



Comprehensive Annual **FINANCIAL REPORT**

As of and for the Years Ended June 30, 2020 and June 30, 2019
and Independent Auditors' Report

Prepared by the Management of the Massachusetts Clean Water Trust

This page left intentionally blank



MASSACHUSETTS
CLEAN WATER TRUST

A Component Unit of the Commonwealth of Massachusetts

Comprehensive Annual **FINANCIAL REPORT**

As of and for the Years Ended June 30, 2020 and June 30, 2019
and Independent Auditors' Report

Prepared by the Management of the Massachusetts Clean Water Trust

This page left intentionally blank

MASSACHUSETTS CLEAN WATER TRUST
*Comprehensive Annual Financial Report as of and for the Years Ended
June 30, 2020 and June 30, 2019 and Independent Auditors' Report*

Table of Contents

I. Introductory Section

Message from the Chair	1
Letter of Transmittal	2-9
Governance and Administration	10
Certificate of Achievement	11

II. Financial Section

Independent Auditors' Report	1-2
Management's Discussion and Analysis, Required Supplementary Information	3-10

Basic Financial Statements

Statements of Net Position	11
Statements of Revenues, Expenses and Changes in Net Position	12
Statements of Cash Flows	13
Notes to Financial Statements	14-33

Combining Financial Statements and Schedules

Narrative	34
Combining Schedule of Net Position	35
Combining Schedule of Revenues, Expenses and Changes in Net Position	36
Five Year Schedule of Fifteen Largest Borrowers	37
Schedule of Loans Outstanding by Borrower	38-42

III. Statistical Section (Unaudited)

Ten Year Schedule of Changes in Net Position	1
Ten Year Schedule of Net Position Components	2
Ten Year Combined Schedule of Operating Revenues by Source	3
Ten Year Debt Schedule	4
Ten Year Schedule of Pledged Revenue Coverage	5
Ten Year Combined Schedule of Operating Expenses	6
Ten Year Schedule of Full Time Equivalent Employees by Program and Agency	7
Ten Year Schedule of Contract Assistance Provided by the Commonwealth of Massachusetts, Massachusetts Population and Per Capita Contract Assistance	8
Ten Year Schedule of Annual Civilian Labor Force, Unemployment and Unemployment Rates for Massachusetts and the United States	9
Ten Year Schedule of Massachusetts and United States Resident Population	10
Ten Year Schedule of Massachusetts and United States Resident Per Capita Net Income Calendar Years 2010–2019	11
Ten Year Schedule of Total Net Debt, Massachusetts Resident Population and Debt Per Capita	12
Largest Private Sector Massachusetts Employers 2020 and 2011	13

This page left intentionally blank



I. INTRODUCTORY SECTION

Comprehensive Annual Financial Report as of and for the Years Ended
June 30, 2020 and June 30, 2019 and Independent Auditors' Report

This page left intentionally blank

MESSAGE FROM THE CHAIR

The Massachusetts Clean Water Trust (the Trust) is pleased to submit our Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020. The Trust's loan program is a collaborative effort between the State Treasurer's Office, the Executive Office for Administration and Finance, the Massachusetts Department of Environmental Protection (MassDEP) and communities across the Commonwealth.

With its AAA credit rating, the Trust finances vital infrastructure projects that enhance ground and surface water resources, ensures the safety of drinking water, protects public health and develops resilient communities. Access to below-market rate financing and the nearly \$267.3 million of additional subsidies provided, makes improvements to water infrastructure more feasible while reducing the overall financial impact on communities and ratepayers. To date, approximately \$2.6 billion in federal grants and state matching funds have supported over \$7.6 billion in water infrastructure planning and construction projects through a leveraged financing program.

During fiscal year 2020, the Trust provided cities and towns approximately \$363 million in commitments for low interest rate loans to 79 projects, which will support an estimated 2,178 construction and engineering jobs. We are proud to report the first round of the Asset Management Planning (AMP) grant program executed 15 agreements totaling approximately \$1.6 million in grants supporting over \$2.8 million in AMP projects. These activities assist communities in creating plans for asset repairs, replacements, or rehabilitation. This investment by the Trust helps communities deliver the required level of service while making informed decisions on where to make vital infrastructure investments.

Additionally, I am excited to report the successful launch of School Water Improvement Grant (SWIG) program, which provides funding to school districts to replace water fountains that tested positive for lead with filtered bottle filling stations. In fiscal year 2020 over \$700,000 was awarded to schools supporting over 56,000 students in the Commonwealth. This program in conjunction with the Trust's continued funding of drinking water lead testing and related training for school districts demonstrates our commitment to safe drinking water for our children.

Lastly, the Trust streamlined how loan forgiveness is awarded to Disadvantaged Communities by providing fixed percentages of loan forgiveness based on an annual affordability calculation. This change allows communities to more accurately project costs and realize the concrete advantage of working with the Trust, which will hopefully result in more projects moving forward to construction. The Trust expects to commit over \$20.8 million in principal forgiveness to eligible projects in the next fiscal year.

During these challenging times, I would like to sincerely express my appreciation for the staff of the Environmental Protection Agency Region 1 for their efforts during fiscal year 2020, and congratulations to the staff of the Trust and MassDEP for a job well done. To the cities and towns in Massachusetts, thank you for your commitment to this vital mission while also facing the unprecedented challenges of COVID-19. Without your dedication, our program would not be a success. Thank you and I look forward to continuing this critical work together.

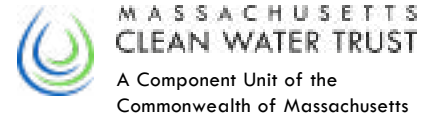


Deborah B. Goldberg
Chair, Massachusetts Clean Water Trust
www.mass.gov/treasury





LETTER OF TRANSMITTAL



December 21, 2020

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

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Massachusetts Clean Water Trust (the "Trust") for the fiscal year ended June 30, 2020. This year's CAFR is presented on a comparative basis with the fiscal year ended June 30, 2019, and is submitted under Article VII, Section 2 of the by-laws of the Trust. This report has been prepared in conformity with generally accepted accounting principles ("GAAP"), thereby satisfying applicable federal and state laws, program regulations, and other Trust agreements. This data presented is accurate in all material aspects and is reported in a manner that presents fairly the financial position and results of operations of the Trust. All disclosures necessary to enable the reader to gain an understanding of the Trust's activities have been included. The information contained within this report is the responsibility of management.

Reporting Entity

The Trust is reported as a component unit in the Commonwealth's Combined Annual Financial Report. Pursuant to its enabling statute, the Trust also submits its independently audited financial statements to the Commonwealth's Senate and House of Representatives, the Office of the Comptroller, and other interested parties. Also, as an entity receiving federal funding, the Trust is required to undergo an annual single audit to conform with the requirements described in the OMB Compliance Supplement in accordance with Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The Trust is governed by a three-member board of trustees chaired by State Treasurer and Receiver General, Deborah B. Goldberg. The Secretary of the Executive Office for Administration and Finance, Michael Heffernan, and Commissioner of the Department of Environmental Protection (MassDEP), Martin Suuberg, serve as members of the Board. The Trust operates under the direction of the Executive Director, Susan Perez, and is administered by employees of the State Treasurer. A list of Trust management and an organization chart follow this transmittal letter.

Profile of the Massachusetts Clean Water Trust

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

The Trust was established in 1989 to administer the Massachusetts Water Pollution Abatement Revolving Fund pursuant to Title VI of the Clean Water Act establishing the Clean Water State Revolving Fund (Clean Water SRF). Its enabling statute, Chapter 29C of the Massachusetts General Laws, was amended in 1988 to provide that the Trust would also administer the provisions of Title XIV of the Federal Safe Drinking Water Act, establishing the Drinking Water State Revolving Fund (Drinking Water SRF). The Trust receives funding from the EPA in the form of annual capitalization grants, supplemented by state matching grants and the repayment of loans. When loans to local governments are paid back, the funds are then loaned out again, which is how the fund "revolves".

The Trust has received total combined support of over \$2.6 billion in federal grants and state matching funds to date which has provided funding for approximately \$7.6 billion in water infrastructure projects.

Federal Capitalization Grant and State Matching Funds		
	Fiscal Year 2020	Fiscal Year 2019
Annual Grant Awards		
Federal SRF Grant	\$ 79,479,000	\$ 80,269,000
State Matching Funds	15,900,600	31,949,600
Total Annual Grant Awards	\$ 95,379,600	\$ 112,218,600
Program to Date Grant Awards		
Federal SRF Grant	\$ 2,196,524,861	\$ 2,117,045,861
State Matching Funds	418,150,912	402,250,312
Total Program to Date Grant Awards	\$ 2,614,675,773	\$ 2,519,296,173

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

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

LOAN PROGRAMS OF THE TRUST

The Trust administers two State Revolving Fund programs. The Clean Water State Revolving Fund (CWSRF), primarily finances wastewater infrastructure projects, including the Community Septic Management Program (CSMP), that finances improvements to private homeowner septic systems. The Drinking Water State Revolving Fund (DWSRF), primarily finances drinking water infrastructure projects. The Trust lends to cities, towns, other governmental units such as water and sewer authorities, and private water system operators. Since its inception the SRF loan program has provided over \$7.6 billion in loans to approximately 300 borrowers to improve and maintain the quality of water in the Commonwealth. To fund its operations, the Trust charges an administrative fee of 0.15% of principal outstanding per year on Clean Water and Drinking Water loans.

The Trust finances projects that focus on the development and rehabilitation of wastewater infrastructure while promoting sustainability, energy efficiency and green infrastructure. The CWSRF and DWSRF programs provide additional subsidies to designated Disadvantaged Communities. The Trust and MassDEP perform outreach activities to help communities realize opportunities to implement energy efficiencies and alternative energy projects. These activities are balanced with the promotion of cost-effective projects that maximize the protection on the environment and public health.

Most of the Trust's loans are subsidized to a 2% interest rate set by statute. However, recent legislative changes have allowed the Trust to identify priority projects and/or initiatives to receive a higher rate of subsidy. The subsidies used for these programs is supplied by the Commonwealth through contract assistance, and not counted as additional subsidy for the purpose of federal reporting. The following loan programs work to further various program or state goals by providing a higher rate of subsidy.

0% Interest Rate Nutrient Enrichment Reduction Loans

The CWSRF program provides additional subsidies to nutrient enrichment prevention projects. 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, causing death of fish and a reduction in shellfish. The decrease in water quality is both an environmental and economic issue for coastal communities. By offering a 0% interest rate loan, the CWSRF program helps increase the chance of these projects moving forward by providing access to low-cost financing.

.50% Housing Choice Community Loan Reduction

The Baker-Polito Administration has focused on creating affordable housing in the Commonwealth. The Trust has joined other state agencies in providing incentives to communities to participate in the Housing Choice Initiative by providing a .50% interest rate reduction to both Clean Water and Drinking Water loans. Loans cannot have less than 0% interest.

0% PFAS Remediation Loans

On January 31, 2020, the Board of Trustees approved a 0% interest rate loan pilot program for projects that remediate per- and polyfluoroalkyl substances (PFAS) in public water supplies for the 2020 calendar year. The program was made

permanent by the Board on July 8th. These 0% interest DWSRF loans will help communities that have identified PFAS in their water to expedite and complete the remediation projects that are vital to providing clean drinking water to residents.

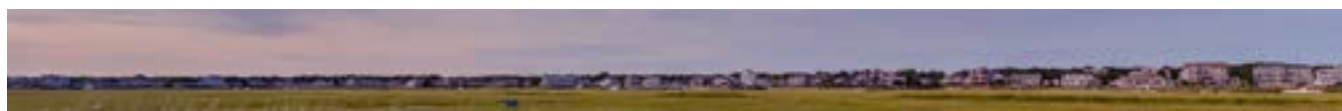
Interim Loan Program

Through the Trust's Interim Loan Program, funds are available to projects on the Intended Use Plan (IUP) throughout the year to provide construction financing, similar to a bond anticipation note. Borrowers can enter a short-term loan that enables projects to proceed prior to a Trust bond sale. The Trust can operate this program by extending the use of funds that have revolved back from loan repayments along with its state and federal grants ("SRF Program Funds") as a source of capital. To make Trust financing even more appealing to borrowers, the Board of Trustees removed the interim loan interest rate and any associated fees in 2016. This change to the program makes interim loans from the Trust the least expensive way for local communities to access capital during construction.

During fiscal years 2020 and 2019, the Trust disbursed the following amounts for projects to borrowers through program project funds and interim loans.

FY 2020 Program Disbursements

Program Disbursements	Fiscal Year 2020	Number of Projects	Fiscal Year 2019	Number of Projects
Program Project Fund	\$ 57,817,129	75	\$ 94,899,542	63
Interim Loan	\$ 279,412,942	141	\$ 247,579,482	102
Total Project Disbursements	\$ 337,230,071	216	\$ 342,479,024	165



TRUST'S FINANCING MODEL

Leveraged Financing Model

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

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

The Trust's lending and bond issuance programs are structured to ensure adequate cash flows for funding its loans and repaying bonds to maturity. Depending on the type of projects being financed, the terms of the loans to borrowers, and the subsidy levels to which the borrowers are entitled, the Trust applies its SRF Program Funds to fund either direct loans to borrowers or invest in reserve funds, which are then pledged as a source of payment and security for the SRF Bonds.

SRF Bonds: Sources of Repayment

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

Sources of Repayment				
	Fiscal Year 2020		Fiscal Year 2019	
Borrower Loan Repayments	\$ 307,595,377	82%	\$ 301,372,956	79%
Contract Assistance	42,513,865	11%	46,566,853	12%
Reserve Earnings	26,924,985	7%	34,724,804	9%
Total	\$ 377,034,227	100%	\$ 382,664,613	100%

Borrower Loan Repayments

Each borrower is obligated to repay the principal amount of its loan at a subsidized interest rate of 2% or less. Those with extended term financing, greater than 20 years, receive a subsidized interest rate that is higher than 2%. Series 22 which closed on October of 2019, had a subsidized interest rate of 2.2% for extended term financing loans.

The Trust uses its program funds rather than bond proceeds to fund certain loans to borrowers. These direct loans are pledged as additional security to SRF Bonds. As direct loans are repaid, the repayments are applied to debt service along with borrower repayments from loans that were funded with bond proceeds. Any excess of these direct loan repayments, not required to pay debt service, revolve back to the program funds. As of June 30, 2020, the Trust has \$607.6 million in outstanding pledged direct loans.

Commonwealth Contract Assistance Payments

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

Reserve Funds

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

Deallocation of Funds

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



GRANT PROGRAMS OF THE TRUST

Federal Capitalization Grants and State Matching Funds

In order to provide security to its bonds, the Trust pledges federal and state capitalization grant funds. The Trust has received significant federal and Commonwealth support. The Trust has received total combined support of over \$2.6 billion in federal grants and state matching funds to date which has provided funding for approximately \$7.6 billion in water infrastructure projects.

Additional Subsidy

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

Using guidance outlined in WRRDA and AWIA the Trust's formula, which was approved by EPA Region 1, considers the per capita

income, population trend from 2000-2010 and the employment rate for each municipality to develop an adjusted per capita income. Each municipality is then ranked against the state average and municipalities below the state average are sorted into three tiers. Tier 3 is less than 60% of the state average, tier 2 is 60%-79.99% and tier 1 is 80%-99.99%. The Trust's formula provides the subsidy to communities that are most in need and provides all communities below the state average with an additional incentive to use Trust financing.

The Trust fixed the percentage of loan forgiveness for communities in each tier and program. The table below shows the fixed percentages to be used to award the \$20.8 million additional subsidy available for fiscal year 2020 qualifying projects.

Loan Forgiveness by Program and Affordability Tier		
Tier	Clean Water	Drinking Water
1	3.3%	6.6%
2	6.6%	13.2%
3	9.9%	19.8%
Only for projects appearing on the 2019 IUP and beyond		

Asset Management Planning Grant Program

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

Approved by the Board of Trustees in June 2018, the Asset Management Planning Grant (AMP Grant) program provides up to \$2 million annually beginning with the 2019 IUP. The purpose of this grant program is to assist eligible applicants with completing, updating, or implementing an asset management program for wastewater, drinking water, stormwater utilities or any combination of the three.

AMP grants applications were requested through the annual SRF project solicitation, and the Trust offered 20 Grants totaling nearly \$2 million in the 2019 IUP. Of these, the Trust executed 15 agreements totaling approximately \$1.6 million in grants which helped to fund over \$2.8 million in asset management project activities. The Trust has continued this program in its 2020 IUP, offering 20 Grants totaling nearly \$1.8 million.

The School Water Improvement Grants Program

In April 2016, Governor Baker and State Treasurer Goldberg launched the Assistance Program for Lead in School Drinking Water. This first-in-the nation program was highly successful and resulted in a total of 67,913 samples collected at 991 public schools and group-based Early Education and Childcare Facilities, with 65% of the participating facilities had lead detected above 15 parts per billion (ppb) and over 95% had at least one detection above 1 ppb. The Assistance Program was implemented by MassDEP with \$2.75 million in funding from the Trust.

In January 2020, the Trust's Board of Trustees approved the first round of the School Water Improvement Grant (SWIG) program. The goal of the SWIG program is to reduce lead in school drinking water to the lowest levels possible by incentivizing schools to test their drinking water fixtures and remediate any lead exceedances that are detected. It accomplishes this by providing funds to purchase and install point-of-use filtered water bottle filling stations to replace drinking water fixtures that tested above the remediation lead Action Level of 1 ppb.

