurrent liabilities	2,880,029	2,470,333
Total liabilities	3,552,093	2,940,623
Deferred inflows of resources (note 9)	15,012	14,900
Total liabilities and deferred inflows of resources	3,567,105	2,955,523
Net position:		
Restricted for program purposes (note 10)	3,226,401	3,007,274
Unrestricted (note 10)	1,088,032	928,325
Total net position	$ 4,314,433	3,935,599

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, 2026, and 2025

(In thousands)

	2026	2025
Operating revenues:		
Loan servicing fees	$ 6,061	5,846
Loan interest income	70,116	67,654
Total operating revenues	76,177	73,500
Operating expenses:		
Commonwealth of Massachusetts:		
Department of Environmental Protection – programmatic support costs	15,537	14,612
General and administrative	5,643	4,826
Total operating expenses	21,180	19,438
Operating (loss) income	54,997	54,062
Nonoperating revenue:		
Noncapital subsidies:		
Environmental Protection Agency capitalization grants (note 6)	335,195	248,584
Commonwealth of Massachusetts grants (note 6)	49,654	26,078
Contract assistance from Commonwealth of Massachusetts	63,383	63,383
Total noncapital subsidies	448,232	338,045
Operating income (loss) and noncapital subsidies	503,229	392,107
Other nonoperating revenues and expenses:		
Interest income from cash and investments	87,631	87,507
Net increase (decrease) in the fair value of investments	(442)	7,785
Interest expense	(88,219)	(76,184)
Loan forgiveness	(119,342)	(168,065)
Arbitrage rebate payments	(4,023)	(12)
Total other nonoperating revenues and expenses	(124,395)	(148,969)
Increase in net position	378,834	243,138
Net position – beginning of year	3,935,599	3,692,461
Net position – end of year	$ 4,314,433	3,935,599

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, 2026, and 2025

(In thousands)

	2026	2025
Cash flows from operating activities:		
Other cash received from borrowers	$ 6,061	5,846
Cash paid to vendors	(22,408)	(20,980)
Loan interest income	67,976	67,883
Net cash used in operating activities	51,629	52,749
Cash flows from noncapital financing activities:		
Bond proceeds received	760,036	604,964
Bond proceeds used in debt refunding	(115,992)	(147,848)
Repayment of bonds	(164,885)	(160,685)
Interest paid	(116,984)	(109,119)
Proceeds from Environmental Protection Agency capitalization grants	331,353	196,986
Proceeds from Commonwealth of Massachusetts grants and awards	61,334	15,456
Proceeds received from Cape Cod and Islands Water Protection Fund (note 12)	-	1,138
Funds received from / (returned to) Commonwealth (note 3)	6,779	(6,779)
Net cash provided by (used in) noncapital financing activities	761,641	394,113
Cash flows from investing activities:		
Loans and grants disbursed to recipients	(980,306)	(731,609)
Cash received from borrowers	317,507	304,547
Contract assistance received from the Commonwealth	63,383	63,383
Interest received	80,387	84,870
Purchase of Investments	(549,667)	-
Cash received from termination of guaranteed investment contracts	-	32,745
Sales/maturities of investments, net	47,801	41,257
Net cash (used in) provided by investing activities	(1,020,895)	(204,807)
Net increase (decrease) in cash and cash equivalents	(207,625)	242,055
Cash and cash equivalents, beginning of year	1,516,069	1,274,014
Cash and cash equivalents, end of year	$ 1,308,444	1,516,069
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating income (loss)	$ 54,997	54,062
Adjustments to reconcile operating income to net cash used in operating activities:		
Changes in operating assets and liabilities:		
Other assets and liabilities, net	(3,368)	(1,313)
Net cash used in operating activities	$ 51,629	52,749

See accompanying notes to financial statements.

MASSACHUSETTS CLEAN WATER TRUST
(A Component Unit of the Commonwealth of Massachusetts)
Statements of Fiduciary Net Position

Years ended June 30, 2026, and 2025

(In thousands)

	2026	2025
Assets:		
Current assets:		
Cash and cash equivalents	$ 87,873	63,845
Accrued receivables	3,299	3,841
Total assets	91,172	67,686
Net Position		
Net position restricted for other governments	91,172	67,686
Total net position	$ 91,172	67,686

See accompanying notes to financial statements.

MASSACHUSETTS CLEAN WATER TRUST
(A Component Unit of the Commonwealth of Massachusetts)
Statements of Changes Fiduciary Net Position

Years ended June 30, 2026, and 2025

(In thousands)

	2026	2025
Additions:		
Taxes collected	$ 22,189	22,064
DSRRP loan repayment receipts	920	920
Interest income	3,141	2,756
Total additions	26,250	25,740
Deductions:		
Payment of subsidy for loan forgiveness	1,454	2,592
Fiduciary reimbursable costs	1,310	1,286
Total deductions	2,764	3,878
Increase in fiduciary net position	23,486	21,862
Net position – beginning of year	67,686	45,824
Net position – end of year	$ 91,172	67,686

See accompanying notes to financial statements.

(1) General

(a) Organization

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

The Trust is administered by a three-member board of trustees that is chaired by the Treasurer and Receiver General 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. All board of trustees' materials can be found on the Trust's website along with all pertinent information for borrowers, investors and residents of Massachusetts https://www.mass.gov/orgs/massachusetts-clean-water-trust.

(b) Description of Business

The Trust, in partnership with MassDEP, supports communities across the Commonwealth by financing water quality infrastructure that protects ground and surface water resources, ensures safe drinking water, and fosters resilient communities.

It accomplishes these objectives by providing low-interest loans and grants to cities, towns, and water utilities through the Massachusetts SRFs. The SRF programs are partnerships between the 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 CWSRF and the DWSRF. The Trust manages the flow of funds to borrowers, while MassDEP manages the development and oversight of projects.

The Trust receives funding in the form of annual capitalization grants from the EPA, state matching grants from the Commonwealth, and the repayment of loans. When loans to local governments are repaid, the funds are then loaned out again, which is how the funds "revolve".

The Trust utilizes a leveraged financing model that combines federal capitalization grants, state matching funds, and borrower loan repayments as security for municipal bonds, thereby increasing program capacity. Using these repayment sources, the Trust issues revenue bonds, rated AAA by all three major rating agencies, approximately once a year. The bonds are secured by loans to borrowers, providing long-term, low-cost capital for communities. This approach also preserves the Trust's cash resources, enabling the continuous provision of interim loans for new projects.

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 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. MassDEP selects the highest priority projects and compiles the annual IUPs which establish the Commonwealth's priorities for the upcoming year and the projects to be funded through the Trust.

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.