SWIG provides \$3,000 per eligible fixture that tests positive for lead. This funding covers the purchase of bottle filling stations, installation and post installation testing of the unit, and allows the school district to use the remaining funds for future operation and maintenance cost. The Trust solicited applications for the SWIG pilot funding round from February 3 to March 6, 2020. As of the end of SFY 2020 the Trust has provided \$702,000, to replace 234 drinking water fixtures in 103 schools serving over 56,000 students.





LONG TERM FINANCIAL PLANNING

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

The Trust's financial capacity is adequate to fund those projects currently approved by MassDEP, however, future growth in capacity of the Trust is dependent on federal appropriations to the State Revolving Fund programs, shown on the Trust's Financial Statements, footnote (6), as "Capitalization Grants." Additionally, because MassDEP's program administration is funded in part through a 4% administrative charge on federal grants, a reduction in federal grants would result in decreased funding for MassDEP. For the Trust's programs to continue, funding would need to be provided to MassDEP either by the Commonwealth or additional funding from the Trust's administrative fees.

ECONOMIC FACTORS AFFECTING THE TRUST

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

While economic factors have not affected the Trust's current financial position, macroeconomic stresses could pose risks to the Trust's long-term investment portfolio. Over the years, several institutions providing GICs to the Trust have experienced downgrades by various rating agencies. The Trust's contract provisions require collateralization upon credit downgrades. Currently overall credit quality of the Trust's investment portfolio remains strong and has diversification in GIC providers which reduces concentration of credit risk. As a result of the diversity of its loan portfolio, the size of its debt service reserve funds, and its support from the Commonwealth, the Trust's bonds are rated AAA by all three major credit agencies.

Demand for Trust loans is dependent on the Commonwealth's need for drinking water and wastewater infrastructure, which remains strong. For 2020, the MassDEP received applications for over \$428 million in Clean Water projects and approved approximately \$420 million. MassDEP also received applications for over \$254 million of Drinking Water projects and approved approximately \$138 million. Demand is expected to remain strong as communities work to meet tightening environmental standards and maintain an aging infrastructure. The current record low interest rate environment has somewhat reduced the value of the subsidization resulting from the below market rate being provided to the Trust's borrowers. However, the Trust expects to continue to award additional subsidization in the form of principal forgiveness to its eligible borrowers.



Performance Indicator

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

Clean Water Revolving Fund Performance Indicators*

Ranked by State for Fiscal Years 2018-2020

2018			2019		2020	
Total Loan Assistance Provided (Millions of dollars)						
	1 New York	\$ 16,895	1 New York	\$ 17,209	1 New York	\$ 17,763
	2 California	10,735	2 California	10,997	2 California	11,833
	3 Ohio	9,229	3 Ohio	9,828	3 Ohio	9,875
	4 Texas	7,385	4 Texas	7,748	4 Texas	8,732
	5 Massachusetts	6,340	5 Massachusetts	6,355	5 Massachusetts	6,641
	National average:	2,607	National average:	2,715	National average:	2,852
Assistance Provided as a Percent of Federal Capitalization Grants						
	1 Rhode Island	627%	1 Rhode Island	610%	1 Rhode Island	593%
	2 Arizona	522%	2 Arizona	506%	2 Arizona	495%
	3 Connecticut	443%	3 Connecticut	454%	3 Connecticut	457%
	4 Massachusetts	420%	4 Iowa	449%	4 Iowa	446%
	5 Minnesota	419%	5 Massachusetts	406%	5 Massachusetts	410%
	National average:	307%	National average:	306%	National average:	311%
SRF Project Disbursements (Millions of dollars)						
	1 New York	\$ 15,708	1 New York	\$ 16,302	1 New York	\$ 16,968
	2 California	8,149	2 California	8,825	2 California	9,490
	3 Texas	7,326	3 Ohio	7,957	3 Texas	8,610
	4 Ohio	7,242	4 Texas	7,683	4 Ohio	8,592
	5 Massachusetts	5,682	5 Massachusetts	5,876	5 Massachusetts	6,118
	National average:	2,283	National average:	2,399	National average:	2,560
Total Loan Assistance Provided for Combined Sewer Overflow Projects (Millions of dollars)						
	1 Ohio	\$ 2,667	1 Ohio	\$ 2,918	1 Ohio	\$ 2,958
	2 Michigan	1,941	2 Michigan	1,952	2 New York	1,936
	3 New York	1,860	3 New York	1,865	3 Michigan	1,890
	4 Massachusetts	1,375	4 Indiana	1,470	4 Indiana	1,741
	5 Indiana	1,243	5 Massachusetts	1,424	5 Massachusetts	1,480
	National average:	283	National average:	298	National average:	308
Total Loan Assistance Provided for Secondary Treatment Projects (Millions of dollars)						
	1 New York	\$ 10,284	1 New York	\$ 10,502	1 New York	\$ 10,894
	2 California	4,049	2 California	4,168	2 California	4,493
	3 Illinois	2,518	3 Ohio	2,751	3 Ohio	2,755
	4 Ohio	2,626	4 Illinois	2,582	4 Illinois	2,652
	5 Massachusetts	2,150	5 Massachusetts	1,855	5 Massachusetts	1,903
	National average:	905	National average:	921	National average:	967
Total Loan Assistance Provided for New Collector System Projects (Millions of dollars)						
	1 Massachusetts	\$ 970	1 Florida	\$ 925	1 Florida	\$ 940
	2 Florida	946	2 Massachusetts	765	2 Massachusetts	806
	3 Pennsylvania	745	3 Pennsylvania	763	3 Pennsylvania	788
	4 New York	663	4 New York	677	4 New York	707
	5 Arizona	433	5 Arizona	437	5 Arizona	437
	National average:	162	National average:	164	National average:	169
Total Loan Assistance Provided for Storm Water Projects (Millions of dollars)						
	1 New Jersey	\$ 266	1 New Jersey	\$ 317	1 New Jersey	\$ 400
	2 New York	261	2 New York	276	2 New York	283
	3 Florida	229	3 Florida	224	3 Florida	229
	4 Massachusetts	160	4 Illinois	217	4 Illinois	225
	5 California	148	5 Massachusetts	107	5 Massachusetts	112
	National average:	37	National average:	43	National average:	51

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

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

Prior year information has been restated to the most recent NIMS reports available.

Independent Audit

The Trust's independent auditors, KPMG LLP, have performed an independent audit of the Trust for the fiscal year ended June 30, 2020. The independent auditors' report is located at the front of the Financial Section of this report.

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

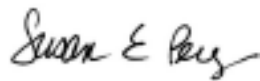
Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Trust for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2019. The award is the Trust's twenty-third consecutive citation. In order to be awarded a Certificate of Achievement, the Trust must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

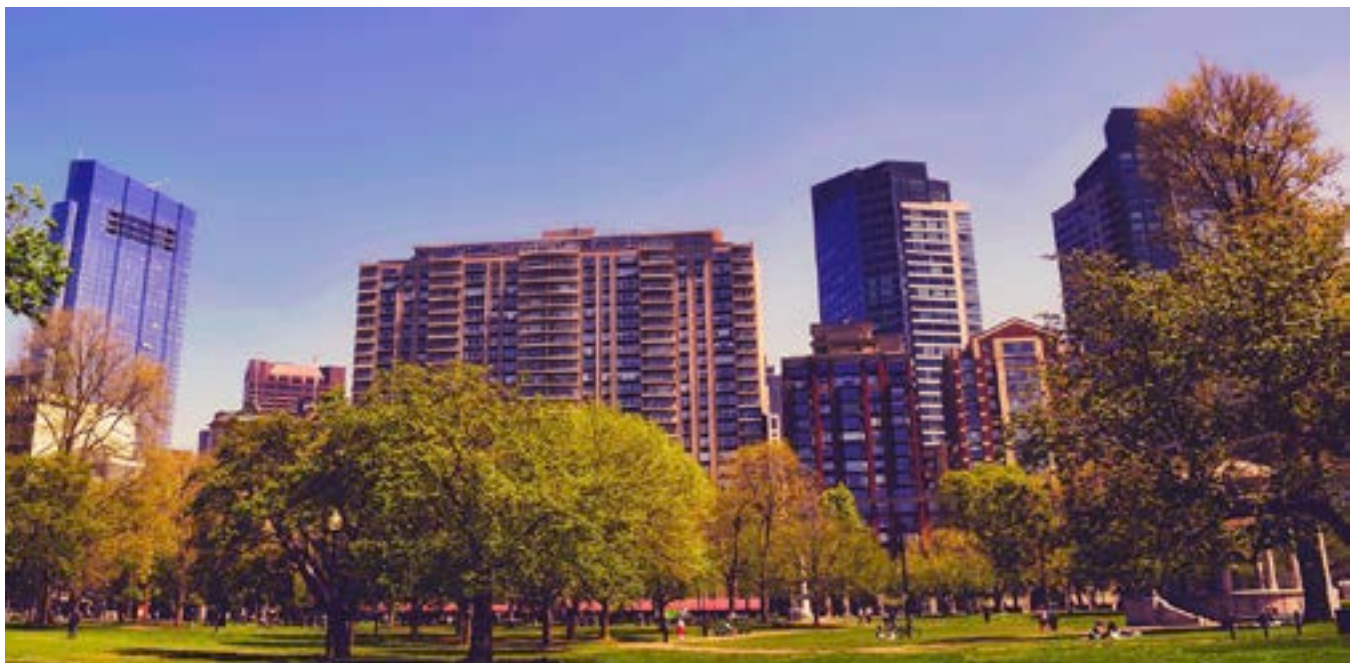
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another citation.

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

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



Susan E. Perez
Executive Director



GOVERNANCE & ADMINISTRATION

BOARD OF TRUSTEES

MICHAEL HEFFERNAN Secretary of the Executive Office for Administration and Finance	DEBORAH B. GOLDBERG, CHAIR State Treasurer	MARTIN SUUBERG Commissioner of the Department of Environmental Protection
---	--	--

EXECUTIVE COMMITTEE

MAYA JONAS-SILVER Director of Finance and Administration	SUSAN E. PEREZ Executive Director	MARIA PINAUD Director of Program Development
---	---	--

TRUST STAFF

DEPUTY DIRECTOR Trust Treasurer Treasury Specialist Policy Analyst Program Associate	CONTROLLER General Ledger Accountant Staff Accountant Staff Accountant
---	--

MASSACHUSETTS CLEAN WATER TRUST

BOARD OF TRUSTEES	SENIOR MANAGEMENT
Deborah B. Goldberg, Chair Treasurer and Receiver-General of the Commonwealth of Massachusetts	Susan E. Perez Executive Director
James A. MacDonald Designee of the Treasurer and Receiver-General	Nathaniel Keenan Deputy Director
Michael Heffernan Secretary of the Executive Office for Administration and Finance of the Commonwealth of Massachusetts	Maya Jonas-Silver Director of Capital Planning and Long-Term Obligations
Maya Jonas-Silver Designee of the Secretary of the Executive Office for Administration and Finance	Maria Pinaud Director of Program Development
Martin J. Suuberg Commissioner of the Department of Environmental Protection of the Commonwealth of Massachusetts	
Maria Pinaud Designee of the Commissioner of the Department of Environmental Protection	



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Massachusetts Clean Water Trust

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

This page left intentionally blank



II. FINANCIAL SECTION

Comprehensive Annual Financial Report as of and for the Years Ended
June 30, 2020 and June 30, 2019 and Independent Auditors' Report



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

Independent Auditors' Report

The Board of Trustees
Massachusetts Clean Water Trust:

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Massachusetts Clean Water Trust (the Trust), a component unit of the Commonwealth of Massachusetts, which comprise the statements of net position as of and for the years ended June 30, 2020 and 2019, and the statements of revenues, expenses and changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Massachusetts Clean Water Trust as of June 30, 2020 and 2019, and the changes in its financial position and its cash flow for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the Trust's basic financial statements. The Introductory, Combining Financial Statements and Schedules, and the Statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Introductory and Statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2020 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.

KPMG LLP

Boston, Massachusetts
October 15, 2020

MASSACHUSETTS CLEAN WATER TRUST

(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis – Required Supplementary Information

(Unaudited)

June 30, 2020 and 2019

Introduction

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

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

The Trust receives funding from the EPA in the form of annual capitalization grants, supplemented by state matching grants and the repayment of loans. When loans to local governments are paid back, the funds are then loaned out again, which is how the fund “revolves”.

The Trust uses a “leveraged model” to provide funding in excess of the federal and state grants. Bonds are issued in the capital markets and are secured by borrower repayments and reserve funds. The proceeds from the bonds are used to provide capital for new below market rate loans to borrowers for water infrastructure. This model has allowed the Trust to finance approximately \$7.6 billion in water infrastructure projects from nearly \$2.6 billion in federal grants and state matching funds.

The Trust's loan process is dictated by an annual list of projects the Trust commits to finance called the Intended Use Plan (IUP). MassDEP compiles two IUPs annually, one for each SRF program. Project eligibility is determined by the Clean Water Act and the Drinking Water Act for the Clean Water SRF and Drinking Water SRF, respectively. Projects that apply for financing are selected 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 Clean Water SRF projects, the program emphasizes watershed management priorities, stormwater management, green infrastructure, and encourages communities to undertake projects with meaningful water quality and public health benefits. Drinking Water SRF projects emphasize compliance with federal and state water requirements to protect the public health while addressing the Commonwealth's drinking water needs. MassDEP compiles the annual IUPs using this rigorous selection process that establishes the Commonwealth's priorities for the upcoming year.

(Continued)

MASSACHUSETTS CLEAN WATER TRUST

(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis – Required Supplementary Information

(Unaudited)

June 30, 2020 and 2019

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

Overview of Financial Statements

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

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

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

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

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

(Continued)

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

Management's Discussion and Analysis – Required Supplementary Information

(Unaudited)

June 30, 2020 and 2019

Condensed Financial Information and Financial Analysis

Massachusetts Clean Water Trust's Net Position

(In thousands)

	June 30			Percentage change	
	2020	2019	2018	2020-2019	2019-2018
Cash and cash equivalents	\$ 655,275	489,850	478,627	33.8 %	2.3 %
Investments	710,614	759,702	838,269	(6.5)	(9.4)
Project fund deposits	42,430	38,988	26,704	8.8	46.0
Grants receivable, EPA	41,663	46,926	40,536	(11.2)	15.8
Loans receivable	4,089,717	4,055,490	3,990,591	0.8	1.6
Accrued interest receivable and other assets	48,478	50,603	52,323	(4.2)	(3.3)
Total assets	5,588,177	5,441,559	5,427,050	2.7	0.3
Deferred outflows of resources	42,459	60,883	68,556	(30.3)	(11.2)
Total assets and deferred outflows of resources	\$ 5,630,636	5,502,442	5,495,606	2.3 %	0.1 %
Accrued expenses and interest payable	\$ 48,290	50,132	53,549	(3.7)%	(6.4)%
Unearned revenue	15,901	35,963	25,982	(55.8)	38.4
Loan commitments and project funds payable	40,202	37,844	26,739	6.2	41.5
Liability for derivative instruments	4,644	3,516	1,841	32.1	91.0
Long-term debt	2,724,344	2,762,192	2,932,678	(1.4)	(5.8)
Other liabilities	9,193	—	—	100.0	—
Total liabilities	2,842,574	2,889,647	3,040,789	(1.6)	(5.0)
Deferred inflows of resources	45,391	34,499	8,679	31.6	297.5
Total liabilities and deferred inflows of resources	\$ 2,887,965	2,924,146	3,049,468	(1.2)%	(4.1)%
Net position:					
Restricted	\$ 2,144,965	2,049,875	1,972,185	4.6 %	3.9 %
Unrestricted	597,706	528,421	473,953	13.1	11.5
Total net position	\$ 2,742,671	2,578,296	2,446,138	6.4 %	5.4 %

The Trust's net position at June 30, 2020 and 2019 increased \$164,375, or 6.4%, to \$2.74 billion from \$2.58 billion, respectively. This increase reflects the receipt of \$199,547 in bond proceeds from the issuance of the Trust's Series 22 bonds that replenished program equity funds used to fund the construction phase of the projects financed. Program equity funds in the amount of \$27,533 were used to fund loan project fund accounts pledged to the Series 22 bonds. Unearned revenue decreased \$20,062 as the availability of the EPA grant funds changed allowing the full amount of the federal fiscal year 2019 grant to be recorded in the state's current fiscal year. In addition, the Trust received \$19,700 in additional state grant funds to subsidize PFAS projects as

(Continued)

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

Management's Discussion and Analysis – Required Supplementary Information

(Unaudited)

June 30, 2020 and 2019

well as increase program capacity. Offsetting these increases were a \$49,088 reduction of debt service reserve funds, primarily driven by \$75,375 in scheduled maturities net of \$20,814 unrealized gain on investments.

The Trust's net position at June 30, 2019 and 2018 increased \$132,158, or 5.4%, to \$2.58 billion from \$2.45 billion, respectively. This increase was primarily attributable to a reduction in outstanding long-term debt of \$170,486 caused by a \$95,885 partial defeasance of outstanding bonds along with scheduled principal maturities in the amount of \$230,280 significantly exceeding the \$163,460 of new issuance of debt. This reflects the Trust's migration away from its use of its program equity funds to establish debt service reserve funds in 2012, to using its program equity funds to finance loans that are pledged as security to the bonds, which resulted in significantly less loans being funded with bond proceeds. This also explains the steady reduction in the investment balances as the debt service reserve funds wind down. Offsetting the decrease in debt was a \$25,820 increase in deferred inflows which represent funds received from the Commonwealth that will be used to provide future additional subsidies. These funds demonstrate the Commonwealth's support of this valuable infrastructure program and the communities it serves.

Long-term Debt/Bonds Payable

The following is a summary of bonds payable at June 30, 2020, 2019 and 2018 (in thousands). More detailed information can be found in note 8 to the financial statements.

	Summary of bonds payable at June 30,		
	2020	2019	2018
Water Pollution Abatement Revenue Bonds:			
Master Trust Agreement	\$ 898,990	737,635	597,670
Pool Loan Program	491,275	668,690	836,630
Single Obligor Bonds – MWRA	5,625	6,430	7,280
Subtotal revenue bonds	1,395,890	1,412,755	1,441,580
Subordinated Revenue Refunding Bonds:			
Master Trust Agreement	183,585	96,280	96,280
Pool Loan Program	811,555	927,760	1,044,890
Single Obligor Bonds – MWRA	3,845	19,845	36,595
Subtotal revenue refunding bonds	998,985	1,043,885	1,177,765
Total bonds	2,394,875	2,456,640	2,619,345
Add unamortized bond premium	329,469	305,552	313,333
Total bonds payable, net	\$ 2,724,344	2,762,192	2,932,678

(Continued)

MASSACHUSETTS CLEAN WATER TRUST

(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis – Required Supplementary Information

(Unaudited)

June 30, 2020 and 2019

The Trust issues revenue bonds (SRF Bonds) in order to fund communities' projects under the Clean Water and Drinking Water programs. The SRF Bonds are secured by Trust's assets that are pledged as a source of payment and security. Trust's pledged assets consist of either reserve funds or loans to borrowers, or a combination thereof, both of which are funded by the program equity funds. The balance of the Trust's pledged assets as of June 30, 2020 is \$498,772 at fair market value in reserve funds and \$614,127 in loans to borrowers. The SRF Bonds are payable from borrower loan repayments, reserve fund earnings and payments made by the Commonwealth to the Trust on behalf of the borrowers called contract assistance.

The Trust issues its bonds under and secured by the Master Trust Agreement (MTA) dated as of January 1, 2015. The Trust entered into the MTA to replace the Program Resolution and to create a simpler security framework for the Trust's SRF Bonds. The Trust has been issuing its bonds under the MTA beginning with its Series 18 Bonds. The Trust's prior bonds were issued pursuant to the Program Resolution to finance or refinance loans to several Borrowers concurrently (Pool Loan Program Bonds) or to finance or refinance loans to a single Borrower (Prior Single Obligor Bonds). The Prior Single Obligor Bonds were issued to provide loans to the following three obligors: (1) the Massachusetts Water Resources Authority (MWRA); (2) the South Essex Sewerage District (SESD); and (3) the City of New Bedford. As of June 30, 2020, and 2019, there are no longer Single Obligor Bonds outstanding for SESD or the City of New Bedford. The City of New Bedford, MWRA and SESD are also borrowers under the Trust's Pool Loan Program Bonds and the MTA Bonds.

(Continued)

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

Management's Discussion and Analysis – Required Supplementary Information

(Unaudited)

June 30, 2020 and 2019

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	
	2020	2019	2018	2020–2019	2019–2018
Loan servicing fees	\$ 5,454	5,479	5,615	(0.5)%	(2.4)%
Loan origination fees	83	1,542	—	(94.6)	100.0
Interest income	111,526	119,554	114,850	(6.7)	4.1
Unrealized gain (loss) on investments	20,814	14,994	(6,822)	38.8	(319.8)
Contract assistance	32,172 (a)	24,401	26,003	31.8	(6.2)
Total operating revenues	170,049	165,970	139,646	2.5	18.9
DEP programmatic support costs	9,374	8,731	7,583	7.4	15.1
Principal forgiveness	21,097 (a)	7,698	7,372	174.1	4.4
General and administrative	3,263	2,693	2,331	21.2	15.5
Arbitrage rebate payments	12,242	1,468	—	733.9	100.0
Interest expense	94,839 (b)	104,561	125,293	(9.3)	(16.5)
Total operating expenses	140,815	125,151	142,579	12.5	(12.2)
Operating income (loss)	29,234	40,819	(2,933)	28.4	(1,491.7)
EPA capitalization grants	\$ 99,545	75,285	60,453	32.2	24.5
State matching grants	35,596 (c)	16,054	12,067	121.7	33.0
Total nonoperating revenues	135,141	91,339	72,520	48.0	26.0
Increase in net position	164,375	132,158	69,587	24.4	89.9
Net position, beginning of year	2,578,296	2,446,138	2,376,551	5.4	2.9
Net position, end of year	\$ 2,742,671	2,578,296	2,446,138	6.4 %	5.4 %

(a) Includes \$10,273 in Commonwealth Contract Assistance to provide principal forgiveness subsidy to communities which met certain affordability criteria

(b) Includes \$11,337 related to the accelerated amortization of excess of reacquisition price over carrying value of defeased bonds related to the cash defeasance of certain series of refunding bonds.

(c) Includes \$19,700 grant from the Commonwealth to fund polyfluoroalkyl substances (PFAS) remediation projects and increased project capacity.

(Continued)

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

Management's Discussion and Analysis – Required Supplementary Information

(Unaudited)

June 30, 2020 and 2019

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

Summary of Interest Income
(In thousands)

	June 30			Percentage change	
	2020	2019	2018	2020–2019	2019–2018
Loan interest income	\$ 69,201	68,078	68,349	1.6 %	(0.4)%
Investment income	37,222	47,106	42,215	(21.0)	11.6
BAB subsidy income	4,318	4,304	4,286	0.3	0.4
Other income	785 (a)	66	—	1,089.4	100.0
Total interest income	\$ 111,526	119,554	114,850	(6.7)%	4.1 %

(a) Includes \$785 IRS refund for overpayment of Series 13 rebate liability.

Results of Operations

For fiscal year 2020, the Trust recorded operating income of \$29,234 as compared to \$40,819 in fiscal year 2019. This \$11,585 decrease in the Trust's operating income for fiscal year 2020 resulted from an \$13,399 increase in principal forgiveness as the Trust, through an increase in contract assistance from the Commonwealth, has been able to provide additional subsidy to assist communities with their water infrastructure projects. It also reflects an \$9,884 reduction in investment income as the Trust's debt service reserve funds steadily decrease and an increase in arbitrage rebate payments made to the IRS in the amount of \$10,774. Additionally, the Trust did not charge its borrowers loan origination fees for its fiscal year 2020 borrowing resulting in a \$1,459 reduction in fee revenue. Offsetting these decreases was a \$5,820 increase in the unrealized gain on the investment portfolio, specifically the US Treasuries and Agencies and a \$9,722 reduction in interest expense resulting from the steady decrease in outstanding debt driven by cash defeasances and the previously discussed reduction in the size of new debt issuances.

Nonoperating revenues from the EPA federal grants totaled \$99,545 for fiscal year 2020 as compared to \$75,285 in fiscal year 2019, reflecting a \$24,260 increase as the availability of the EPA grant funds changed allowing the full amount of the federal fiscal year 2019 grant to be recorded in the state's current fiscal year. Nonoperating revenues from State grants totaled \$35,596 for fiscal year 2020 as compared to \$16,054 in fiscal year 2019. The \$19,542 increase reflects \$19,700 in additional state grant funds received from the Commonwealth to fund polyfluoroalkyl substances (PFAS) remediation projects as well as increase program capacity.

(Continued)

MASSACHUSETTS CLEAN WATER TRUST

(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis – Required Supplementary Information

(Unaudited)

June 30, 2020 and 2019

For fiscal year 2019, the Trust recorded operating income of \$40,819 as compared to an operating loss of \$2,933 in fiscal year 2018. Excluding the unrealized gain (loss) on investments, fiscal year 2019 recorded operating income of \$25,825 and fiscal year 2018 recorded an operating income of \$3,889. This \$21,936 change in the Trust's operating income in fiscal year 2019 was primarily attributed to the \$20,732 reduction in interest expense resulting from the steady decrease in outstanding debt driven by cash defeasances and the previously discussed reduction in the size of new debt issuances. Nonoperating revenues comprised of EPA federal grants and state matching grants of \$91,339 reflect an \$18,819 increase over fiscal year 2018. This 26.0% increase reflects the increase in the federal appropriation levels for both the Clean Water and Drinking Water SRF grants as well as a significant increase in the state's drinking water allotment percentage. Refer to footnote 6 for additional information.

The Trust's operating income is negatively impacted by the inclusion of expenses such as DEP programmatic support costs of \$9,374, \$8,731, and \$7,583, for fiscal years 2020, 2019 and 2018, respectively, and federal principal forgiveness, which are funded by the capitalization grant revenue that is classified as nonoperating revenue.

Future Economic Factors

In August 2018, the Commonwealth enacted *An Act Promoting Climate Change Adaptation, Environmental and Natural Resource Protection, and Investment in Recreational Assets and Opportunity*, which provided for \$60,333 million in matching capitalization funds to the Clean Water SRF and Drinking Water SRF programs. This amount combined with the \$46,446 balance remaining as of June 30, 2020, the Trust estimates will be sufficient to meet its clean water and drinking water matching needs through FY 2022, assuming current federal funding levels are maintained.

Requests for Information

This financial report is intended to provide an overview of the financial picture of the Massachusetts Clean Water Trust. Any further questions regarding any of the information contained within this report may be addressed via email to Sue Perez, Executive Director, sperez@tre.state.ma.us or Sally Peacock, Controller, speacock@tre.state.ma.us or mail to Massachusetts Clean Water Trust, 1 Center Plaza, Suite 430, Boston, MA 02108.

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

Statements of Net Position

June 30, 2020 and 2019

(In thousands)

	<u>2020</u>	<u>2019</u>
Assets and deferred outflows:		
Current assets:		
Cash and cash equivalents (note 3)	\$ 655,275	489,850
Short-term investments (note 5)	206,298	204,741
Project fund deposits (note 4)	42,430	38,988
Grants receivable:		
U.S. Environmental Protection Agency (note 6)	41,663	46,926
Loans receivable, net (note 7)	620,814	621,568
Accrued interest receivable	48,478	50,603
Total current assets	<u>1,614,958</u>	<u>1,452,676</u>
Noncurrent assets:		
Loans receivable, long-term (note 7)	3,468,903	3,433,922
Long-term investments (note 5)	504,316	554,961
Total noncurrent assets	<u>3,973,219</u>	<u>3,988,883</u>
Total assets	<u>5,588,177</u>	<u>5,441,559</u>
Deferred outflows of resources (note 13)	42,459	60,883
Total assets and deferred outflows of resources	<u>5,630,636</u>	<u>5,502,442</u>
Liabilities and deferred inflows:		
Current liabilities:		
Accrued expenses and interest payable	48,290	50,132
Unearned revenue (note 6)	15,901	35,963
Loan commitments and project funds payable	40,202	37,844
Long-term debt (note 8)	213,180	232,395
Other liability (note 9)	9,193	—
Total current liabilities	<u>326,766</u>	<u>356,334</u>
Noncurrent liabilities:		
Liability for derivative instruments (note 12)	4,644	3,516
Long-term debt, net (note 8)	2,511,164	2,529,797
Total noncurrent liabilities	<u>2,515,808</u>	<u>2,533,313</u>
Total liabilities	<u>2,842,574</u>	<u>2,889,647</u>
Deferred inflows of resources (note 2)	45,391	34,499
Total liabilities and deferred inflows of resources	<u>2,887,965</u>	<u>2,924,146</u>
Net position:		
Restricted for program purposes (note 10)	2,144,965	2,049,875
Unrestricted (note 10)	597,706	528,421
Commitments (note 11)	—	—
Total net position	<u>\$ 2,742,671</u>	<u>2,578,296</u>

See accompanying notes to financial statements.

MASSACHUSETTS CLEAN WATER TRUST
(A Component Unit of the Commonwealth of Massachusetts)
Statements of Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2020 and 2019
(In thousands)

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Loan servicing fees	\$ 5,454	5,479
Loan origination fees	83	1,542
Interest income	111,526	119,554
Unrealized gain on investments	20,814	14,994
Contract assistance from Commonwealth of Massachusetts	32,172	24,401
Total operating revenues	<u>170,049</u>	<u>165,970</u>
Operating expenses:		
Commonwealth of Massachusetts:		
Department of Environmental Protection – programmatic support costs	9,374	8,731
Principal forgiveness	21,097	7,698
General and administrative	3,263	2,693
Arbitrage rebate payments	12,242	1,468
Interest expense	94,839	104,561
Total operating expenses	<u>140,815</u>	<u>125,151</u>
Operating income	<u>29,234</u>	<u>40,819</u>
Nonoperating revenue:		
Grant revenue:		
U.S. Environmental Protection Agency capitalization grants (note 6)	99,545	75,285
Commonwealth of Massachusetts grants (note 6)	35,596	16,054
Total nonoperating revenue	<u>135,141</u>	<u>91,339</u>
Increase in net position	164,375	132,158
Net position – beginning of year	<u>2,578,296</u>	<u>2,446,138</u>
Net position – end of year	<u>\$ 2,742,671</u>	<u>2,578,296</u>

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended June 30, 2020 and 2019

(In thousands)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Other cash received from borrowers	\$ 5,537	7,020
Cash paid to vendors	<u>(24,754)</u>	<u>(12,888)</u>
Net cash used in operating activities	<u>(19,217)</u>	<u>(5,868)</u>
Cash flows from noncapital financing activities:		
Bond proceeds	348,595	189,523
Cash used in debt refunding	(110,259)	(98,235)
Repayment of bonds	(232,395)	(230,280)
Interest paid	(117,860)	(126,609)
Proceeds from U.S. Environmental Protection Agency capitalization grants	84,742	73,879
Proceeds from Commonwealth grants	35,601	21,051
Proceeds received for Cape Cod and Islands Water Protection Fund	<u>9,193</u>	<u>—</u>
Net cash provided by (used in) noncapital financing activities	<u>17,617</u>	<u>(170,671)</u>
Cash flows from investing activities:		
Loans disbursed to recipients	(340,174)	(353,380)
Cash received from borrowers	262,899	255,814
Contract assistance received – principal	39,928	47,475
Interest received	108,830	113,345
Contract assistance received – interest	23,456	25,908
Purchases of investments	(3,290)	(4,482)
Cash received from termination of guaranteed investment contracts	—	24,093
Sales/maturities of investments, net	<u>75,376</u>	<u>78,989</u>
Net cash provided by investing activities	<u>167,025</u>	<u>187,762</u>
Net increase in cash and cash equivalents	165,425	11,223
Cash and cash equivalents, beginning of year	<u>489,850</u>	<u>478,627</u>
Cash and cash equivalents, end of year	<u>\$ 655,275</u>	<u>489,850</u>
Reconciliation of operating income to net cash used in operating activities:		
Operating income	\$ 29,234	40,819
Adjustments to reconcile operating income to net cash used in operating activities:		
Reclassification of:		
Interest income	(111,526)	(119,554)
Unrealized gain on investments	(20,814)	(14,994)
Contract assistance	(32,172)	(24,401)
Interest expense	94,839	104,561
Principal forgiveness	21,097	7,698
Changes in operating assets and liabilities:		
Other assets and liabilities, net	<u>125</u>	<u>3</u>
Net cash used in operating activities	<u>\$ (19,217)</u>	<u>(5,868)</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2020 and 2019

(Dollars in thousands, unless noted)

(1) General

(a) Organization

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

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

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

(b) Description of Business

The Trust, in collaboration with the Massachusetts Department of Environmental Protection (MassDEP), helps communities build or replace water quality infrastructure that enhances ground and surface water resources, ensures the safety of drinking water, protects public health and develops resilient communities. It accomplishes these objectives by providing low-interest loans and grants to cities, towns and water utilities through the Massachusetts State Revolving Funds (SRFs). The SRF programs are partnerships between the United States Environmental Protection Agency (EPA) and the Trust. SRFs function like an environmental infrastructure bank by financing water infrastructure projects.

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

The Trust uses a "leveraged model" to provide funding in excess of the federal and state grants. Bonds are issued in the capital markets and are secured by borrower repayments and reserve funds. The proceeds from the bonds are used to provide capital for new below market rate loans to borrowers for water infrastructure. This model has allowed the Trust to finance approximately \$7.6 billion in water infrastructure projects from nearly \$2.6 billion in federal grants and state matching funds.

The Trust's loan process is dictated by an annual list of projects the Trust commits to finance called the Intended Use Plan (IUP). MassDEP compiles two IUPs annually, one for each SRF program. Project eligibility is determined by the Clean Water Act and the Drinking Water Act for the Clean Water SRF

(Continued)

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

Notes to Financial Statements

June 30, 2020 and 2019

(Dollars in thousands, unless noted)

and Drinking Water SRF, respectively. Projects that apply for financing are selected 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 Clean Water SRF projects, the program emphasizes watershed management priorities, stormwater management, green infrastructure, and encourages communities to undertake projects with meaningful water quality and public health benefits. Drinking Water SRF projects emphasize compliance with federal and state water requirements to protect the public health while addressing the Commonwealth's drinking water needs. MassDEP compiles the annual IUPs using this rigorous selection process that establishes the Commonwealth's priorities for the upcoming year.

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

(2) Summary of Significant Accounting Policies

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

(a) Basis of Presentation

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

(b) Revenue Recognition

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

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

The Trust's federal capitalization grants require a portion of the grant funds be provided as additional subsidization in the form of principal forgiveness, grants, or negative interest loans. The Trust provides

(Continued)

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

Notes to Financial Statements

June 30, 2020 and 2019

(Dollars in thousands, unless noted)

the additional subsidization in the form of principal forgiveness, which has been recorded as an operating expense.