(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 ending June 30, 2026, the Trust implemented GASB Statement No. 103, *Financial Reporting Model Improvements*. GASB 103 modifies certain presentation and disclosure requirements within the financial statements, including classifications of operating and nonoperating revenues and expenses and management's discussion and analysis (MD&A). The implementation of this standard did not have a material impact on the Trust's net position or fund balances but resulted in changes to presentation and disclosure of certain financial statement information, including the classification of certain revenues and expenses. Prior years' information has been reclassified, where applicable, to conform to current year presentation requirements.

(b) Revenue Recognition

Operating revenues, including loan interest income, are generated through the issuance of loans to local governments within the Commonwealth. Operating expenses include programmatic and administrative expenses.

Most of the Trust's loans are subsidized at a 2% rate of interest, as set by statute. However, the Trust has identified priority projects or priority policy goals to award a higher amount of subsidies generally through offering lower interest rates or a 0% interest rate. These initiatives include 0% interim construction financing, 0% nutrient enrichment reduction loans, 0% PFAS remediation loans, and 0.5% interest rate reduction for Housing Choice Communities. The subsidies used for interest rate reduction have been funded by the Commonwealth through annual contract assistance payments. The Commonwealth's agreement to provide contract assistance constitutes a general obligation of the Commonwealth for which its full faith and credit are pledged.

Recent legislative changes have allowed the Trust to identify priority projects and/or initiatives to offer additional subsidies that have been in the form of loan forgiveness or grants. Details of these additional subsidies can be found in note 7. The Trust funds these additional subsidies through federal grants, additional contract assistance payments from the Commonwealth, and SRF program equity funds. Disbursements of funds related to these priority projects and/or initiatives are recorded as operating expenses, specifically loan forgiveness, when disbursed to borrowers.

Total contract assistance payments are subject to annual appropriation from the Commonwealth and are recorded as nonoperating revenues upon receipt of funds from the Commonwealth and totaled $63,383 for each fiscal year 2026 and 2025.

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.

(c) Cash and Cash Equivalents

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

(d) Investments

The Trust 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 and project funds) are 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 guaranteed investment contracts (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 receivable 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 as disbursements are processed, up to the total amount of the loan forgiveness awarded to the individual loans. For more information, refer to note 7.

(f) Loan Origination Fees and Costs of Issuance

The Trust may charge loan origination fees from borrowers. If borrowers are charged, 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. Costs of issuance related to the bonds are recorded to general and administrative expenses when incurred.

(g) Risk Financing

The Trust is not insured for casualty, theft, tort claims, or other losses. No amounts have been accrued for such losses as they are not considered material. As discussed in note 1, all financial, management, and project oversight activities are provided by employees of the Office of the State Treasurer and Receiver General, 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 the effective interest method, 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. For more information refer to note 9.

(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 expenses 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, 2025, have been reclassified to conform with the June 30, 2026 presentation.

(3) Cash and Cash Equivalents

Cash and cash equivalents for the years ended June 30, 2026, and 2025 are as follows.

		June 30 2026	June 30 2025
Program equity funds	$	1,030,943	1,125,949
Other restricted funds		186,011	288,633
State match funds		53,172	54,589
Administrative funds		25,701	25,545
Debt service funds		2,339	10,503
Revenue funds		8,457	5,277
Rebate funds		1,572	5,489
Other cash funds		249	84
Total cash and cash equivalents	$	1,308,444	1,516,069

SRF Program Equity Funds. The Trust receives funding from the EPA in the form of annual grants, supplemented by state matching funds and the repayment of loans from borrowers (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 a portion of such funds 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 because 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.

The Trust initially allocates SRF Program Equity Funds to make loans. On February 5, 2026, the Trust issued State Revolving Fund Bonds Series 27 (Green Bonds) in the par amount of $700,685 with a premium of $59,351. The Trust issued the Series 27 Bonds to provide $642,317 in loans to local governments and other eligible borrowers in the Commonwealth under its SRF programs. Bond proceeds of $323,080 replenished SRF Program Equity Funds used to fund the construction phase of financed projects and $319,237 of bond proceeds were deposited to project funds for the remaining project costs. The remaining bond proceeds were used to refund certain Series 19 bonds and to pay costs of issuance.

Other Restricted Funds. Recent legislative changes have allowed the Trust to identify priority projects and/or initiatives to provide additional subsidy. The Trust provides additional subsidies in the form of loan forgiveness and grants. The balances in these funds reflect the committed and unexpended or unallocated balance as of June 30, 2026, and 2025. Funds for these priority projects and initiatives include the following.

		June 30 2026	June 30 2025
Reserve for future project subsidies	$	140,320	238,647
WIFTA funds		31,316	30,051
AMP funds		10,039	15,212
SWIG funds		3,094	3,016
Cybersecurity funds		1,242	1,707
Total Other Restricted Funds	$	186,011	288,633

Reserve for Future Project Subsidies. Under state and federal 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, but not below, a zero rate of interest. To provide for a portion of the subsidy on certain eligible loans, the Trust receives contract assistance payments from the Commonwealth. For more information refer to note 7 for details of additional subsidy initiatives. Annual appropriations are made each year by the Commonwealth to fund the Trust's contract assistance. The annual appropriation was $63,383 for the years ended June 30, 2026, and 2025. The appropriation is first applied to the current year's debt service subsidy obligation, refer to note 8. The balance represents amounts intended to be used for future years' priority projects and initiatives that will provide borrowers with additional subsidies that will reduce their overall project costs for water infrastructure projects. Grant funds from the Infrastructure Investment and Jobs Act (IIJA) have provided the primary source of project subsidies in recent years.

Water Infrastructure Funding Transfer Act (WIFTA) Funds. On October 1, 2020, the Trust made a permanent transfer of funds from the CWSRF program equity fund to the DWSRF program equity fund in the amount of $30,000 pursuant to WIFTA for the remediation of lead service lines (LSL). Originally, these funds were required to be committed within three years. In August 2023, EPA granted the Trust an extension of three years to align the use of these funds with the new IIJA LSL grants. To assist all communities in remediating lead service lines, the Trust will utilize these WIFTA funds along with interest earnings on these funds, to provide loan forgiveness and grants. For more information refer to notes 6 and 7.

Asset Management Planning (AMP) Grant Funds. The Trust launched its AMP grant program in 2019. Refer to note 7 for more information on this program. The Trust's Board authorizes use of its SRF Program Equity Funds for eligible applicants for this program. Upon authorization, these funds are restricted and disbursed to the eligible applicants pursuant to disbursement requests.