(c) Cash and Cash Equivalents

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

(d) Investments

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

The Trust categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. GASB 72, *Fair Value Measurement and Application* defines a certain hierarchy of inputs to valuation techniques used to measure fair value. All of 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 MMDT is valued at the share value of \$1.00 and carried at fair value. The Short Term Bond Portfolio investments are carried at fair value. For purposes of risk categorization, MMDT shares are not categorized. The GICs are considered nonparticipating investment contracts and are also excluded from the Statement on fair value measurement. These investment values will continue to be measured in accordance with existing accounting standards and are recorded at contract value.

(e) Allowance for Uncollectible Amounts and Principal Forgiveness

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

Loans are reported net of principal forgiveness expected to be provided upon project completion. The amount of principal forgiveness is determined by the Trust's board and is recorded on a first-in, first-out

(Continued)

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

Notes to Financial Statements

June 30, 2020 and 2019

(Dollars in thousands, unless noted)

basis as disbursements are processed, up to the total amount of the principal forgiveness awarded to the individual loans.

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

The Trust may charge loan origination fees from borrowers. Payments would be collected at the time of the first debt service payment. This origination fee revenue, if any, is recorded at the time of the bond closing which is when these fees are earned. Cost of issuance related to the bonds is recorded to general and administrative expenses when incurred.

(g) *Risk Financing*

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

(h) *Bond Premium*

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

(i) *Deferred Inflows and Outflows of Resources*

The Trust accounts for certain transactions that result in the consumption or acquisition in one period that are applicable to future periods as deferred outflows and deferred inflows of resources, respectively, to distinguish them from assets and liabilities. For fiscal year 2020, the Trust has reported deferred inflows of resources that represent the funds received from the Commonwealth in the amount of \$45,391 that will be used to provide future additional subsidies. For fiscal years 2020 and 2019, the Trust has reported deferred outflows of resources pertaining to its hedging derivative instruments and to the accounting losses on its debt refunding transactions. Refer to note 8 and note 12.

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

(k) *Reclassifications*

Certain reclassifications have been made to the FY 2019 balances to conform to the presentation used in FY 2020.

(Continued)

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

Notes to Financial Statements

June 30, 2020 and 2019

(Dollars in thousands, unless noted)

(3) Cash and Cash Equivalents

Cash and cash equivalents for the years ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Program equity funds	\$ 470,781	336,272
Revenue funds	25,029	29,512
Administrative funds	32,024	31,711
State match funds	17,011	16,791
Rebate funds	9,283	9,578
Additional subsidy funds	90,120 (a)	63,812
Cape Cod and Islands Water Protection Fund	9,193	—
Other cash funds	<u>1,834</u>	<u>2,174</u>
Total cash and cash equivalents	<u>\$ 655,275</u>	<u>489,850</u>

(a) Includes \$19,700 grant funding from the Commonwealth for polyfluoroalkyl substances (PFAS) remediation projects and increase project capacity.

The Trust's cash and cash equivalents primarily consist of the SRF program equity funds. Use of these funds are governed by the Clean Water Act and Safe Drinking Water Act and are required to be kept in perpetuity in support of the State Revolving Fund. These funds are derived from: (1) funds drawn by the Trust from federal capitalization grants and Commonwealth matching funds; (2) other amounts paid to the Trust representing financial assistance provided pursuant to the Act for purposes of deposit in the SRF programs; (3) other amounts appropriated to the Trust by the Commonwealth for purposes of the SRF programs; (4) borrower loan repayments; (5) interest earnings on investments or deposits of amounts held in the program equity accounts; (6) proportional amounts released from the pledged assets available as a result of loan repayments in accordance with the provisions specified in the applicable bond resolutions; and (7) other amounts derived from financing activities of the Trust.

Revenue fund balances primarily represent proceeds collected from the Trust's specific revenue sources: borrower repayments, pledged assets earnings and contract assistance that are restricted or committed for specific purposes including debt service. Administrative funds are primarily funded with the annual loan servicing fee equal to 0.15% of outstanding loan principal charged pursuant to financing agreements, all origination fees payable to any loan, and any other amount received by the Trust for such purposes and applied to the payment of reimbursement of administrative costs of the Trust. Rebate funds represent amounts set aside to pay arbitrage rebate liabilities to the United States Treasury when due. State match funds represents the net balance of the Commonwealth matching grant and related interest earnings. Additional subsidy funds consist of additional contract assistance funds set aside by the Commonwealth to provide future subsidies, the amount and timing of which will be determined by the Board. During fiscal year 2020, the Board of Trustees approved an additional subsidy pursuant to Chapter 259 of the Acts of 2014 in the amount of \$19,866. In fiscal year 2020, a separate fund was established to hold the expanded room occupancy excise tax revenue on short-term rentals on behalf of the Cape Cod and Islands Water

(Continued)

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

Notes to Financial Statements

June 30, 2020 and 2019

(Dollars in thousands, unless noted)

Protection Fund ("CCIWPF") Management Board. Refer to note 9 for additional information on the CCIWPF.

Cash and cash equivalents include investments in Massachusetts Municipal Depository Trust (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 fair value.

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

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Trust's deposits may not be returned to it. Cash balances represent amounts held in bank depository accounts that may be subject to custodial credit risk. The Trust had no significant amount of cash on deposit with banks at June 30, 2020 and 2019.

(4) Project Fund Deposits

The project fund deposits are held by the Trustee and disbursed in accordance with executed loan agreements. Project fund deposits are disbursed to borrowers for eligible project costs as needed. These funds are restricted and are to be disbursed solely for the applicable project costs associated with the applicable loan financing agreement. When all costs have been paid, any amounts remaining unexpended in the project fund deposits will normally be applied to the repayment of the applicable borrower's principal. Project fund deposits are invested as part of the MMDT Cash Portfolio. As of June 30, 2020, and 2019, the Trust had \$42,430 and \$38,988, respectively, held in project fund deposits related to executed loan agreements for State Revolving Fund Bonds.

(5) Investments

Investments primarily consist of debt service reserve accounts that were established as security for certain series of bonds issued by the Trust. The amount deposited in each debt service reserve account was determined at the time of the issuance of the bonds and varied from 33% to 50% of the par amount of the bonds issued. In most cases, debt service reserve funds were funded from the SRF program equity accounts. Interest earnings on the debt service reserve accounts are used for debt service payments. The Trust's debt service reserve accounts are invested in either GICs or U.S. Treasuries and Agencies.

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

(Continued)

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

Notes to Financial Statements

June 30, 2020 and 2019

(Dollars in thousands, unless noted)

investment balance continues to decline as scheduled maturities occur. The table below provides details of the Trust's debt service reserve funds as of June 30, 2020 and 2019.

Debt Service Reserve Funds			
Provider	Bond series	2020	2019
GICs:			
Mass Mutual Financial Group	Series 9, 1999A Ref	\$ 106,402	119,329
FSA Capital Management Services, LLC.	Series 6, 11, 2004A Ref, 2014 Ref	93,033	108,905
Natixis Funding Corporation	Series 6, 7, 8, 2002A Ref	80,912	98,210
Citigroup Global Markets Inc.	Series 12, 2006 Ref	60,627	68,498
	Total GICs	340,974	394,942
U.S. Treasuries and Agencies	Series 6, 7, 8, 9, 12, 15, 2014 Ref	157,798	153,617
Total debt service reserve fund investments		\$ 498,772	548,559

A portion of the Trust's program equity funds are invested as follows.

	2020	2019
U.S Treasuries and Agencies	\$ 110,929	112,350
MMDT Short-Term Bond portfolio	100,370	98,185
Citigroup Global Markets Inc. GIC	543	608
	\$ 211,842	211,143

In fiscal year 2019, Series 14 bonds were partially defeased by the Trust. There was a debt service reserve fund pledged to the Series 14 bonds that was invested in U.S. Treasuries and Agencies. As this debt service reserve fund was no longer required to secure the bonds, these investments were transferred to the program equity fund.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The following list sets forth the GIC providers with which the Trust's investments exceed 5% of the Trust's total investment balance.

Provider	2020		2019	
Mass Mutual Financial Group	\$	106,402	15 %	\$ 119,329
FSA Capital Management Services, LLC.		93,033	13	108,905
Natixis Funding Corp.		80,912	11	98,210
Citigroup Global Markets Inc.		61,170	9	69,107

(Continued)

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

Notes to Financial Statements

June 30, 2020 and 2019

(Dollars in thousands, unless noted)

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

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

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

For the years ended June 30, 2020 and 2019 the Trust’s total investment portfolio matures as follows:

June 30, 2020				
	GICs	U.S. Treasuries and Agencies	MMDT short-term bond portfolio	Total investments
Less than 1 year	\$ 85,237	20,691	100,370	206,298
One to five years	181,703	89,840	—	271,543
Six to ten years	53,682	95,482	—	149,164
More than ten years	20,895	62,714	—	83,609
	<u>\$ 341,517</u>	<u>268,727</u>	<u>100,370</u>	<u>710,614</u>

(Continued)

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

Notes to Financial Statements

June 30, 2020 and 2019

(Dollars in thousands, unless noted)

June 30, 2019				
	GICs	U.S. Treasuries and Agencies	MMDT short-term bond portfolio	Total investments
Less than 1 year	\$ 88,364	18,192	98,185	204,741
One to five years	210,803	83,619	—	294,422
Six to ten years	68,786	99,863	—	168,649
More than ten years	27,598	64,292	—	91,890
	<u>\$ 395,551</u>	<u>265,966</u>	<u>98,185</u>	<u>759,702</u>

In fiscal year 2019, the Trust terminated its investment with the GIC provider, Portigon, in exchange for cash proceeds in the amount of \$24,093.

(6) Capitalization Grants

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

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

Each of these grants require the Trust to provide a portion of the grant funds as additional subsidy to eligible recipients in the form of forgiveness of principal, negative interest loans, or grants (or any combination of these). The clean water and drinking water grants required subsidy is 10% and 20%, respectively, of the funds available under the respective capitalization grants. Additionally, the Trust provides additional subsidy through contract assistance received from the Commonwealth of Massachusetts intending to match the federal amount. For the 2018 grants this amounted to \$10,899,000 and is expected to total approximately \$12,000,000 for the 2019 grant.

The Trust provides the additional subsidy in the form of loan forgiveness based on the affordability tier system based upon its established affordability criteria. The highest level of subsidy goes to communities that are below 60% of the statewide Adjusted Per Capita Income (APCI). The second level of subsidy goes to those communities that fall within 60-80% of the statewide APCI. The third level of subsidy goes to those communities between 80-100% of the statewide APCI.

(Continued)

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

Notes to Financial Statements

June 30, 2020 and 2019

(Dollars in thousands, unless noted)

States may opt to transfer a portion of its clean water capitalization grant, not to exceed 33 percent of its drinking water SRF capitalization grant, to the drinking water SRF program. The Trust has taken advantage of this option in each year beginning with its 2013 clean water capitalization grant to provide additional capacity to its drinking water program.

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.

The following table depicts the Trust's grant receivable by program:

	EPA Grant Receivable			State Match		
	Clean Water	Drinking Water	Total Program	Clean Water	Drinking Water	Total Program
Grants receivable at June 30, 2018	\$ 38,780	1,756	40,536	—	—	—
Project Grant Award/Match – FFY 2018	52,315	20,361	72,676	10,463	5,155	15,618
Admin/Set Asides Grant – FFY 2018	2,180	5,413	7,593	436	—	436
Total Grant Award/Match	54,495	25,774	80,269	10,899	5,155	16,054
Grant Funds Draw n	(49,521)	(24,358)	(73,879)	(10,899)	(5,155)	(16,054)
Grants receivable at June 30, 2019	43,754	3,172	46,926	—	—	—
Project Grant Award/Match – FFY 2019	51,788	20,171	71,959	10,358	5,107	15,465
Admin/Set Asides Grant – FFY 2019	2,158	5,362	7,520	431	—	431
Total Grant Award/Match	53,946	25,533	79,479	10,789	5,107	15,896
Grant Funds Draw n	(65,072)	(19,670)	(84,742)	(10,789)	(5,107)	(15,896)
Grants receivable at June 30, 2020	\$ 32,628	9,035	41,663	—	—	—

Federal grant revenue is recognized in accordance with the funding schedules contained within the individual grant agreements. 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 table depicts the Trust's capitalization grant revenue by grant:

	Clean Water Program		Drinking Water Program		Total Programs	
	2020	2019	2020	2019	2020	2019
Federal FY 2019 grant	\$ 53,946	—	25,533	—	79,479	—
Federal FY 2018 grant	13,623	40,871	6,443	19,331	20,066	60,202
Federal FY 2017 grant	—	11,253	—	3,830	—	15,083
Total grant revenue – EPA	\$ 67,569	52,124	31,976	23,161	99,545	75,285
State grant – FY 2020	\$ —	—	19,700	—	19,700	—
State match – FY 2019 grant	10,789	—	5,107	—	15,896	—
State match – FY 2018 grant	—	10,899	—	5,155	—	16,054
Total grant revenue – State	\$ 10,789	10,899	24,807	5,155	35,596	16,054

(Continued)

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

Notes to Financial Statements

June 30, 2020 and 2019

(Dollars in thousands, unless noted)

In fiscal year 2020, pursuant to chapter 142 of the Acts of 2019, the Trust received a \$10,650,000 operating transfer from the Commonwealth to support drinking water programs to remediate per- and polyfluoroalkyl substances (PFAS) contamination of public water supplies, including, but not limited to no-interest loans. Additionally, the Trust received \$9,050,000 to support its purposes as set forth in chapter 29C of the General Laws, including to increase project capacity.

(7) Loans Receivable and Bonds Purchased

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

A summary of loan receivables as of June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Leveraged loans	\$ 3,147,216	3,174,838
Direct loans pledged for bond debt service	607,616	536,978
Other direct loans	<u>6,511</u>	<u>7,139</u>
Total permanently financed loans receivable	3,761,343	3,718,955
Interim loans	381,839	371,833
Principal forgiveness	<u>(53,465)</u>	<u>(35,298)</u>
Total loans receivable	4,089,717	4,055,490
Less current portion loans receivable	<u>620,814</u>	<u>621,568</u>
Long-term portion – loans receivable	<u>\$ 3,468,903</u>	<u>3,433,922</u>

Each loan to a borrower is in the form of either a loan or a bond purchase agreement and is pursuant to a financing agreement between the Trust and the borrower. Pursuant to an agreement made with the EPA, projects financed for greater than 20 years are financed through a bond purchase agreement. Pursuant to the financing agreements, each borrower delivers its own general or special obligation bond to the Trust referred to as a "local bond," in order to secure its loan repayment obligations. The Trust may provide loans under its Clean Water SRF and Drinking Water SRF programs with terms up to 30 years, but in no event does the Trust make a loan longer than the expected useful life of the project financed or refinanced by such loan. The Trust's loans to borrowers are funded either through SRF bond proceeds (leveraged loans) or funded with SRF program equity funds (direct loans).

The Trust recognizes the need for construction funds to be available to 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. 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 as a

(Continued)

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

Notes to Financial Statements

June 30, 2020 and 2019

(Dollars in thousands, unless noted)

zero percent interest rate. The interim loan receivable balances were \$381,839 and \$371,833 as of June 30, 2020 and 2019, respectively.

The Trust offers principal forgiveness to borrowers, based on eligibility criteria defined by the Trust's board. Principal forgiveness can assist borrowers in their efforts to comply with water quality standards by making projects even more affordable. Loans funded by principal forgiveness grants are advanced to local agencies on a cost reimbursement basis up to the amount of the awarded principal forgiveness. The amount of interim loan balances for which a subsidy was provided in the form of principal forgiveness was \$53,465 and \$35,298, at June 30, 2020 and 2019, respectively. The subsidized interim loan amounts will be legally forgiven as the applicable projects are completed. Loan agreements require repayment of the forgiven loan if all program requirements are not met.

Interim loans totaling \$267,058 were permanently financed as part of the Trust's Series 22 bond issuance in October 2019. Interim loans totaling \$199,547 were permanently financed as leveraged loans, that is, bond proceeds were used to replenish the program equity funds that were used to fund these project loan expenses prior to the bond issuance. Additional \$38,334 of bond proceeds were deposited to project funds for the remaining project expenses for these leveraged loans. Interim loans totaling \$67,511 were permanently financed as direct loans, that is, program equity funds were used to fund these project loan expenses. An additional \$27,533 of program equity funds were deposited to project funds for the remaining project expenses for these direct loans. The Trust pledged \$95,044 of its direct loans to the MTA Bonds. The interest collected on these loans will be applied to pay a portion of the debt service on the Series 22 bonds, thereby supplementing the loan repayment obligations of the local borrowers while the principal payments collected on the direct loans are pledged as further security for the Trust's bonds. The MTA bonds are the fifth Series of Trust SRF Bonds to use this approach. As of June 30, 2020, the Trust has \$614,127 in direct loans pledged for the purpose of paying debt service on Trust bonds.

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

	Leveraged loans	Direct loans used for bond debt service	Other direct loans	Total permanently financed loans
Years ending June 30:				
2021	\$ 264,227	27,592	620	292,439
2022	251,520	28,065	629	280,214
2023	257,422	28,623	629	286,674
2024	245,748	29,193	629	275,570
2025	230,952	29,776	630	261,358
2026–2030	938,725	149,025	3,129	1,090,879
2031–2035	614,274	140,779	245	755,298
2036–2040	285,118	78,691	—	363,809
2041–2045	52,834	60,427	—	113,261
2046–2050	6,396	35,445	—	41,841
	<u>\$ 3,147,216</u>	<u>607,616</u>	<u>6,511</u>	<u>3,761,343</u>

(Continued)

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

Notes to Financial Statements

June 30, 2020 and 2019

(Dollars in thousands, unless noted)

The Trust's loans to its borrowers are subsidized by interest earnings on its pledged assets which include debt service reserve funds, direct loans and contract assistance provided to the Trust by the Commonwealth. Although borrowers are obligated to the Trust to make scheduled payments, these subsidies are expected to be available for the duration of the loan financing agreements. The Commonwealth has committed to provide contract assistance as subsidy to borrowers' debt service obligations in the amount of \$202,219 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.

(8) Bonds Payable

The Trust issues special obligation bonds under its SRF programs to provide low cost financing to cities, towns and other eligible borrowers primarily for the construction and improvement of drinking water and wastewater infrastructure. Coupons on the bonds range from approximately 2.0% to 5.3% and each series is payable semiannually with the latest maturity occurring in FY 2047. The financial assistance is provided pursuant to leveraged loans and bond purchase agreements between the Trust and each borrower as described in note 7.

The Trust issues its bonds under and secured by the Master Trust Agreement (MTA) dated as of January 1, 2015. The Trust entered into the MTA to replace the Program Resolution and to create a simpler security framework for the Trust's SRF Bonds. The Trust has been issuing bonds under the MTA beginning with its Series 18 Bonds and expects to continue to conduct its SRF program through the Master Trust Agreement. The Trust's prior bonds were issued pursuant to the Program Resolution to finance or refinance loans to several Borrowers concurrently (Pool Loan Program Bonds) or to finance or refinance loans to a single Borrower (Prior Single Obligor Bonds). The Prior Single Obligor Bonds were issued to provide loans to the following three obligors: (1) the Massachusetts Water Resources Authority (MWRA); (2) the South Essex Sewerage District (SESD); and (3) the City of New Bedford. As of June 30, 2020, and 2019, there are no longer Single Obligor Bonds outstanding for SESD or the City of New Bedford. The City of New Bedford, MWRA and SESD also are borrowers under the Trust's Pool Loan Program Bonds and the MTA Bonds.

The Series 22 Bonds, issued on October 24, 2019, was the fifth Series of the Trust's bonds to be issued under and secured by the Master Trust Agreement (MTA). MTA Bonds are payable solely from the funds pledged to the MTA which include repayments on all loans financed through the MTA Program, together with contract assistance payments, and earnings on certain funds held under the MTA. All other Series of Trust bonds are payable from amounts pledged pursuant to the individual Water Pollution Abatement and Drinking Water Project Bond Resolutions, which include payments by local governmental units of principal and interest on the loans, contract assistance, and earnings on amounts on deposit in the Debt Service Reserve Funds or interest received on certain direct loans made by the Trust.

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

(Continued)

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

Notes to Financial Statements

June 30, 2020 and 2019

(Dollars in thousands, unless noted)

The following is a summary of bonds payable at June 30, 2020 and 2019:

Bond issue	Program	Issue date	Final maturity	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Due within one year
Senior revenue bonds:								
Series 6	Pool Loan	11/8/2000	8/1/2023	\$ 3,165	—	260	2,905	255
Series 7	Pool Loan	7/26/2001	2/1/2023	1,285	—	245	1,040	250
Series 2002A	MWRA	10/31/2002	8/1/2032	6,430	—	805	5,625	755
Series 8	Pool Loan	11/26/2002	8/1/2026	6,025	—	1,045	4,980	815
Series 9	Pool Loan	11/6/2003	8/1/2027	8,795	—	1,295	7,500	1,110
Series 11	Pool Loan	11/16/2005	8/1/2025	29,065	—	11,915	17,150	550
Series 12	Pool Loan	12/14/2006	8/1/2026	22,830	—	—	22,830	—
Series 14	Pool Loan	3/18/2009	8/1/2019	15,965	—	15,965	—	—
Series 15	Pool Loan	6/8/2010	8/1/2040	292,790	—	19,685	273,105	20,510
Series 16 A and B	Pool Loan	6/13/2012	8/1/2025	132,430	—	118,725	13,705	10,835
Series 17 A and B	Pool Loan	5/22/2013	2/1/2043	156,340	—	8,280	148,060	8,600
Series 18	MTA	1/7/2015	2/1/2045	196,945	—	8,440	188,505	8,715
Series 19	MTA	2/11/2016	2/1/2046	183,890	—	8,640	175,250	8,985
Series 20	MTA	4/13/2017	2/1/2047	193,340	—	7,075	186,265	7,205
Series 21	MTA	9/12/2018	8/1/2038	163,460	—	6,100	157,360	6,375
Series 22	MTA	10/24/2019	8/1/2039	—	191,610	—	191,610	6,945
Subordinated revenue refunding bonds:								
Series 1999A	MWRA	11/3/1999	8/1/2029	19,845	—	16,000	3,845	—
Series 2004A	Pool Loan	9/9/2004	8/1/2027	119,890	—	42,870	77,020	34,620
Series 2006	Pool Loan	12/14/2006	8/1/2034	339,355	—	26,335	313,020	41,720
Series 2009A	Pool Loan	8/11/2009	8/1/2019	18,275	—	18,275	—	—
Series 2010A	Pool Loan	6/8/2010	2/1/2020	2,520	—	2,520	—	—
Series 2012A	Pool Loan	6/13/2012	8/1/2032	43,855	—	—	43,855	—
Series 2014	Pool Loan	6/12/2014	8/1/2028	403,865	—	26,205	377,660	54,935
Series 2017	MTA	4/13/2017	8/1/2029	96,280	—	—	96,280	—
Series 2020	MTA	5/21/2020	8/1/2042	—	87,305	—	87,305	—
Subtotal				2,456,640	278,915	340,680	2,394,875	213,180
Add unamortized bond premiums				305,552	69,680	45,763	329,469	—
Total bonds payable				\$ 2,762,192	348,595	386,443	2,724,344	213,180

The Trust designated its Series 15B Bonds as “Build America Bonds” (“BABs”) for purposes of the American Recovery and Reinvestment Act of 2009 (“ARRA”) and is thereby entitled to receive cash subsidy payments from the United States Treasury (“Federal Subsidy Payments”) equal to 35% of the interest payable on the Series 15B Bonds provided it makes certain required filings in accordance with applicable federal rules pertaining to the Federal Subsidy Payments. Receipt of Federal Subsidy Payments by the Trust has been and will be adversely affected by implementation of certain provisions of federal law. In federal fiscal year 2016, such payments were subject to a sequestration reduction of 6.8%, with the Bipartisan Budget Act of 2015, approved by the President on November 2, 2015, extending the sequestration provisions through federal fiscal year 2025. For federal fiscal years 2017, 2018, 2019, and 2020 such payments were subject to reductions of 6.9%, 6.6%, 6.2% and 5.9%, respectively.

On October 24, 2019, the Trust issued State Revolving Fund Bonds Series 22 (Green Bonds) in the amount of \$191,610 with a premium of \$46,273. The Trust has designated the Series 22 bonds 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. Series 22 Bond proceeds were applied to fund \$237,881 in loans for clean water and drinking water projects under the SRF. The

(Continued)

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

Notes to Financial Statements

June 30, 2020 and 2019

(Dollars in thousands, unless noted)

Trust anticipates expending all the proceeds within three years. In connection with the issuance of the Series 22 bonds, the Trust pledged \$95,044 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.

On June 13, 2019, the Trust used \$98,235 of its program equity to defease a portion of the State Revolving Bonds, Series 14. This equity was deposited with an escrow agent to provide resources for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements. The total debt defeased through this transaction was \$95,885, resulting in a cash flow savings of \$62,379.

The following is a summary of bonds payable at June 30, 2019 and 2018:

Bond issue	Program	Issue date	Final maturity	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due within one year
Senior revenue bonds:								
Series 6	Pool Loan	11/8/2000	8/1/2023	\$ 3,165	—	—	3,165	260
Series 7	Pool Loan	7/26/2001	2/1/2023	1,530	—	245	1,285	245
Series 2002A	MWRA	10/31/2002	8/1/2032	7,280	—	850	6,430	805
Series 8	Pool Loan	11/26/2002	8/1/2026	7,280	—	1,255	6,025	1,045
Series 9	Pool Loan	11/6/2003	8/1/2027	12,415	—	3,620	8,795	1,295
Series 11	Pool Loan	11/16/2005	8/1/2025	41,490	—	12,425	29,065	11,915
Series 12	Pool Loan	12/14/2006	8/1/2026	22,830	—	—	22,830	—
Series 14	Pool Loan	3/18/2009	8/1/2019	129,415	—	113,450	15,965	15,965
Series 15	Pool Loan	6/8/2010	8/1/2040	311,690	—	18,900	292,790	19,685
Series 16 A and B	Pool Loan	6/13/2012	8/1/2042	142,500	—	10,070	132,430	10,440
Series 17 A and B	Pool Loan	5/22/2013	2/1/2043	164,315	—	7,975	156,340	8,280
Series 18	MTA	1/7/2015	2/1/2045	205,150	—	8,205	196,945	8,440
Series 19	MTA	2/11/2016	2/1/2046	192,210	—	8,320	183,890	8,640
Series 20	MTA	4/13/2017	2/1/2047	200,310	—	6,970	193,340	7,075
Series 21	MTA	9/12/2018	8/1/2038	—	163,460	—	163,460	6,100
Subordinated revenue refunding bonds:								
Series 1999A	MWRA	11/3/1999	8/1/2029	36,595	—	16,750	19,845	16,000
Series 2004A	Pool Loan	9/9/2004	8/1/2027	161,320	—	41,430	119,890	42,870
Series 2006	Pool Loan	12/14/2006	8/1/2034	362,235	—	22,880	339,355	26,335
Series 2009A	Pool Loan	8/11/2009	8/1/2019	34,770	—	16,495	18,275	18,275
Series 2010A	Pool Loan	6/8/2010	2/1/2020	4,915	—	2,395	2,520	2,520
Series 2012A	Pool Loan	6/13/2012	8/1/2032	46,340	—	2,485	43,855	—
Series 2014	Pool Loan	6/12/2014	8/1/2028	435,310	—	31,445	403,865	26,205
Series 2017	MTA	4/13/2017	8/1/2029	96,280	—	—	96,280	—
Subtotal				2,619,345	163,460	326,165	2,456,640	232,395
Add unamortized bond premiums				313,333	26,063	33,844	305,552	—
Total bonds payable				<u>\$ 2,932,678</u>	<u>189,523</u>	<u>360,009</u>	<u>2,762,192</u>	<u>232,395</u>

(Continued)

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

Notes to Financial Statements

June 30, 2020 and 2019

(Dollars in thousands, unless noted)

At June 30, 2020, debt service requirements to maturity for principal and interest are as follows:

	Total debt service	Principal	Interest
Year ending June 30:			
2021	\$ 325,421	213,180	112,241
2022	301,409	198,440	102,969
2023	301,145	208,195	92,950
2024	275,992	192,510	83,482
2025	257,936	183,460	74,476
2026–2030	957,894	703,910	253,984
2031–2035	555,069	441,075	113,994
2036–2040	234,807	199,185	35,622
2041–2045	55,402	48,040	7,362
2046–2050	7,335	6,880	455
Total debt service requirements	\$ <u>3,272,410</u>	<u>2,394,875</u>	<u>877,535</u>

The Trust defeased certain bonds by purchasing securities from the proceeds of advance refunding bonds or from surplus program funds and placing them in irrevocable trusts to provide for all future debt service payments on the defeased bonds. The trust account assets and the liabilities for the defeased bonds are not included in the financial statements. The balance of bonds defeased in irrevocable trusts outstanding as of June 30, 2020, are as follows:

Description	Redemption date	Final escrow payment date	Outstanding principal amount	
			2020	2019
Series 14	6/12/2014	8/1/2019	\$ —	137,595
Series 15	4/13/2017	8/1/2020	18,320	18,320
Series 16	4/13/2017	8/1/2020	54,285	54,285
Series 2012	4/13/2017	8/1/2022	29,660	29,660
Series 2009A	6/13/2018	8/1/2019	—	99,695
Series 2010A	6/13/2018	2/1/2020	—	17,875
Series 14	6/6/2019	8/1/2019	—	95,885
Series 16	5/21/2020	8/1/2020	108,285	—

(Continued)

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

Notes to Financial Statements

June 30, 2020 and 2019

(Dollars in thousands, unless noted)

When the Trust refunds its bonds, it calculates the difference between the reacquisition price and the net carrying amount of the bonds being refunded. The resulting accounting gain or loss is recorded as deferred outflow of resources on the Statement of Net Position and is amortized generally over the life of the refunding bonds. The net loss on debt refunding as of June 30, 2020 is as follows:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 57,367	66,715
Gain on Series 16 Refunding	12,010	—
Amortization	<u>(7,542)</u>	<u>(9,348)</u>
Ending balance	\$ <u>37,815</u>	<u>57,367</u>

(9) Other Liability

As of June 30, 2020, the Trust has a \$9,193 liability for the separate 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 Management Board. The Cape Cod and Islands Water Protection Fund ("CCIWPF") was established pursuant to Chapter 337 of the Acts of 2018 "Act Regulating and Insuring Short-Term Rentals (the "Act"). 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 Fund. 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. The Trust shall apply and disburse amounts credited to the fund, without further appropriation, subsidies and other assistance, which may include principal forgiveness, to municipalities that are members of the Fund in the payment of debt service costs on loans and other forms of financial assistance made by the Trust for water pollution abatement projects. Amounts credited to the fund shall be expended or applied only with the approval of the Cape Cod and Islands Water Protection Fund Management Board established under Section 20 and in a manner determined by the 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. As of June 30, 2020, the Cape Cod and Islands Water Protection Fund Management Board has not approved funding to be expended or applied to projects.

(10) Net Position

As of June 30, 2020, and 2019, the Trust has a restricted net position in the amount of \$2,144,965 and \$2,049,875, respectively, and an unrestricted net position in the amount of \$597,706 and \$528,421, respectively. Restricted net position represents capitalization grants received cumulative to date from the EPA and corresponding matching amounts received from the Commonwealth, required to revolve back to the program. The capitalization grants are restricted to provide financial assistance, but not grants, to local communities and interstate agencies for the construction of wastewater treatment works, drinking water infrastructure improvements, and other related projects as described in note 1.

(Continued)

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

Notes to Financial Statements

June 30, 2020 and 2019

(Dollars in thousands, unless noted)

(11) Commitment

As of June 30, 2020, and 2019, the Trust has agreed to provide interim financing loans to eligible borrowers amounting to approximately \$299,233 and \$267,330, respectively, excluding loan amounts already disbursed, which will be funded or collateralized with grant awards received by the Trust.

(12) Derivative Transactions

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

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

Terms – Under the terms of these swaps, the Trust agrees to receive a variable rate, based on the Muni-CPI, equal to the amounts due on variable rate bonds issued by the Trust concurrently with the execution of the swap agreement. The Trust agrees to pay a fixed rate to the counterparty. Payments are made semiannually, due August 1 and February 1 of each year, on the same schedule as the fixed rate bonds issued in December 2006. The counterparty is JPMorgan Chase & Co. The terms of each swap agreement are summarized below:

	2022	2023
	Termination	Termination
Trade date	November 21, 2006	November 21, 2006
Effective date	December 14, 2006	December 14, 2006
Termination date	August 1, 2022	August 1, 2023
Notional amount	\$ 30,650	46,605
Fair value at June 30, 2020	(1,559)	(3,085)
Fair value at June 30, 2019	(1,212)	(2,304)
Variable rate bond coupon payments	Muni-CPI* rate + 0.99%	Muni-CPI* rate + 0.99%
Variable rate payment from counterparty	Muni-CPI* rate + 0.99%	Muni-CPI* rate + 0.99%
Fixed-rate payment to counterparty	3.88 %	3.90 %
Synthetic fixed rate on bonds	3.88 %	3.90 %

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

(Continued)

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

Notes to Financial Statements

June 30, 2020 and 2019

(Dollars in thousands, unless noted)

Fair Value – The swaps had an aggregate negative fair value as of June 30, 2020 and 2019, which means on the August 1, 2020 debt service payment date the Trust will make a payment to the swap counterparty. At June 30, 2020 and 2019, the fair value of these swaps is reflected as a liability for derivative instruments and deferred outflows in the accompanying financial statements. GASB defines certain hierarchy of inputs to valuation techniques used to measure fair value. Derivative instruments are classified as Level 2 of the fair value hierarchy using the zero coupon method. This method calculates the future net settlement payments/receipts required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement of the swap. Because all of the interest rate swaps were deemed effective hedges, changes in fair value of the interest rate swaps during the fiscal year ended June 30, 2020 and 2019 were recognized as deferred outflows resulting in no impact on the Statement of Revenues, Expenses, and Changes in Net Position.

Credit Risk – As of June 30, 2020 and 2019, the Trust is not exposed to credit risk because the swaps had a negative fair value. The swap counterparty is JPMorgan Chase & Co. and is rated AA-/Aa1/AA-by S&P Global Ratings, Moody's Investors Service, and Fitch Ratings, respectively. To mitigate credit risk, the Trust has the right to terminate the swap upon a ratings downgrade by the counterparty's credit support provider below BBB-/Baa3 by S&P Global Ratings, and Moody's Investors Service, respectively.