School Water Improvement Grant (SWIG) Program Funds. The Trust launched its SWIG program in 2020. Refer to note 7 for more information on this program. The Trust's received $5,000 from the Commonwealth Legislature pursuant to Chapter 142 of the Acts of 2019.

Cybersecurity Funds. In January 2024, the Trust established a program to provide assistance in the form of grants to small public water systems and to public water systems in disadvantaged communities to finance projects intended to mitigate vulnerability of such systems' operational technology to cyberattacks and to strengthen such systems' overall cybersecurity posture.

State Match Funds. The Trust receives state matching funds from the Commonwealth's capital budget. The Trust is required to obtain the matching grant prior to receiving its federal annual grants.

The IIJA, also referred to herein as the Bipartisan Infrastructure Law (BIL), appropriated $55 billion to EPA to improve drinking water and wastewater infrastructure. The BIL appropriation for federal fiscal years (FFY) 2022 through 2026 represented a substantial increase over regular annual appropriations to the CWSRF and DWSRF programs. For more information refer to note 6 for the Trust's EPA grant awards and the respective state match requirements.

State Match Funds

(In thousands)

	June 30 2026	June 30 2025
2026 BIL Supplemental Grants State Match	$ 27,415	-
2026 Base Grants State Match	6,500	-
2025 BIL Supplemental Grants State Match	10,691	-
2025 Base Grants State Match	401	15,478
2024 Base Grants State Match	-	7,545
2024 BIL Supplemental Grants State Match	-	25,313
Other State Match Funds [(a)]	8,165	6,253
Total State Match Funds	$ 53,172	54,589

[(a)] Comprised of accumulated interest earnings, OSG and ESWIG grants state match.

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. The Trust also utilizes these funds to pay a portion of the costs of issuance associated with its bond issuances rather than charging borrowers' origination fees.

Debt Service Funds. These funds receive the amounts required to pay principal and interest due on debt service payment dates from the revenue funds. The balance on June 30, 2026 and June 30, 2025 primarily reflects principal maturities and interest payments related to U.S. Treasury and Agencies debt service reserve fund investments received prior to the respective August debt service payment dates.

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. Borrower repayments are due to the Trust by January 15 and July 15. Contract assistance is typically received by mid-January and mid-July.

Rebate Funds. The Trust sets aside certain amounts of its revenue funds collected to pay arbitrage rebate liabilities to the U.S. 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.

MMDT. Cash and cash equivalents are invested 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.

MMDT interest is paid monthly. June interest is paid July 1. On June 30, 2026, and 2025 accrued interest receivable for MMDT cash accounts totaled $4,373, and $5,895, respectively. The Trust recognized $69,227 and $74,425 of interest income from MMDT cash accounts for fiscal year 2026 and 2025, respectively. The decrease in interest income reflects the change in average yield on MMDT funds from 4.83% in fiscal year 2025 compared to 4.08% in fiscal year 2026.

Interest Rate Risk – MMDT. Interest rate risk is the extent that changes in interest rates of debt investments will adversely affect the fair value of an investment. These investments include certain short-term cash equivalents, various long-term items and restricted assets by maturity in years. The MMDT Cash Portfolio minimizes the risk of the fair value of securities falling due to changes in interest rates by maintaining a dollar-weighted average portfolio maturity of 60 days or less. The MMDT Cash Portfolio's assets are managed to maintain a dollar-weighted average life to maturity of 120 days or less.

Credit Risk – MMDT. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commonwealth's investment policy that governs the MMDT Cash Portfolio prohibits investing more than 5% of the total investment portfolio is any single financial institution or issuer, excluding various public entity securities and repurchase agreements. However, there are no restrictions on the amount that can be invested in public entity securities and the portfolio may be invested in U.S. Treasury and other Government Sponsored Enterprises (GSE's) obligations and repurchase agreements. The MMDT Cash Portfolio is invested only in First Tier Securities as defined by the Securities and Exchange Commission's Rule 2A-7 of the Investment Company Act of 1940.

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 subject to custodial credit risk on June 30, 2026, and 2025.

(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 invested as part of the MMDT Cash Portfolio. MMDT interest is paid monthly. June interest is recorded July 1. On June 30, 2026, and 2025 accrued interest receivable for project fund deposits totaled $826, and $218, respectively. The Trust recognized $5,759 and $2,127 of interest income from MMDT project fund deposits for fiscal year 2026 and 2025, respectively. The increase in interest income reflects the significant increase in the project fund balance from Series 27 bond issuance.

The Trust establishes a Project Fund for each series of bonds and deposits bond proceeds and program equity funds representing the remaining costs for project loans included in the bond financing. 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 project 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 loan principal amount.

	Project Funds *(In thousands)*				
	Series 27 Project Funds	Series 26 Project Funds	Series 25 Project Funds	Accumulated Interest Earnings	Total Project Funds
Balance June 30, 2025	$ —	91,118	53,407	3,618	148,143
Series 27 Bond funded	319,237	—	—	—	319,237
SRF Program Equity funded	151,740	—	—	—	151,740
Project disbursements	(147,145)	(33,817)	(35,820)	—	(216,782)
Swap Unexpended Funds	—	—	(17,587)	(3,089)	(20,676)
Interest income received	—	—	—	5,150	5,150
Balance June 30, 2026	$ 323,832	57,301	-	5,679	386,812

(5) Investments

The table below provides details of the Trust's investments as of June 30, 2026, and 2025.

		2026	2025
Beginning balance July 1	$	306,612	368,392
Purchases		549,559	—
Scheduled maturities		(47,801)	(41,257)
GIC Terminations		—	(32,102)
Dividends reinvested		4,233	3,794
Change in fair value		(442)	7,785
Ending balance June 30	$	812,161	306,612

The Trust is authorized to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, bonds or notes of public agencies or municipalities, bank time deposits, guaranteed investment contracts, money market accounts and repurchase agreements. The Trust has an investment policy that establishes the minimum credit quality for certain investments and does not limit the amount it can invest in any one issuer.

For the years ended June 30, 2026, and 2025 the Trust's total investment portfolio is comprised of U.S. Treasuries and Agencies, the external MMDT Short-term Bond Portfolio and one remaining GIC with maturities as follows.

	June 30, 2026			
	U.S. Treasuries and Agencies	MMDT Short-term Bond Portfolio	GIC	Total Investments
Less than 1 year	$ 9,987	114,787	31	124,805
One to five years	594,139	—	6	594,145
Six to ten years	82,978	—	—	82,978
More than ten years	10,233	—	—	10,233
	$ 697,337	114,787	37	812,161

	June 30, 2025			
	U.S. Treasuries and Agencies	MMDT Short-term Bond Portfolio	GIC	Total Investments
Less than 1 year	$ 47,174	110,174	332	157,680
One to five years	101,663	—	37	101,700
Six to ten years	33,248	—	—	33,248
More than ten years	13,984	—	—	13,984
	$ 196,069	110,174	369	306,612

Investments in U.S. Treasuries and Agencies are recorded at fair value using independent pricing services. Investments in the MMDT pooled fund Short-term Bond Portfolio are valued at fair value based upon the estimated net asset values provided by MMDT. The GIC is recorded at contract value. Refer to note 1(d).