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

(Continued)

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

Notes to Financial Statements

June 30, 2020 and 2019

(Dollars in thousands, unless noted)

Swap Payments and Hedged Debt – In accordance with the swap agreement, the variable rate is calculated using the preceding 3 months' Muni-CPI rate with settlement payments made on the debt service payment dates of February 1 and August 1. As of June 30, 2020, the variable rate was calculated using the May 31, 2020 Muni-CPI rate. Assuming this rate remains the same, the debt service requirements of the variable rate debt and the net swap payments are presented in the table on the following page. As the Muni-CPI rate varies, the variable rate payments on the bonds and the variable rate receipts from the swap are equal, the net debt service will remain fixed.

	Variable rate bonds¹		Net swap payments²	Total debt service
	Principal	Interest		
Fiscal year ending June 30:				
2021	\$ —	851	2,156	3,007
2022	—	851	2,156	3,007
2023	30,650	682	1,730	33,062
2024	46,605	257	652	47,514

¹ Calculated rate uses May 31, 2020 Muni-CPI rate to reflect debt service payment for August 1, 2020.

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

(13) Deferred Outflows of Resources

The following is a summary of deferred outflows of resources at June 30, 2020 and 2019:

	2020	2019
Deferred outflows of resources:		
Derivative instruments (note 12)	\$ 4,644	3,516
Excess of reacquisition price over net carrying value of defeased bonds (note 8)	37,815	57,367
	<u>\$ 42,459</u>	<u>60,883</u>

MASSACHUSETTS CLEAN WATER TRUST
Combining Financial Statements and Schedules
For the Year Ended June 30, 2020 (With Comparative Amounts as of June 30, 2019)

Contents

Narrative

Federally Capitalized State Revolving Fund – is used to account for amounts received and expended from the Federally Capitalized SRF, proposed by Title VI of the Clean Water Act, along with amounts received and expended from the 20% required state matching of federal funding.

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

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

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

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

Supplemental Schedules

Combining Schedule of Net Position	35
Combining Schedule of Revenues, Expenses, and Changes in Net Position	36
Five Year Schedule of Fifteen Largest Borrowers	37
Schedule of SRF Loans Outstanding by Borrower	38-42

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

Massachusetts Clean Water Trust
Combining Schedule of Net Position
June 30, 2020 (With Comparative Amounts as of June 30, 2019)
(in thousands)

	Federally Capitalized State Revolving Fund Loan Program	Federally Capitalized Safe Drinking Water Revolving Fund Loan Program	Commonwealth of Massachusetts Capitalized State Revolving Fund Loan Program	Program for General Operations	Combined Totals 6/30/2020	6/30/2019
Assets and deferred outflows:						
Current assets:						
Cash and cash equivalents	\$ 336,714	\$ 181,312	\$ 105,198	\$ 32,051	\$ 655,275	\$ 489,850
Short-term investments	164,090	19,416	-	22,792	206,298	204,741
Project fund deposits	23,413	19,017	-	-	42,430	38,988
Grants receivable:						
U.S. Environmental Protection Agency	32,628	9,035	-	-	41,663	46,926
Loans receivable, net	476,617	144,141	-	56	620,814	621,568
Accrued interest receivable	37,733	10,711	34	-	48,478	50,603
Total current assets	1,071,195	383,632	105,232	54,899	1,614,958	1,452,676
Noncurrent assets:						
Loans receivable, long-term	2,561,334	907,240	-	329	3,468,903	3,433,922
Long-term investments	418,470	85,846	-	-	504,316	554,961
Total noncurrent assets	2,979,804	993,086	-	329	3,973,219	3,988,883
Total assets	4,050,999	1,376,718	105,232	55,228	5,588,177	5,441,559
Deferred outflows of resources	32,865	9,594	-	-	42,459	60,883
Total assets and deferred outflows of resources	4,083,864	1,386,312	105,232	55,228	5,630,636	5,502,442
Liabilities:						
Current liabilities:						
Accrued expenses and interest payable	33,687	14,395	-	208	48,290	50,132
Unearned revenue	10,791	5,110	-	-	15,901	35,963
Loan commitments and project funds payable	21,323	18,253	626	-	40,202	37,844
Long-term debt	147,592	65,588	-	-	213,180	232,395
Other liability	-	-	9,193	-	9,193	-
Total current liabilities	213,393	103,346	9,819	208	326,766	356,334
Noncurrent liabilities:						
Liability for derivative instruments	3,085	1,559	-	-	4,644	3,516
Long-term debt, net	1,760,133	751,031	-	-	2,511,164	2,529,797
Total noncurrent liabilities	1,763,218	752,590	-	-	2,515,808	2,533,313
Total liabilities	1,976,611	855,936	9,819	208	2,842,574	2,889,647
Deferred inflows of resources	-	-	45,391	-	45,391	34,499
Total liabilities and deferred inflows of resources	1,976,611	855,936	55,210	208	2,887,965	2,924,146
Net position:						
Restricted for program purposes	1,622,526	502,739	19,700	-	2,144,965	2,049,875
Unrestricted	484,727	27,637	30,322	55,020	597,706	528,421
Commitments	-	-	-	-	-	-
Total net position	2,107,253	530,376	50,022	55,020	2,742,671	2,578,296

See Independent Auditors' Report

Massachusetts Clean Water Trust
Combining Schedule of Revenues, Expenses and Changes in Net Position
June 30, 2020 (With Comparative Amounts as of June 30, 2019)
(in thousands)

	Federally Capitalized State Revolving Fund Loan Program	Federally Capitalized Safe Drinking Water Revolving Fund Loan Program	Commonwealth of Massachusetts Capitalized State Revolving Fund Loan Program	Program for General Operations	Combined Totals 6/30/2020	Combined Totals 6/30/2019
OPERATING REVENUES:						
Loan servicing fees	\$ -	\$ -	\$ -	5,454	\$ 5,454	\$ 5,479
Loan origination fees	-	-	-	83	83	1,542
Interest income	83,874	25,457	1,173	1,022	111,526	119,554
Unrealized gain (loss) of investments	18,244	2,570	-	-	20,814	14,994
Contract assistance from Commonwealth of Massachusetts	28,675	3,497	-	-	32,172	24,401
Total operating revenues	130,793	31,524	1,173	6,559	170,049	165,970
OPERATING EXPENSES:						
Commonwealth of Massachusetts:						
Department of Environmental Protection -						
programmatic support costs	1,893	4,367	-	3,114	9,374	8,731
Principal forgiveness	16,241	4,856	-	-	21,097	7,698
General and administrative	-	-	-	3,263	3,263	2,693
InterFund transfers	12,605	(12,141)	-	(464)	-	-
Arbitrage rebate payments	12,242	-	-	-	12,242	1,468
Interest expense	69,004	25,835	-	-	94,839	104,561
Total operating expenses	111,985	22,917	-	5,913	140,815	125,151
OPERATING (LOSS) INCOME	18,808	8,607	1,173	646	29,234	40,819
NONOPERATING REVENUE:						
Capitalization Grant Revenue:						
U.S. Environmental Protection Agency						
capitalization grants	67,569	31,976	-	-	99,545	75,285
Commonwealth of Massachusetts matching grants	10,789	5,107	19,700	-	35,596	16,054
Total nonoperating revenues	78,358	37,083	19,700	-	135,141	91,339
INCREASE IN NET POSITION	97,166	45,690	20,873	646	164,375	132,158
NET POSITION - BEGINNING OF YEAR	2,010,087	484,686	29,149	54,374	2,578,296	2,446,138
NET POSITION - END OF YEAR	\$ 2,107,253	\$ 530,376	\$ 50,022	\$ 55,020	\$ 2,742,671	\$ 2,578,296

See Independent Auditors' Report

MASSACHUSETTS CLEAN WATER TRUST

Five Year Schedule of Fifteen Largest Borrowers

For fiscal years ending June 30, 2016 through June 30, 2020

(in thousands)

BORROWER NAME	June 30, 2020		June 30, 2019		June 30, 2018		June 30, 2017		June 30, 2016	
	Outstanding Loan Amount	% of Loans	Outstanding Loan Amount	% of Loans	Outstanding Loan Amount	% of Loans	Outstanding Loan Amount	% of Loans	Outstanding Loan Amount	% of Loans
Massachusetts Water Resources Authority	\$ 912,802	24.27%	\$ 927,393	24.94%	\$ 942,880	25.42%	\$ 1,007,016	25.24%	\$ 1,035,797	26.34%
City of Fall River	146,067	3.88	141,271	3.80	140,057	3.78	147,324	3.69	148,002	3.76
Upper Blackstone Water Pollution Abatement District	135,782	3.61	125,066	3.36	121,769	3.28	126,813	3.18	132,646	3.37
City of New Bedford	123,059	3.27	102,875	2.77	111,075	3.00	119,934	3.01	114,701	2.92
City of Chicopee	120,216	3.20	126,481	3.40	108,302	2.92	113,126	2.84	90,196	2.29
Springfield Water & Sewer Commission	93,225	2.48	96,673	2.60	102,307	2.76	107,523	2.70	88,758	2.26
City of Lowell	90,348	2.40	70,253	1.89	77,707	2.10	83,396	2.09	74,632	1.90
City of Taunton	79,046	2.10	85,034	2.29	86,743	2.34	93,237	2.34	94,776	2.41
City of Revere	73,682	1.96	62,806	1.69	61,335	1.65	63,419	1.59	28,667	0.73
City of Haverhill	72,084	1.92	43,968	1.18	34,888	0.94	36,956	0.93	28,199	0.72
Town of Nantucket	71,858	1.91	67,420	1.81	47,680	1.29	50,454	1.26	52,883	1.35
Town of Falmouth	69,519	1.85	73,458	1.98	75,128	2.03	78,844	1.98	45,024	1.15
City of Marlborough	67,166	1.79	69,636	1.87	72,212	1.95	75,097	1.88	77,608	1.97
City of Brockton	64,662	1.72	68,776	1.85	73,527	1.98	80,255	2.01	81,643	2.08
City of Fitchburg	57,871	1.54	51,205	1.38	44,299	1.19	48,363	1.21	51,045	1.30
Total all others	1,583,956	42.10%	1,606,640	43.19%	1,608,643	43.37%	1,757,695	44.05%	1,787,182	45.45%
TOTALS AS OF FISCAL YEAR END	\$ 3,761,343	100%	\$ 3,718,955	100%	\$ 3,708,552	100%	\$ 3,989,452	100%	\$ 3,931,759	100%

See Independent Auditors' Report

MASSACHUSETTS CLEAN WATER TRUST

Schedule of Loans Outstanding by Borrower
June 30, 2020

Borrower Name	Loans Securing		Loans Outstanding as of	% of Total Loans Outstanding
	Prior Bonds	MTA Bonds	June 30, 2020	
Abington	\$ 2,673,091	\$ -	\$ 2,673,091	0.07%
Acton	11,620,113	-	11,620,113	0.31
Acushnet	1,631,679	311,885	1,943,564	0.05
Adams	941,323	-	941,323	0.03
Adams Fire District	1,152,038	1,274,560	2,426,598	0.06
Agawam	438,371	-	438,371	0.01
Amesbury	11,498,590	-	11,498,590	0.31
Andover	2,168,449	562,170	2,730,619	0.07
Aquarion Water Company of Massachusetts	845,000	-	845,000	0.02
Ashburnham	78,380	-	78,380	0.00
Ashland	649,147	-	649,147	0.02
Athol	3,204,391	135,900	3,340,291	0.09
Attleboro	11,908,320	-	11,908,320	0.32
Auburn	172,393	-	172,393	0.01
Auburn Water District	973,320	2,141,936	3,115,256	0.08
Avon	236,318	-	236,318	0.01
Ayer	3,752	-	3,752	0.00
Barnstable	14,378,643	4,472,062	18,850,705	0.50
Barnstable County	10,650,000	7,072,101	17,722,101	0.47
Barre	7,905	50,322	58,227	0.00
Belchertown	2,504,862	-	2,504,862	0.07
Bellingham	446,061	11,920,267	12,366,328	0.33
Belmont	5,430,932	1,814,150	7,245,082	0.19
Berlin	6,413	-	6,413	0.00
Bernardston	4,920	-	4,920	0.00
Beverly	185,019	-	185,019	0.01
Billerica	13,296,042	28,016,114	41,312,156	1.10
Boston	-	12,448,409	12,448,409	0.33
Bourne	107,868	-	107,868	0.00
Boxford	2,748	-	2,748	0.00
Brewster	50,200	-	50,200	0.00
Bridgewater	1,257,445	2,660,774	3,918,219	0.10
Bristol County	763,374	-	763,374	0.02
Brockton	52,400,307	12,261,739	64,662,046	1.72
Brookfield	7,805	-	7,805	0.00
Burlington	3,229,923	-	3,229,923	0.09
Cambridge	3,040,969	15,676,570	18,717,539	0.50
Canton	2,243,709	-	2,243,709	0.06
Centerville-Osterville-Marstons Mills	1,427,551	-	1,427,551	0.04
Charles River Pollution Control District	2,202,826	18,959,038	21,161,864	0.56
Charlton	2,437,218	-	2,437,218	0.06
Chatham	8,666,659	26,653,016	35,319,675	0.94
Chelmsford	17,889,836	-	17,889,836	0.48
Chelmsford Water District	1,408,941	-	1,408,941	0.04
Chelsea	146,757	-	146,757	0.00
Cherry Valley & Rochdale Water District	240,573	438,211	678,784	0.02
Chesterfield	51,050	-	51,050	0.00
Chicopee	60,032,104	60,183,859	120,215,963	3.20
Clinton	1,668,211	63,222	1,731,433	0.05
Cohasset	14,607,508	-	14,607,508	0.39
Concord	5,948,423	764,219	6,712,642	0.18

(Continued)

Borrower Name	Loans Securing Prior Bonds	Loans Securing MTA Bonds	Loans Outstanding	% of Total Loans Outstanding
			as of June 30, 2020	
Conway	\$ 1,979	\$ -	\$ 1,979	0.00%
Danvers	14,208,208	-	14,208,208	0.38
Dartmouth	10,159,318	10,113,534	20,272,852	0.54
Dedham Westwood Water District	-	8,841,400	8,841,400	0.24
Deerfield Fire District	347,539	-	347,539	0.01
Dennis	100,000	-	100,000	0.00
Dennis Water District	3,517,795	-	3,517,795	0.09
Dighton	43,262	66,801	110,063	0.00
Dighton Rehoboth Regional School District	2,649,328	-	2,649,328	0.07
Dighton Water District	343,721	-	343,721	0.01
Douglas	2,060,518	-	2,060,518	0.05
Dover	10,200	-	10,200	0.00
Dracut	16,689,919	11,343,652	28,033,571	0.75
Dracut Water Supply District	64,604	-	64,604	0.00
Duxbury	1,579,406	-	1,579,406	0.04
East Bridgewater	8,549,886	-	8,549,886	0.23
East Longmeadow	212,497	-	212,497	0.01
Eastham	70,200	51,389,626	51,459,826	1.37
Easthampton	2,360,445	954,391	3,314,836	0.09
Easton	3,897,561	4,878,641	8,776,202	0.23
Erving	2,246,398	-	2,246,398	0.06
Essex	6,871,796	-	6,871,796	0.18
Everett	2,201,483	1,002,940	3,204,423	0.09
Fairhaven	506,399	582,943	1,089,342	0.03
Fall River	101,647,863	44,419,428	146,067,291	3.88
Falmouth	8,442,543	61,076,805	69,519,348	1.85
Fitchburg	13,305,870	44,565,002	57,870,872	1.54
Foxborough	2,643,663	-	2,643,663	0.07
Framingham	34,267,620	6,575,539	40,843,159	1.09
Franklin	1,796,385	-	1,796,385	0.05
Gardner	1,287,866	3,802,440	5,090,306	0.14
Georgetown	171,078	-	171,078	0.01
Gloucester	31,915,430	23,189,838	55,105,268	1.47
Goshen	-	615,336	615,336	0.02
Grafton	-	38,330,594	38,330,594	1.02
Great Barrington	-	7,501,825	7,501,825	0.20
Greater Lawrence Sanitary District	13,881,883	1,979,037	15,860,920	0.42
Greenfield	17,877	-	17,877	0.00
Greens Condominium Trust	-	75,949	75,949	0.00
Groton	2,000,204	-	2,000,204	0.05
Hadley	2,142,499	157,323	2,299,822	0.06
Halifax	70,200	-	70,200	0.00
Hanover	35,000	220,500	255,500	0.01
Hanson	662,500	852,500	1,515,000	0.04
Harvard	1,771,193	172,928	1,944,121	0.05
Harwich	35,534	1,561,834	1,597,368	0.04
Haverhill	17,430,830	54,653,444	72,084,274	1.92
Hillcrest Sewer District	853,501	-	853,501	0.02
Hingham	158,778	-	158,778	0.00
Hinsdale	1,275,000	-	1,275,000	0.03
Holbrook	6,044,509	-	6,044,509	0.16
Holden	3,661,889	437,243	4,099,132	0.11
Holliston	-	1,971,901	1,971,901	0.05
Holyoke	12,295,301	-	12,295,301	0.33
Hoosac Water Quality District	2,932,561	-	2,932,561	0.08
Hopedale	339,627	5,427,318	5,766,945	0.15
Hopkinton	6,685,627	110,000	6,795,627	0.18
Hudson	11,633,666	-	11,633,666	0.31

(Continued)

Borrower Name	Loans		Loans Outstanding as of June 30, 2020	% of Total Loans Outstanding
	Loans Securing Prior Bonds	Loans Securing MTA Bonds		
Hull	\$ 754,721.00	\$ -	\$ 754,721.00	0.02%
Ipswich	2,161,393	3,602,779	5,764,172	0.15
Kingston	19,493,791	3,629,947	23,123,738	0.61
Lakeville	55,809	-	55,809	0.00
Lancaster	24,392	-	24,392	0.00
Lanesborough Village Fire & Water District	245,000	-	245,000	0.01
Lawrence	13,266,513	41,702,616	54,969,129	1.46
Lee	8,301,177	-	8,301,177	0.22
Leicester	56,572	-	56,572	0.00
Leicester Water Supply District	135,356	-	135,356	0.00
Leominster	20,545,725	11,417,226	31,962,951	0.85
Lexington	2,493	-	2,493	0.00
Lincoln	775,000	-	775,000	0.02
Littleton	11,388	247,620	259,008	0.01
Longmeadow	1,555,665	-	1,555,665	0.04
Lowell	68,536,760	38,046,486	106,583,246	2.83
Ludlow	2,727,565	419,484	3,147,049	0.08
Lunenburg	2,144,497	990,362	3,134,859	0.08
Lunenburg Water District	2,177,833	-	2,177,833	0.06
Lynn Water and Sewer Commission	32,411,528	5,918,192	38,329,720	1.02
Lynnfield	295,027	-	295,027	0.01
Malden	6,859,673	9,529,489	16,389,162	0.44
Manchester by the Sea	-	1,358,243	1,358,243	0.04
Mansfield	9,908,370	-	9,908,370	0.26
Mansfield Foxborough Norton Regional	6,426,781	38,369,958	44,796,739	1.19
Marion	12,692,686	2,053,607	14,746,293	0.39
Marlborough	33,737,768	33,428,183	67,165,951	1.79
Marshfield	5,973,117	150,000	6,123,117	0.16
Mashpee	133,409	-	133,409	0.00
Massachusetts Development Finance Agency	7,415,730	-	7,415,730	0.20
Massachusetts Water Resources Authority	684,384,984	228,416,774	912,801,758	24.27
Mattapoissett	6,269,735	-	6,269,735	0.17
Mattapoissett River Valley Water District	6,149,119	-	6,149,119	0.16
Maynard	7,009,723	-	7,009,723	0.19
Medfield	781,511	-	781,511	0.02
Medway	14,396	2,835,123	2,849,519	0.08
Melrose	1,445,856	-	1,445,856	0.04
Merrimac	-	2,280,281	2,280,281	0.06
Methuen	11,953,282	-	11,953,282	0.32
Middleborough	782,452	21,971,188	22,753,640	0.60
Middleton	24,035	-	24,035	0.00
Millbury	14,317,281	-	14,317,281	0.38
Millville	177,282	193,312	370,594	0.01
Milton	45,776	-	45,776	0.00
Monroe	-	124,430	124,430	0.00
Monson	880,013	-	880,013	0.02
Montague	1,689,441	1,519,011	3,208,452	0.09
Nantucket	37,573,005	34,284,972	71,857,977	1.91
Natick	1,764,389	-	1,764,389	0.05
Needham	4,688,021	-	4,688,021	0.12
New Bedford	73,429,957	49,628,556	123,058,513	3.27
Newbury	5,380,054	-	5,380,054	0.14
Newburyport	32,475,734	233,773	32,709,507	0.87
Newton	526,000	-	526,000	0.01
Norfolk	186,196	-	186,196	0.01
North Adams	103,478	-	103,478	0.00
North Andover	2,644,837	-	2,644,837	0.07

(Continued)

Borrower Name	Loans		Loans Outstanding as of June 30, 2020	% of Total Loans Outstanding
	Loans Securing Prior Bonds	Loans Securing MTA Bonds		
North Attleboro	\$ 15,216,248	\$ 9,092,401	\$ 24,308,649	0.65%
North Raynham Water District	2,128,586	-	2,128,586	0.06
North Reading	120,000	-	120,000	0.00
North Sagamore Water District	584,641	-	584,641	0.02
Northampton	11,458,590	80,887	11,539,477	0.31
Northborough	31,851	-	31,851	0.00
Northbridge	549,279	-	549,279	0.01
Norton	772,936	13,178,481	13,951,417	0.37
Norwell	48,745	-	48,745	0.00
Norwood	2,633,810	4,618,173	7,251,983	0.19
Oak Bluffs	2,206,776	-	2,206,776	0.06
Orange	244,128	-	244,128	0.01
Orleans	30,000	-	30,000	0.00
Palmer	4,207,212	4,825,909	9,033,121	0.24
Paxton	7,549	1,140,997	1,148,546	0.03
Pembroke	2,334,377	630,713	2,965,090	0.08
Pepperell	1,515,000	-	1,515,000	0.04
Phillipston	7,548	-	7,548	0.00
Pittsfield	3,707,807	3,233,918	6,941,725	0.18
Plainville	2,122,489	454,372	2,576,861	0.07
Plymouth	4,670,442	11,608,689	16,279,131	0.43
Plympton	3,169	-	3,169	0.00
Provincetown	6,739,915	-	6,739,915	0.18
Quincy	6,303,237	6,002,448	12,305,685	0.33
Randolph	8,401,781	1,514,927	9,916,708	0.26
Raynham	1,685,001	-	1,685,001	0.04
Reading	1,143	-	1,143	0.00
Revere	8,640,137	65,042,157	73,682,294	1.96
Richmond	1,784,506	-	1,784,506	0.05
Rockland	2,223,593	-	2,223,593	0.06
Rowley	8,077,073	307,899	8,384,972	0.22
Russell	130,000	-	130,000	0.00
Rutland	13,042	-	13,042	0.00
Salem	925,145	-	925,145	0.02
Salisbury	1,428,723	-	1,428,723	0.04
Sandwich	51,050	-	51,050	0.00
Saugus	6,961,868	8,080,146	15,042,014	0.40
Scituate	7,520,327	-	7,520,327	0.20
Seekonk	809,420	-	809,420	0.02
Seekonk Water District	613,215	-	613,215	0.02
Sharon	11,050	-	11,050	0.00
Shirley	1,059,794	51,924	1,111,718	0.03
Shrewsbury	706,510	14,589,353	15,295,863	0.41
Shutesbury	84,696	-	84,696	0.00
Somerset	3,166,818	-	3,166,818	0.08
South Essex Sewerage District	2,233,642	5,786,731	8,020,373	0.21
South Grafton Water District	1,065,701	-	1,065,701	0.03
South Hadley	2,305,882	-	2,305,882	0.06
South Hadley Fire District #1	367,425	-	367,425	0.01
Southampton	280,200	150,000	430,200	0.01
Southborough	320,203	-	320,203	0.01
Southbridge	6,923,822	1,610,866	8,534,688	0.23
Southwick	3,132	-	3,132	0.00
Spencer	4,045,914	-	4,045,914	0.11
Springfield Water & Sewer Commission	37,865,544	55,359,464	93,225,008	2.48
Sterling	397,349	-	397,349	0.01
Stockbridge	3,056,251	1,548,569	4,604,820	0.12

(Continued)

Borrower Name	Loans Securing		Loans Outstanding as of June 30, 2020	% of Total Loans Outstanding
	Prior Bonds	MTA Bonds		
Stoughton	\$ 922,500	\$ 707,500	\$ 1,630,000	0.04%
Stow	280,633	-	280,633	0.01
Sturbridge	9,874,630	-	9,874,630	0.26
Sutton	2,563,722	-	2,563,722	0.07
Swampscott	170,448	-	170,448	0.00
Swansea	113,630	-	113,630	0.00
Swansea Water District	9,989,138	-	9,989,138	0.27
Taunton	50,015,275	29,030,768	79,046,043	2.10
Templeton	2,089,785	-	2,089,785	0.06
Tewksbury	2,854,283	-	2,854,283	0.08
Tisbury	1,782,860	71,084	1,853,944	0.05
Townsend	740,095	-	740,095	0.02
Truro	10,200	-	10,200	0.00
Turners Falls Fire District	-	649,187	649,187	0.02
Tyngsborough	153,420	250,000	403,420	0.01
Upper Blackstone Water Pollution Abatement District	111,254,915	24,527,252	135,782,167	3.61
Uxbridge	-	43,646,084	43,646,084	1.16
Wakefield	537,955	-	537,955	0.01
Walpole	1,942,563	-	1,942,563	0.05
Waltham	1,308,847	-	1,308,847	0.03
Wareham	14,499,696	455,266	14,954,962	0.40
Wareham Fire District	-	6,346,096	6,346,096	0.17
Warren Water District	60,000	-	60,000	0.00
Water Supply District of Acton	-	10,625,207	10,625,207	0.28
Wayland	61,033	700,000	761,033	0.02
Webster	6,036,662	13,423,552	19,460,214	0.52
Wellfleet	285,000	157,752	442,752	0.01
West Boylston	4,706,231	-	4,706,231	0.13
West Boylston Water District	502,409	-	502,409	0.01
West Bridgewater	317,654	494,759	812,413	0.02
West Groton Water Supply District	588,253	-	588,253	0.02
West Newbury	62,868	-	62,868	0.00
West Springfield	5,980,931	7,146,380	13,127,311	0.35
Westborough	31,189,620	317,243	31,506,863	0.84
Westfield	4,756,186	1,854,291	6,610,477	0.18
Westford	3,656,606	-	3,656,606	0.10
Westminster	-	285,000	285,000	0.01
Westport	-	427,387	427,387	0.01
Weymouth	21,979,111	-	21,979,111	0.58
Whately	-	440,000	440,000	0.01
Whitman	1,494,585	14,575	1,509,160	0.04
Wilbraham	2,238,499	-	2,238,499	0.06
Wilmington	105,536	-	105,536	0.00
Winchendon	2,745,674	-	2,745,674	0.07
Windbrook Acres	30,000	-	30,000	0.00
Woburn	7,880,427	-	7,880,427	0.21
Woodvale Condominium Trust	-	96,514	96,514	0.00
Worcester	3,949,529	3,580,376	7,529,905	0.20
Wrentham	990,272	-	990,272	0.03
Total	<u>\$ 2,280,084,705</u>	<u>\$ 1,481,258,145</u>	<u>\$ 3,761,342,850</u>	100%
Clean Water Program			\$ 2,767,955,735	
Drinking Water Program			\$ 993,387,115	

See Independent Auditors' Report

This page left intentionally blank



III. STATISTICAL SECTION

Comprehensive Annual Financial Report as of and for the Years Ended
June 30, 2020 and June 30, 2019 and Independent Auditors' Report

This page left intentionally blank

MASSACHUSETTS CLEAN WATER TRUST
*Comprehensive Annual Financial Report as of and for the Years Ended
June 30, 2020 and June 30, 2019 and Independent Auditors' Report*

Statistical Section - Table of Contents *(Unaudited)*

Financial Trends

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

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

Revenue Capacity

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

Ten Year Combined Schedule of Operating Revenues by Source	3
--	---

Debt Capacity

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

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

Operating Information

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

Ten Year Schedule of Full Time Equivalent Employees by Program and Agency	7
---	---

Demographic Information

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

Ten Year Schedule of Contract Assistance Provided by the Commonwealth of Massachusetts, Massachusetts Population and Per Capita Contract Assistance	8
Ten Year Schedule of Annual Civilian Labor Force, Unemployment and Unemployment Rates for Massachusetts and the United States	9
Ten Year Schedule of Massachusetts and United States Resident Population	10
Ten Year Schedule of Massachusetts and United States Resident Per Capita Net Income Calendar Year 2010–2019	11
Ten Year Schedule of Total Net Debt, Massachusetts Resident Population and Debt Per Capita	12
Largest Private Sector Massachusetts Employers 2020 and 2011	13

MASSACHUSETTS CLEAN WATER TRUST

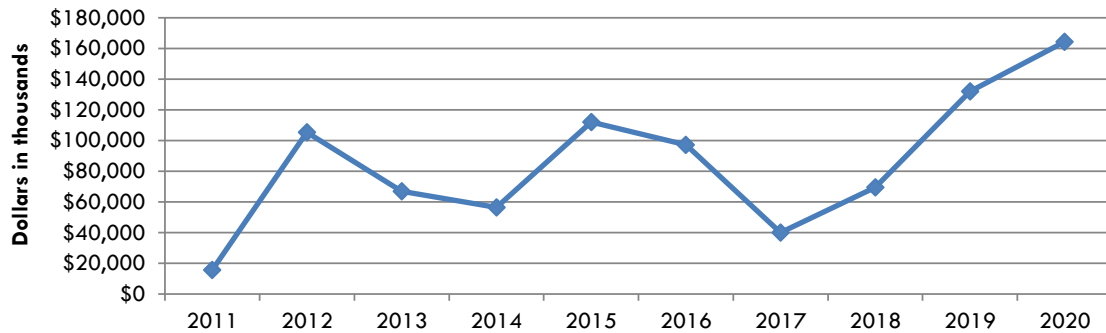
Ten Year Schedule of Changes in Net Position
For fiscal years ending June 30, 2011 through June 30, 2020
(in thousands)

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)	Nonoperating Revenue	Changes in Net Position
2020	\$ 170,049	\$ 140,815	\$ 29,234	\$ 135,141	\$ 164,375
2019	165,970	125,151	40,819	91,339	132,158
2018	139,646	142,579	(2,933)	72,520	69,587
2017	124,574	158,306	(33,732)	73,697	39,965
2016	170,273	149,662	20,611	76,519	97,130
2015	184,909	148,939	35,970	76,099	112,069
2014	164,121	181,782	(17,661)	74,155	56,494
2013	176,399	188,074	(11,675)	78,670	66,995
2012	260,252	237,858	22,394	83,077	105,471
2011	201,146	273,500	(72,354)	88,050	15,696

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

(2) Fiscal Years 2013, 2012, and 2011 impacted by the implementation of GASB 65, Items Previously Reported as Assets and Liabilities, during Fiscal Year 2013.

Changes in Net Position 2011 - 2020



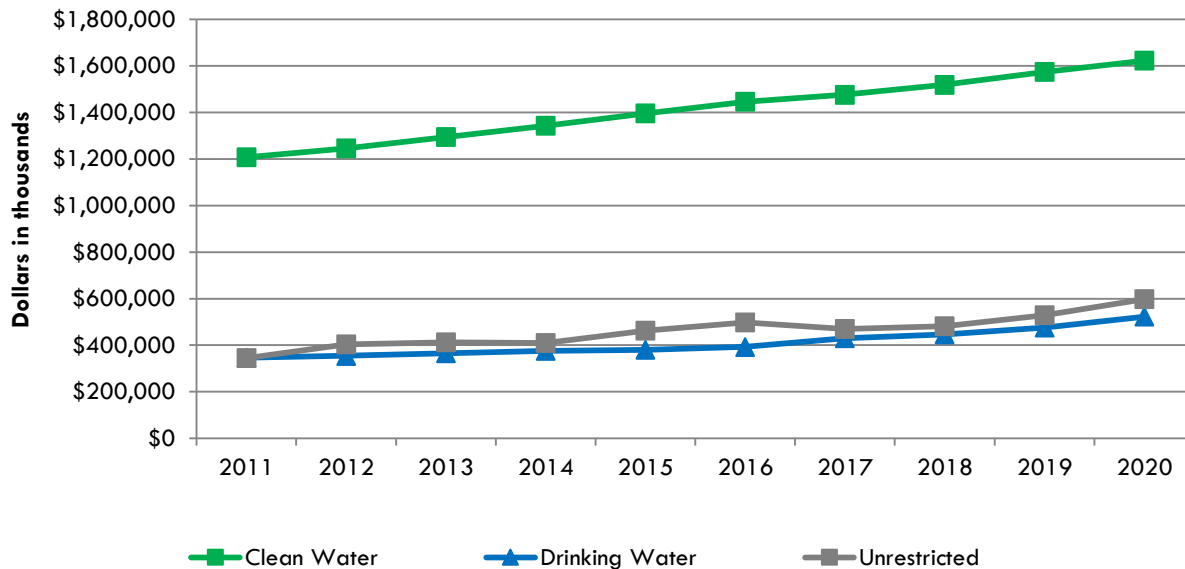
MASSACHUSETTS CLEAN WATER TRUST

Ten Year Schedule of Net Position Components
For fiscal years ending June 30, 2011 through June 30, 2020
(in thousands)

Year	Restricted Clean Water	Restricted Drinking Water	Total Restricted	Unrestricted	Total
2020	\$ 1,622,526	\$ 522,439	\$ 2,144,965	\$ 597,706	\$ 2,742,671
2019	1,574,201	475,674	2,049,875	528,421	2,578,296
2018	1,518,880	445,833	1,964,713	481,425	2,446,138
2017	1,476,274	430,201	1,906,475	470,076	2,376,551
2016	1,445,703	392,748	1,838,451	498,135	2,336,586
2015	1,396,156	380,671	1,776,826	462,629	2,239,456
2014	1,342,846	375,206	1,718,052	409,335	2,127,387
2013	1,293,838	365,050	1,658,888	412,005	2,070,893
2012 ⁽¹⁾	1,245,659	354,383	1,600,042	403,856	2,003,898
2011 ⁽¹⁾	1,207,423	346,412	1,553,835	344,592	1,898,427

⁽¹⁾ Fiscal Years 2011 and 2012 were restated to reflect the implementation of GASB 65, Items Previously Reported as Assets and Liabilities, in Fiscal Year 2013.