As of June 30, 2026, the Trust's remaining Debt Service Reserve Funds (DSRFs) totaled $47,444 compared to $56,023 on June 30, 2025. DSRFs were invested in U.S. Treasuries and Agencies and the remaining GIC. Since 2012, the Trust has been pledging direct loans as security for its bonds rather than establishing DSRFs. As a result, the DSRF investment balance continues to decline as scheduled maturities occur, and older series of bonds are redeemed.

U.S. Treasuries and agencies pay interest semi-annually based on the individual securities' maturity dates. Interest on the GICs is paid semi-annually in January and July. On June 30, 2026, and 2025 accrued interest receivable for investments totaled $3,207 and $1,379, respectively. The Trust recognized $12,645 and $10,955 of interest income from investments for fiscal year 2026 and 2025, respectively.

Credit Risk – The Trust's investment policy generally limits investments in fixed income products with institutions that have an investment grade rating as determined by one of the nationally recognized rating agencies. The Trust's policy required issuers of investment contracts to be rated AA or above by at least two nationally recognized rating agencies or A with pledged collateral equal to 102% of the principal balance. outside party. The Short-term Bond Portfolio invests in a diversified portfolio of investment grade debt securities. The Short-term Bond Portfolio is required to maintain an average credit rating of A-.

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 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 DSRFs was structured in its principal and interest return to support debt service on the related bonds. Investments in the MMDT Short-term Bond Portfolio are made in investment-grade securities as defined by national statistical rating agencies. The Commonwealth assesses risk for the MMDT Short-term Bond Portfolio by using duration.

(6) Capitalization Grants

Base Capitalization Grants

The CWSRF and DWSRF programs were established in each state by capitalization grants from the EPA. 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. These CWSRF and DWSRF base capitalization grants are available to states annually, typically received in August or September before the beginning of each FFY. To receive these base capitalization grants, states are required to provide state matching funds in an amount equal to 20% of the base capitalization grants.

The CWSRF base grant contains a 4% administrative allowance and beginning in FFY 2022, a 2% small system technical assistance allowance. The DWSRF base grant provides the Trust with set asides to provide a 4% program administration set-aside; a 2% small system technical assistance set-aside; a 10% program management set-aside to fund assistance to Public Water Supplier support programs, and support for state operator certification program; and a 15% local assistance set-aside for source water protection and capacity development.

IIJA/BIL Grants

The IIJA/BIL of 2021 was signed into law in November 2021. The IIJA/BIL created five new SRF specific grants, two for the CWSRF program and three for the DWSRF program available each year beginning FFY 2022 until FFY 2026.

CWSRF Supplemental Grant. The grant functions like the CWSRF base grant. Receipt of this grant required 10% state matching funds for FFY 2022 and 2023 and then 20% state matching funds for FFY 2024 through 2026. The CWSRF Supplemental grant contains a 4% administrative allowance and 2% small system technical assistance allowance. Grant conditions require 49% of the total grant funds to be provided as loan forgiveness to disadvantaged communities.

CWSRF Emerging Contaminants (EC) Grant. These funds must be used for projects that remediate known emerging contaminants under the Clean Water Act. There is no state match requirement for this grant. Grant conditions require the full amount of the total grant funds to be provided as loan forgiveness to eligible recipients.

DWSRF Supplemental Grant. The grant functions like the base DWSRF grant. Receipt of this grant required 10% state matching funds for FFY 2022 and 2023 and then 20% state matching funds for FFY 2024 through 2026. The DWSRF Supplemental grant contains the same set-asides as described above for the DWSRF base grant. Grant conditions require 49% of the total grant funds to be provided as loan forgiveness to disadvantaged communities.

DWSRF Emerging Contaminants (EC) Grant. These funds must be used for projects that remediate known emerging contaminants under the Safe Drinking Water Act. There is no state match requirement for this grant. The DWSRF EC grant contains the same set-asides as described above for the DWSRF base grant. However, the Trust has not elected any set-asides from these grants, rather all grant funds are being utilized to fund projects. The DWSRF EC Grant targeted per- and polyfluoroalkyl substances (PFAS) remediation projects. Grant conditions require the full amount of the grant funds to be provided as loan forgiveness and that at least 25% of the grant be directed to disadvantaged communities.

DWSRF Lead Service Line (LSL) Replacement Grant. The grant funds are dedicated for the replacement of lead service lines, and the identification and planning for removal of LSLs. There is no state match requirement for this grant. Grant conditions require 49% of the total grant funds to be provided as loan forgiveness to disadvantaged communities. For purposes of the BIL, the Trust expanded the definition of disadvantaged communities to include an “Environmentally Disadvantaged Community” designation for a public water supplier that has lead in the water supply and/or lead service lines in the system. The DWSRF LSL grant contains the same set-asides as described above for the DWSRF base grant. Eligible uses of these set-asides for the LSL grant include providing grants to public water suppliers to fund LSL planning and inventory projects and to provide technical assistance.

Sewer Overflow and Stormwater Reuse Municipal Grant (OSG)

The grant funds are dedicated to assisting small or disadvantaged communities with mitigation of combined sewer overflows, sanitary sewer overflows, and stormwater management. The OSG program requires a 25% state match. The OSG grant funds will be used to provide grants to eligible communities for planning and/or design projects.

Transfer of Funds Between CWSRF and DWSRF Programs

Section 302 of the 1996 Safe Drinking Water Act Amendments allows states the flexibility to move funds between the CWSRF and the DWSRF programs, to better address specific state priorities. The EPA allows an equivalent of up to 33% of the DWSRF grant to be transferred between the SRF programs. The level of federal grant funding of the DWSRF is insufficient to meet the need for project financing.

The DWSRF grant requires 20% - 26% of the annual grant amount to be given away as additional subsidy and provides up to 31% as set-aside funds to be used. As a result, a sizable portion of the DWSRF does not revolve back into the Trust, which limits the program's capacity growth. In contrast, the CWSRF annual grant requires 20% of the annual amount to be given away as additional subsidy and 4% to be used for program administration. This has allowed a substantial portion of the CWSRF to revolve annually, thereby increasing program capacity.

To address this funding insufficiency, the Trust transfers the limited amount allowed from the CWSRF to the DWSRF annually allowing for modest increases in the capacity of the DWSRF and reducing the imbalance in the ability to provide financing.

BIL similarly allows states the flexibility to move funds between the CWSRF and DWSRF programs for the BIL Supplemental grants and the EC Grants. The Trust has taken the opportunity to leverage additional BIL funding to further increase DWSRF's capacity.

CWSRF Grant Transfer to DWSRF History

Grant Year		Base Grant	BIL Grants	Other *	Total Transfer
2025	$	7,739	23,054	-	30,793
2024		3,404	21,699	-	25,103
2023		3,499	18,418	-	21,917
2022		5,365	16,953	-	22,318
2021		8,502	-	-	8,502
2020		8,431	-	30,000	38,431
2019		8,426	-	-	8,426
2018		8,505	-	-	8,505
2017		5,055	-	-	5,055
2016		5,099	-	-	5,099
2015		5,390	-	-	5,390
2014		5,426	-	-	5,426
2013		5,181	-	-	5,181
	$	80,022	80,124	30,000	190,146

* Pursuant to the Water Infrastructure Funding Transfer Act and applicable EPA Guidance, this one-time transfer was allowed to address lead in drinking water.

Grant Awards Summary and Grant Revenue

Federal grant revenue is recognized in accordance with the funding availability schedules contained within the individual grant agreements. These grants require that the Trust enter binding project commitments with local government units in an amount equal to the sum of the federal grant award and state matching funds, if any, within one year of the date the federal grant funds were made available. Under the state matching

grant, typically drawn prior to fiscal year end, revenue is unearned until the Federal grant is awarded, at which time state matching revenue is recognized.

The following tables depict the federal grant awards and the required state match grants received from the Commonwealth. It further provides the federal grant revenue and state matching grant revenue recognized in fiscal years 2026 and 2025 as well as the unearned revenue recorded as of June 30, 2026, and 2025.

The Trust elects when federal funds will be made available in its grant applications. The Trust elected to have all the Base, and OSG grant funds made available in the first quarter of the FFY or September 1, which is the SFY second quarter. For its FFY 2025 Supplemental grants, the Trust elected to have grant funds made available in the fourth quarter of FFY or SFY 2026 while for its FFY 2026 Supplemental grants, the Trust elected to have the grant funds made available in the first quarter of the FFY or September 1, which is SFY 2027 second quarter. The Trust elected to have the EC grant funds made available equally over each of the quarters in the FFY resulting in three quarters of the total grant funds available in the SFY with the remaining one quarter available in the following SFY. For its FFY 2023 and FFY 2024 LSL grants, the Trust elected to have grant funds made available in the fourth quarter of FFY 2024, July 1, 2025.

	EPA Grants			
	Grant Award	Unearned Revenue June 30, 2025	Revenue Recognized FY 2026	Unearned Revenue June 30, 2026
Base Capitalization Grants				
CWSRF Base Grant - 2025	$ 53,866	-	53,866	-
DWSRF Base Grant - 2025	23,452	-	23,452	-
Total Base Capitalization Grants	77,318	-	77,318	-
IIJA/BIL Grants				
CWSRF Supplemental grant - 2024	77,212	19,303	19,303	-
DWSRF Supplemental grant - 2024	49,350	12,337	12,337	-
CWSRF Supplemental grant - 2025	83,639	-	83,639	-
DWSRF Supplemental grant - 2025	53,457	-	53,457	-
DWSRF EC (PFAS) grant - 2024 [a]	21,937	4,101	9,514	-
CWSRF EC (PFAS) grant - 2025	2,200	-	2,200	-
DWSRF EC (PFAS) grant - 2025	22,319	-	18,093	4,226
DWSRF LSL replacement grant - 2023	33,700	33,700	33,700	-
DWSRF LSL replacement grant - 2024	50,095	25,048	25,047	-
Total IIJA/BIL Grants	393,909	94,489	257,290	4,226
CWSRF 2024 OSG grant	587	-	587	-
Total OSG Grants	587	-	587	-
Total		94,489	335,195	4,226

[a] Recevied $5,413 transfer from 2024 CWSRF EC (PFAS) grant in August 2025. The CWSRF EC (PFAS) grant was reduced in SFY 2025.

FFY 2026 Base and BIL Supplemental grants were awarded to the Trust in September 2026 with federal grant funds made available beginning October 1, 2026. The Trust received from the Commonwealth its state matching funds associated with the FFY 2026 Base and BIL Supplemental grants in June 2026. The full

amount of these FFY 2026 state matching funds are recorded as unearned revenue as of June 30, 2026, revenue will be recognized in SFY 2027 when the actual federal grant awards are received.

FFY 2025 Base and BIL Supplemental grants were awarded to the Trust in September 2025 with federal grant funds made available beginning October 1, 2025. The Trust received from the Commonwealth its state matching grants associated with the FFY 2025 Base grants in June 2025. The full amount of these FFY 2025 state matching grants were recorded as unearned revenue as of June 30, 2025, with revenue recognized in SFY 2026 when the actual federal grant awards were received. The Trust received from the Commonwealth its state matching grants associated with the FFY 2025 BIL Supplemental grants in September 2025 with revenue recognized in SFY 2026.

		State Match			
	Federal Grant Award	State Match Required	Unearned Revenue June 30, 2025	Revenue Recognized FY 2026	Unearned Revenue June 30, 2026
Base Capitalization Grants					
CWSRF Base grant - 2026	24,251	$ 4,850	-	-	4,850
DWSRF Base grant - 2026	8,249	1,650	-	-	1,650
CWSRF Base grant - 2025	53,866	10,773	10,773	10,773	-
DWSRF Base grant - 2025 [(a)]	23,452	4,690	4,683	4,683	-
Total Base capitalization grants	109,818	21,963	15,456	15,456	6,500
IIJA/BIL Grants					
CWSRF Supplemental grant - 2026	83,639	16,728	-	-	16,728
DWSRF Supplemental grant - 2026	53,456	10,687	-	-	10,687
CWSRF Supplemental grant - 2025	83,639	16,728	-	16,728	-
DWSRF Supplemental grant - 2025	53,457	10,691	-	10,691	-
Total IIJA/BIL grants	274,191	54,834	-	27,419	27,415
Total		$ 76,797	15,456	42,875	33,915

[(a)] $4,683 of state match was funded by a grant from the Commonwealth; the remaining $7 was funded from interest earnings on the State Match Fund.

In fiscal year 2023, the Trust received $201,865 in American Rescue Plan Act (ARPA) funding from the Commonwealth. The Commonwealth designated these awards as revenue replacement for investments in water and sewer. As such, there are no subawards or subrecipients under this eligibility category and funds are not subject to program income requirements. The Trust obligated its ARPA funds to provide loan forgiveness for its 2021 and 2022 IUP projects by December 31, 2024. The Commonwealth requested the Trust return its unspent $6,779 of ARPA funds to close out its ARPA grants with the federal government in fiscal year 2025. In fiscal year 2026, the Commonwealth provided $6,779 in state funds to replenish the funds returned. These funds were recorded as noncapital subsidies in the Statements of Revenues, Expenses and Changes in Net Position for fiscal year 2026.

Grants Receivable

The following table depicts the Trust's EPA grants receivable balance as of June 30, 2026, by program and grant.

	Grants Receivable			
	Balance June 30, 2025	Grants Funds Drawn	Grant Funds Awarded	Balance June 30, 2026
CWSRF Base Grants	$ 28,226	(79,937)	53,866	2,155
DWSRF Base Grants	10,115	(9,715)	23,452	23,852
CWSRF Supplemental Grants	81,919	(115,259)	83,639	50,299
DWSRF Supplemental Grants	59,475	(51,943)	53,457	60,989
DWSRF EC (PFAS) Grants	36,516	(38,652)	27,732	25,596
DWSRF LSL Grants	118,010	(35,605)	-	82,405
Other Grants [(1)]	12,479	(242)	2,787	15,024
Total	$ 346,740	(331,353)	244,933	260,320

[(1)] Other grants comprised of $7,791 of CWSRF EC (PFAS) grant funds, $4,556 of OSG Grant funds, and $2,677 of DWSRF Expanded SWIG grant funds as of June 30, 2026.

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. Additionally, the Trust draws on its federal grants for eligible costs under the administrative funds and set-asides.

(7) Loans Receivable

Overview

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 and DWSRF programs. The Trust's loan process is dictated by the IUPs MassDEP compiles annually, one for each SRF program. Refer to note 1(b) for more information.

Borrower Loans

The Trust provides each borrower with 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 a general or special obligation bond to the Trust referred to as a "local bond" in order to secure their respective loan repayment obligations.

The Trust and MassDEP have identified projects and/or initiatives to receive a higher rate of subsidy. The following loan programs work to further various program or state goals by providing a higher rate of subsidy.

Lead Abatement Programs. 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 more than $30,000 for loan forgiveness to DWSRF projects that remediate lead in drinking water or planning projects that identify sources of lead for remediation. The subsidy funds for lead removal projects are in addition to the loan forgiveness provided by the Trust from other sources. Additionally, the Trust and MassDEP are providing grants for projects that assist public water suppliers with developing lead service line inventories and full replacement programs. Funding for these grants is being provided by the BIL LSL replacement grant set aside funds. Beginning with the 2026 IUP, the LSL replacement grant program ended and was replaced with a 0% interest financing with loan forgiveness program.

0% 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 shellfish production. Lower water quality is both an environmental and economic issue for coastal communities. This CWSRF nutrient enrichment reduction loan program provides 0% interest rate loans for qualified projects to encourage communities to move such projects forward.

Loan Interest Rate Reduction for Housing Choice Designation. The Commonwealth has focused on creating affordable housing throughout the state. The Trust has joined with 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.

PFAS Mitigation Loans. In 2020, the SRF began a loan program offering 0% interest rate PFAS loans to lessen the burden of the new PFAS regulations on communities as PFAS was identified in drinking water samples across the state. The loan program financed projects that remediate 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 of humans exposed to elevated levels of PFAS may include hepatic, cardiovascular, endocrine, immune, reproductive, and developmental effects. These 0% interest DWSRF loans help public water suppliers that have identified PFAS in their water to complete the remediation projects that are vital to providing clean drinking water to residents. Beginning with the 2026 IUP, the loan program offering 0% interest rate PFAS loans ended. While the Trust will continue to finance PFAS projects and provide eligible loan subsidies, the interest rate imposed will be the standard 2% rate.

AMP Grants. Asset management for water infrastructure is a systematic approach to making financial decisions that are most likely to achieve long-term sustainability and deliver consistent service in a cost-efficient manner. By helping a utility make better decisions regarding the timing and location for asset repairs, replacements or rehabilitation, and by developing a long-term funding strategy, the utility can ensure its ability to deliver the required level of service in perpetuity. The purpose of this grant program is to assist eligible entities with completing, updating or implementing an AMP for wastewater, drinking water and stormwater utilities. This program also promotes cybersecurity assessments to address vulnerabilities in the water systems and to protect public health and the environment.

SWIG Program. The goal of the SWIG program is to reduce lead in school drinking water to lowest levels possible by incentivizing public and private schools, early education facilities and non-residential daycares 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 test above the remediation lead action level of 1 part per billion.

Types of Loans Receivable

Interim Loans. 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.

Leveraged Loans. Although the Trust initially allocates its SRF Program Equity Funds 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 and replenish its SRF Program Equity Funds. 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, replacing the interim or construction loans, and establishing the repayment schedules. These loans funded with bond proceeds are referred to as leveraged loans.

Direct Loans Pledged for Bond Debt Service. The loans securing the SRF Bonds that are funded with SRF Equity Program Funds are referred to as direct loans pledged for bond debt service.

A summary of loan receivables as of June 30, 2026, and 2025 is as follows.

Loans Receivable

(In thousands)

	Leveraged Loans	Direct Loans Pledged	Other Direct Loans	Interim Loans	Loan Forgiveness	Total Loans
Balance June 30, 2025	$ 2,835,977	956,281	397,089	722,869	(382,273)	4,529,943
Payments received	(220,704)	(39,649)	(65,019)	—	—	(325,372)
Project disbursements	—	—	—	514,791	(103,815)	410,976
Permanently financed loans	642,317	428,277	—	(599,617)	—	470,977
Projects completed	—	—	—	(40,112)	40,112	—
Swap undisbursed project funds	(7,606)	(9,981)	—	—	—	(17,587)
New Direct Loans	—	—	6,649	—	—	6,649
Pre-Payment	—	—	(6,649)	—	—	(6,649)
Balance June 30, 2026	$ 3,249,984	1,334,928	332,070	597,931	(445,976)	5,068,937

In February 2026, the Trust issued its SRF Bonds Series 27 Bonds in the capital markets. The proceeds from these SRF Bonds were used to provide capital for $642,317 of leveraged loans to borrowers for water infrastructure, replacing the interim or construction loans, and established the repayment schedules. Securing these SRF Bonds were $428,277 of loans funded by SRF Program Equity Funds (direct loans pledged). Refer to note 9 for more information.

Loan Forgiveness. Loan forgiveness includes additional subsidies provided to communities that would not otherwise be able to afford projects ("affordability subsidies") as well as subsidies for the previously discussed priority initiatives. Loan forgiveness reduces the total principal and interest costs paid over the life of a loan.

Loan forgiveness is reported on the Statement of Revenue, Expenses and Changes in Net Position as funds are disbursed. Loan forgiveness is a contra asset account on the Statement of Net Position. The loan amounts are legally forgiven as the projects are completed. Upon receipt of the project approval certificate from MassDEP, the interim loan balance and the corresponding loan forgiveness amount (contra asset) would be removed from the respective balances.

The Safe Drinking Water Act and the Clean Water Act require states to develop affordability criteria to identify communities 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. Each of the BIL grants require specific percentages of additional subsidy as described in note 6.

The Trust applies subsidy funds to communities that are deemed disadvantaged communities based on an Affordability Calculation. 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.

Loan forgiveness is reported on the Statements of Revenues, Expenses and Changes in Net Position as funds are disbursed. Sources of funding include federal grants, ARPA funds, program equity funds and other restricted funds. The following table summarizes the types of loan forgiveness disbursed during fiscal year 2026 and 2025.

Summary of Loan Forgiveness

(*In thousands*)

	June 30	
	2026	2025
Affordability and priority project subsidies:		
PFAS projects	$ 26,618	39,567
CWSRF projects	43,982	69,583
DWSRF projects	26,464	24,881
BIL LSL Replacement projects	7,065	11,203
Total affordability and priority project subsidies	104,129	145,234
LSL planning and inventory grants	9,285	19,392
AMP grants	5,173	3,052
SWIG, OSG and Cybersecurity grants	755	387
Total loan forgiveness	$ 119,342	168,065

Loans Payment Terms

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 interest receivable equal to 5/6ths of the interest received from borrowers on August 1 at fiscal year end. On June 30, 2026, and 2025 accrued interest receivable from borrowers totaled $31,033, and $29,058, respectively. The Trust recognized $70,116 and $67,654 of interest income from borrowers for fiscal year 2026 and 2025, respectively.

Aggregate principal maturities on permanently financed loans receivable are as follows:

	Leveraged Loans	Direct Loans Pledged	Other Direct Loans	Total Permanently Financed Loans
Years ending June 30:				
2027	$ 233,397	52,623	58,049	344,069
2028	235,066	53,113	43,685	331,864
2029	239,154	54,981	32,561	326,696
2030	237,490	55,197	20,565	313,252
2031	231,745	55,996	20,670	308,411
2032–2036	937,085	252,923	109,152	1,299,160
2037–2041	690,735	214,325	47,388	952,448
2042–2046	389,703	222,107	—	611,810
2047–2051	41,075	220,254	—	261,329
2052–2056	14,534	153,409	—	167,943
	$ 3,249,984	1,334,928	332,070	4,916,982

(8) Other Assets

As of June 30, 2026, and 2025, the Trust has prepaid $3,340 and $4,409, respectively, of DEP contracts. These amounts are included in Other Assets on the Statements of Net Position.

(9) Bonds Payable

The Trust issues special obligation bonds to provide capital for below market rate loans to cities, towns, and other eligible borrowers primarily for the construction and improvement of drinking water and wastewater infrastructure. 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, with certain bonds, reserves funded by program funds.

Master Trust Agreement

The Trust issues its SRF Bonds pursuant to a Master Trust Agreement (MTA) that replaced the older Program Resolution in 2015 at which time the Trust amended the Program Resolution to provide that no additional bonds may be issued that are secured by the Program Resolution, other than refunding bonds. All 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.

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.

The following is a summary of bonds payable as of June 30, 2026, and 2025.

Bond issue	Program	Issue date	Final maturity	Balance June 30, 2025	Additions	Refunded	Payments / Amortization	Balance June 30, 2026
Senior revenue bonds:								
Series 15B	Pool Loan	6/8/2010	8/1/2040	$ 182,165	—	—	(23,105)	159,060
Series 19	MTA	2/11/2016	2/1/2046	126,805	—	(115,935)	(10,870)	—
Series 2017 Rfdg	MTA	4/13/2017	8/1/2029	34,925	—	—	(11,845)	23,080
Series 21	MTA	9/12/2018	8/1/2038	123,690	—	—	(7,230)	116,460
Series 22	MTA	10/24/2019	8/1/2039	156,275	—	—	(7,765)	148,510
Series 2020 Rfdg	MTA	5/21/2020	8/1/2042	87,305	—	—	—	87,305
Series 23	MTA	5/11/2021	2/1/2041	300,465	—	—	(13,665)	286,800
Series 24	MTA	12/14/2022	2/1/2043	259,975	—	—	(11,000)	248,975
Series 2022 Rfdg	MTA	12/14/2022	2/1/2043	88,510	—	—	(10,450)	78,060
Series 25	MTA	11/21/2023	2/1/2044	248,250	—	—	(9,850)	238,400
Series 2023 Rfdg	MTA	11/21/2023	2/1/2044	128,365	—	—	(10,505)	117,860
Series 26	MTA	2/6/2025	2/1/2045	410,015	—	—	(14,140)	395,875
Series 2025 Rfdg	MTA	2/6/2025	2/1/2037	132,975	—	—	(9,085)	123,890
Series 27	MTA	2/5/2026	2/1/2056	—	700,685	—	—	700,685
Subordinated revenue refunding bonds:								
Series 2004A	Pool Loan	9/9/2004	8/1/2027	3,690	—	—	(3,320)	370
Series 2006	Pool Loan	12/14/2006	8/1/2034	114,750	—	—	(22,055)	92,695
	Subtotal			2,398,160	700,685	(115,935)	(164,885)	2,818,025
Add unamortized bonds premium				237,058	59,351	(6,863)	(36,437)	253,109
	Total bonds payable			2,635,218	760,036	(122,798)	(201,322)	3,071,134

Series 27 SRF Bonds

On February 5, 2026, the Trust issued State Revolving Fund Bonds Series 27 (Green Bonds) in the par amount of $700,685 with a premium of $59,351. The Trust issued the Series 27 Bonds to (i) provide financial assistance to local governments and other eligible borrowers in the Commonwealth under its SRF programs, (ii) refund a portion of certain of its prior MTA bonds and (iii) pay costs of issuance of the Bonds. The Series 27 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 eighth Green Bond issuance.

A portion of the Series 27 Bond proceeds in the par amount of $102,770 with a premium of $13,476 were used to refund $115,935 of outstanding Series 19 Bonds. The Trust has decreased its aggregate debt service payments by $11,572 for the refunding of Series 19 over the twenty years ending June 2046. The economic gain (the present value of the debt service savings) for the Trust through this transaction is $8,649 using a discount rate of 3.7919921%.

Series 27 Bond proceeds funded $642,317 in loans for CWSRF and DWSRF projects. The Trust anticipates expending all the proceeds within two years. In connection with the issuance of the Series 27 Bonds, the Trust pledged $428,277 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. For more information refer to note 7.

Redemptions and Defeasances

On May 30, 2024, the Trust used $181,780 of SRF Program Equity Funds to defease $46,295 of the outstanding Series 2014 Refunding Bonds with a call date of August 1, 2024, and $132,630 of the non-callable bonds of the outstanding Series 2014 Refunding Bonds. These funds were deposited with an escrow agent in an irrevocable trust to provide resources to fulfill all future debt service payments on the refunded bonds. As a result, the refunded bonds are defeased and the liability has been removed from the financial statements. The total debt defeased through this transaction was $178,925. The irrevocable trust's assets and the liabilities for the defeased bonds are not included in the Trust's financial statements. The outstanding balance of bonds defeased "in substance" and still outstanding as of June 30, 2026, and 2025 are as follows.

		Outstanding principal amount	
Description	Redemption Date	2026	2025
Series 2014 Rfdg	August 1, 2025	$ -	$ 51,635
Series 2014 Rfdg	August 1, 2026	31,280	31,280

Series 15B Build America Bonds

As part of the federal American Recovery and Reinvestment Act (ARRA) in 2009, municipal issuers were authorized to issue taxable bonds to fund new capital expenditures and receive an interest rate subsidy from the U.S. Treasury. As part of the temporary Build America Bond (BABs) program the Trust issued its Series 15B Taxable Bonds in 2010 in return for a subsidy from the federal government equal to 35% of the interest costs on the bonds. Commencing in fiscal year 2016, such interest subsidy payments were subject to sequestration reduction and the U.S. Department of Treasury has projected that such payments during fiscal year 2021 through fiscal year 2030 will be reduced by 5.7% as a result of sequestration. The sequestration may be subject to change if a law is enacted that modifies or amends the current sequestration reduction. Such interest subsidy payments could become subject to a much larger sequestration reduction, and potentially be eliminated altogether, under the Statutory Pay-As-You-Go acts of 2010 (PAYGO Act), 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. As of June 30, 2026 the expected interest rate subsidy to be received through final maturity of the Series 15B Bonds totaled $12.0 million. The Trust received $2,778 and $3,154 in BABs subsidies for fiscal year 2026 and 2025, respectively. The Trust records the BABs subsidies as an offset to interest expense in its Statement of Revenues, Expenses and Changes in Net Position.

Debt Service

Debt service is paid semi-annually, with principal and interest payments due February 1 and August 1. Coupons on the bonds range from approximately 2.00% to 5.25% and each series is payable semiannually with the latest maturity occurring in fiscal year 2056. 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 year end. On June 30, 2026, and 2025 accrued expenses and interest payable totaled $61,685 and $50,935, respectively. The Trust recognized $88,219 and $76,184 of interest expense for fiscal year 2026 and 2025, respectively.

Debt service on the Trust's bonds is paid from a combination of three sources:

Borrower payments. Payments on the Trust's loans are due to the Trust fifteen (15) days in advance of debt service payments on the Trust's bonds.

Earnings. All earnings received on the assets pledged to the respective series of bonds.

Contract Assistance. The Commonwealth and the Trust have entered 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 $422,781 over 30 years. This obligation of the Commonwealth to the Trust is a general obligation of the Commonwealth, for which its full faith and credit are pledged. Annual appropriations are made each year by the Commonwealth to fund the current year's obligation.

As of June 30, 2026, debt service requirements to maturity for principal and interest are as follows.

		Principal	Interest	Total debt service
Year ending June 30:				
2027	$	191,105	138,914	330,019
2028		176,015	129,756	305,771
2029		178,835	120,780	299,615
2030		172,755	111,717	284,472
2031		175,010	103,098	278,108
2032–2036		717,515	400,578	1,118,093
2037–2041		553,645	239,624	793,269
2042–2046		369,680	122,537	492,217
2047–2051		161,150	54,576	215,726
2052-2056		122,315	16,707	139,022
Total debt service requirements	$	2,818,025	1,438,287	4,256,312

When the Trust refunds its bonds, it calculates the difference between the reacquisition price and the net carrying amount of the bonds being refunded. A resulting accounting gain is recorded as deferred inflow of resources while a resulting accounting loss is recorded as a 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 details of the accounting gains and losses on debt refunding as of June 30, 2026, and 2025 are as follows.

		Deferred Outflow/Inflow of Resources			
		Balance June 30, 2025	**Amortization**	**New Addition**	**Balance June 30, 2026**
2004A Refunding		2	(2)	—	—
2006 Refunding		2,486	(502)	—	1,984
2017 Refunding		168	(67)	—	101
Deferred outflow of resources / accounting loss	$	2,656	(571)	—	2,085
2020 Refunding		(102)	18	—	(84)
2022 Refunding		(2,020)	778	—	(1,242)
2023 Refunding		(4,962)	1,633	—	(3,329)
2025 Refunding		(7,816)	2,171	—	(5,645)
Series 27		—	1,139	(5,851)	(4,712)
Deferred inflow of resources / accounting gain	$	(14,900)	5,739	(5,851)	(15,012)

(10) Net Position

As of June 30, 2026 and 2025, the Trust has a restricted net position in the amount of $3.23 billion and $3.00 billion, respectively, and an unrestricted net position in the amount of $1.09 billion and $928,325 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 totaling $2.89 billion and $2.72 billion, respectively. The capitalization grants are restricted to provide financial assistance to local communities across the Commonwealth by financing water quality infrastructure that protects ground and surface water resources, ensures safe drinking water, and fosters resilient communities, and other related projects as described in note 1. Restricted net position also includes other restricted funds including a reserve for future project subsidies to provide a higher rate of subsidy on certain priority projects and/or initiatives approved by the Board of Trustees. For more information refer to note 3 for details of other restricted funds.

(11) Commitment

As of June 30, 2026, and 2025, the Trust has agreed to provide interim financing loans to eligible borrowers amounting to approximately $490,021 and $663,707, respectively, excluding loan amounts already disbursed, which will be funded or collateralized with grant awards received by the Trust.

(12) 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.

At its meeting on March 22, 2024, the CCIWPF Management Board voted to adopt a new subsidy model for projects that appeared on the 2023 IUP and those thereafter, whereby principal subsidies will be paid in equal amounts over the life of an executed loan agreement between the qualified borrower and the Trust, beginning with the first loan principal payment.

The Trust acts as servicer to the 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.