Schedule of Net Position Components 2011 - 2020



MASSACHUSETTS CLEAN WATER TRUST

Ten Year Combined Schedule of Operating Revenues by Source
For fiscal years ending June 30, 2011 through June 30, 2020
(in thousands)

OPERATING REVENUES

Fiscal Year	Loan Servicing Fees	Loan Origination Fees	Interest Income ⁽¹⁾	Unrealized Gain (Loss) on Investments ⁽²⁾	Total Operating Revenues
2020	\$ 5,454	\$ 83	\$ 143,698	\$ 20,814	\$ 170,049
2019	5,479	1,542	143,955	14,994	165,970
2018	5,615	-	140,853	(6,822)	139,646
2017	5,608	1,821	129,082 ⁽³⁾	(11,937)	124,574
2016	5,515	1,926	142,529	20,303	170,273
2015	5,315	2,150	143,295 ⁽⁴⁾	34,149	184,909
2014	5,137	19	158,965	-	164,121
2013	5,288	1,698	169,413	-	176,399
2012	5,270	2,243	252,739 ⁽⁵⁾	-	260,252
2011	5,209	129	195,808	-	201,146

⁽¹⁾ Includes contract assistance received from the Commonwealth of Massachusetts.

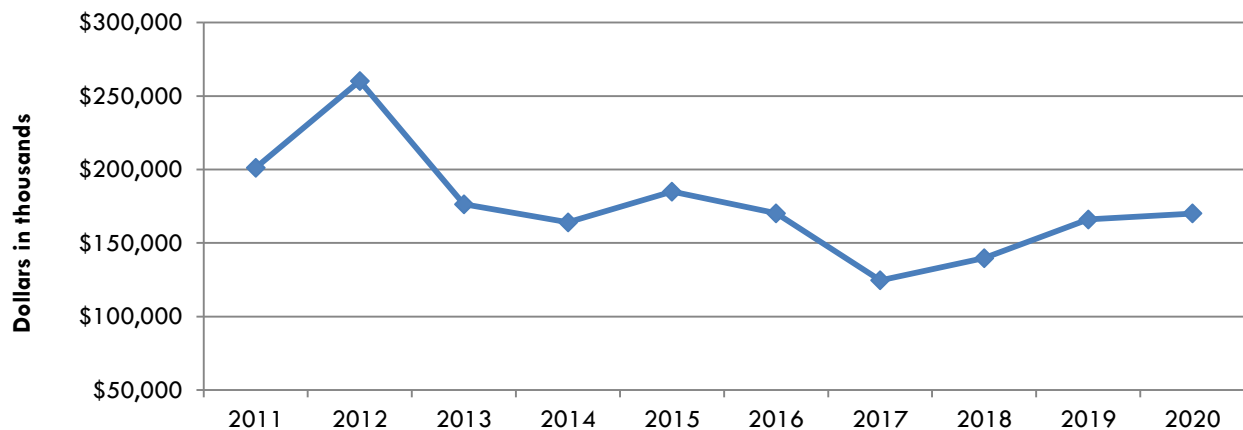
⁽²⁾ Implemented GASB 72, Fair Value Measurement and Application in Fiscal Year 2016

⁽³⁾ Includes a \$10.0 million payment of refunding savings to the Commonwealth.

⁽⁴⁾ Fiscal Year 2015 has been adjusted to conform to presentation in accordance with Fiscal Year 2016's implementation of GASB 72, Fair Value Measurement and Application.

⁽⁵⁾ Includes \$57.7 million in gains realized on the termination of certain guaranteed investment contracts.

Operating Revenues 2011 - 2020



MASSACHUSETTS CLEAN WATER TRUST

Ten Year Debt Schedule

For fiscal years ending June 30, 2011 through June 30, 2020
(in thousands)

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011
Water Pollution Abatement Revenue Bonds:										
Massachusetts Water Resources Authority Loan Program	\$ 5,625	\$ 6,430	\$ 7,280	\$ 8,170	\$ 9,100	\$ 10,060	\$ 11,365	\$ 16,410	\$ 22,370	\$ 48,200
South Essex Sewerage District Loan Program	-	-	-	-	285	890	1,855	2,765	3,780	5,015
New Bedford Loan Program	-	-	-	-	-	270	785	1,515	2,405	3,440
Pool Loan Program	491,275	668,690	836,630	892,585	1,037,980	1,134,240	1,328,845	2,078,738	1,989,878	2,125,200
Master Trust Agreement	898,990	737,635	597,670	620,750	428,720	228,155	-	-	-	-
Subtotal Revenue Bonds	1,395,890	1,412,755	1,441,580	1,521,505	1,476,085	1,373,615	1,342,850	2,099,428	2,018,433	2,181,855
Subordinated Revenue Refunding Bonds:										
Massachusetts Water Resources Authority Loan Program	3,845	19,845	36,595	54,040	54,040	54,040	63,620	63,775	63,775	63,775
New Bedford Loan Program	-	-	-	-	-	-	-	36,460	40,850	44,935
Pool Loan Program	811,555	927,760	1,044,890	1,296,575	1,462,805	1,583,935	1,678,245	1,311,580	1,358,240	1,264,190
Master Trust Agreement	183,585	96,280	96,280	96,280	-	-	-	-	-	-
Subtotal Revenue Refunding Bonds	998,985	1,043,885	1,177,765	1,446,895	1,516,845	1,637,975	1,741,865	1,411,815	1,462,865	1,372,900
Total Bonds Payable	2,394,875	2,456,640	2,619,345	2,968,400	2,992,930	3,011,590	3,084,715	3,511,243	3,481,298	3,554,755
Unamortized amounts: Bond premium	329,469	305,552	313,333	347,809	335,272	320,762	304,295	259,765	233,905	211,862
Total Bonds Payable, net	\$ 2,724,344	\$ 2,762,192	\$ 2,932,678	\$ 3,316,209	\$ 3,328,202	\$ 3,332,352	\$ 3,389,010	\$ 3,771,008	\$ 3,715,203	\$ 3,766,617

MASSACHUSETTS CLEAN WATER TRUST

Ten Year Schedule of Pledged Revenue Coverage
For fiscal years ending June 30, 2011 through June 30, 2020
(in thousands)

Fiscal Year	Changes in Net Position	Comm of MA Contract Assistance	Principal and Interest Received from Borrowers ⁽¹⁾	Total Receivable and Revenue	Debt Service Requirements			Coverage ratio
					Principal	Interest	Total Debt Service	
2020	\$ 164,375	\$ 63,384	\$ 371,729	\$ 599,488	\$ 232,395	\$ 117,860	\$ 350,255	1.71
2019	132,158	73,383	369,159	574,700	230,280	126,609	356,889	1.61
2018	69,587	46,773	375,557	491,917	231,485	137,460	368,945	1.33
2017	39,965	51,179	343,632	434,776	225,895	140,716	366,611	1.19
2016	97,130	57,379	334,873	489,382	226,465	141,504	367,969	1.33
2015	112,069	61,802	318,080	491,951	205,540	134,400	339,940	1.45
2014	56,494	62,491	332,531	451,516	215,753	163,928	379,681	1.19
2013	66,995	62,811	305,125	434,931	172,306	165,171	337,477	1.29
2012 ⁽²⁾	105,471	64,986	338,173	508,630	183,102	172,561	355,663	1.43
2011 ⁽²⁾	15,696	66,093	296,303	378,092	168,319	171,296	339,615	1.11

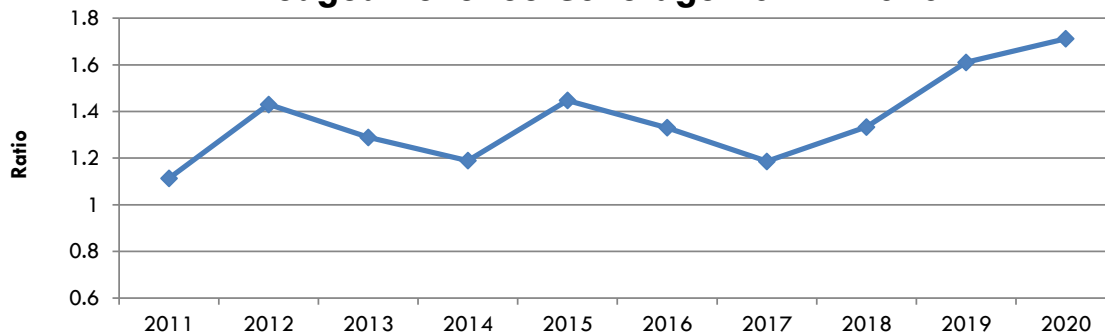
(1)

Includes interest received from earnings on Debt Service Reserve Funds.

(2)

Fiscal Years 2011 and 2012 were restated to reflect the implementation of GASB 65, Items Previously Reported as Assets and Liabilities, in Fiscal Year 2013.

Pledged Revenue Coverage 2011 - 2020



MASSACHUSETTS CLEAN WATER TRUST

Ten Year Combined Schedule of Operating Expenses
For fiscal years ending June 30, 2011 through June 30, 2020
(in thousands)

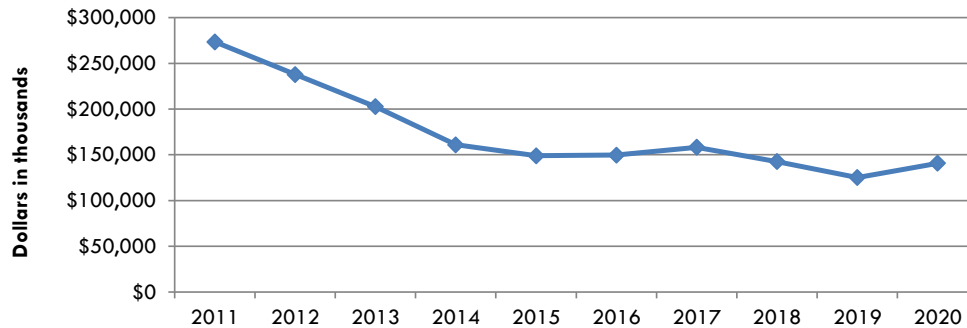
OPERATING EXPENSES

Fiscal Year	DEP Programmatic Support Costs	General and Adminstrative	Arbitrage Rebate Payments	Interest Expense	Grant Disbursement ⁽¹⁾	Total Operating Expenses
2020	\$ 9,374	\$ 3,263	\$ 12,242	\$ 94,839	\$ 21,097	\$ 140,815
2019	8,731	2,693	1,468	104,561	7,698	125,151
2018	7,583	2,331	-	125,293	7,372	142,579
2017	8,545	5,210	12,328	126,551	5,672	158,306
2016	8,421	4,092	3,785	127,247	6,117	149,662
2015	5,793	5,923	1,538	130,888	4,797	148,939
2014	7,418	7,860	166	137,959	7,567	160,970
2013	8,921	5,046 ⁽²⁾	6,725	169,595	12,335	202,622
2012	11,369	8,440 ⁽²⁾	10,487	173,869	33,693	237,858
2011	10,482	8,843 ⁽²⁾	1,122	182,035	71,018	273,500

⁽¹⁾ Represents principal forgiveness provided pursuant to the federal capitalization grants received from EPA. Additionally, beginning in 2020 amounts include principal forgiveness funded by the Commonwealth of Massachusetts through contract assistance.

⁽²⁾ Implemented GASB 65, Financial Reporting of Deferred Outflows, Deferred Inflows of Resources, and Net Position, resulting in the recognition of certain amounts as deferred inflows/outflows rather than assets/liabilities.

Operating Expenses 2011 - 2020



MASSACHUSETTS CLEAN WATER TRUST

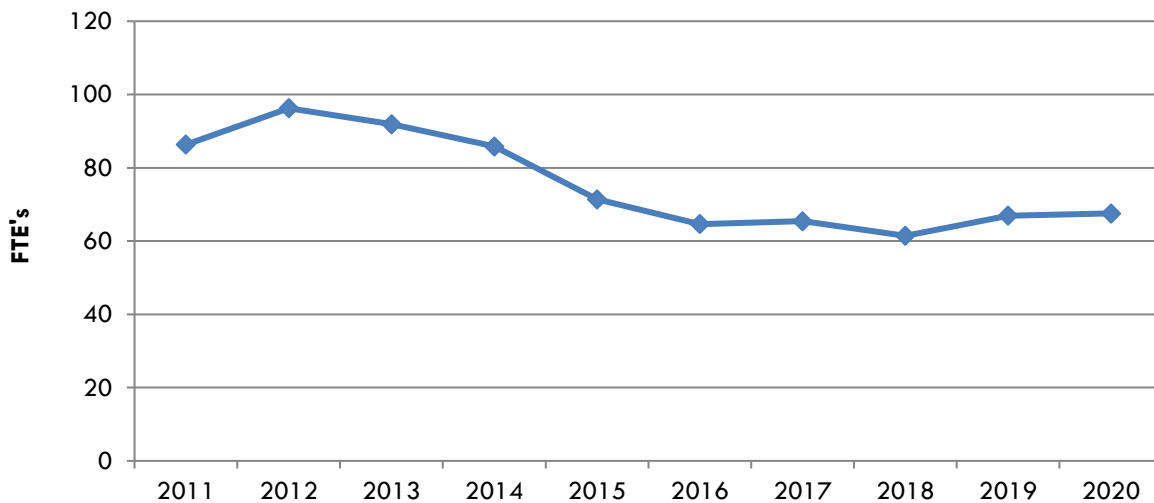
Ten Year Schedule of Full Time Equivalent Employees by Program and Agency
For fiscal years ending June 30, 2011 through June 30, 2020

<u>Year</u>	<u>MCWT - Administrative</u>	<u>DEP - Clean Water Program</u>	<u>DEP - Drinking Water Program</u>	<u>DEP - Admin Expendable Trust</u>	<u>Total</u>
2020	10.92	12.00	36.10	8.50	67.52
2019	11.17	13.25	35.75	6.75	66.92
2018	10.13	19.05	29.35	2.90	61.43
2017	8.76	19.15	33.30	4.20	65.41
2016	9.00	19.60	31.85	4.20	64.65
2015	8.83	17.50	32.08	12.98	71.39
2014	9.25	21.66	45.01	9.92	85.84
2013	9.75	21.49	50.17	10.50	91.91
2012	9.78	22.00	50.19	14.27	96.24
2011	9.27	21.50	51.77	3.79	86.33

MCWT - Massachusetts Clean Water Trust

DEP - Department of Environmental Protection

Schedule of FTE's 2011 - 2020



MASSACHUSETTS CLEAN WATER TRUST

Ten Year Schedule of Contract Assistance Provided by the Commonwealth of Massachusetts,
Massachusetts Population, and Per Capita Contract Assistance
For fiscal years ending June 30, 2011 through June 30, 2020
(in thousands)

Fiscal Year ending June 30	Contract Assistance provided	Population estimates ⁽¹⁾	Per Capita Contract Assistance
2020	\$ 63,384	6,893	\$ 9.20
2019	73,383	6,883	10.66
2018	46,773	6,860	6.82
2017	51,179	6,824	7.50
2016	57,379	6,794	8.45
2015	61,802	6,763	9.14
2014	62,491	6,713	9.31
2013	62,811	6,663	9.43
2012	64,986	6,614	9.83
2011	66,093	6,566	10.07

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

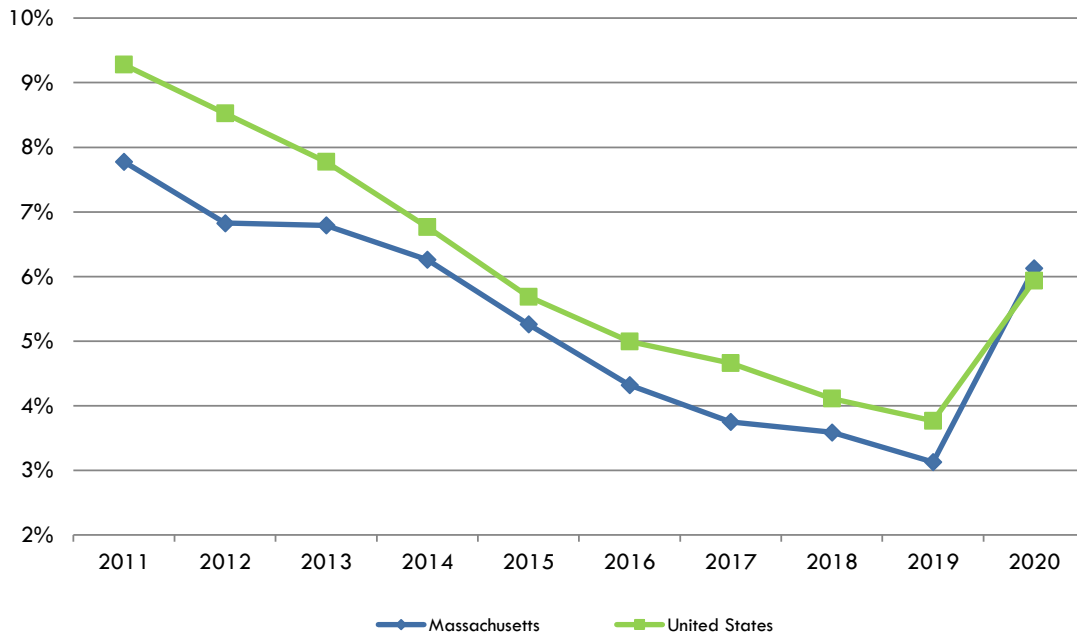
MASSACHUSETTS CLEAN WATER TRUST

Ten Year Schedule of Fiscal Year Annual Average Civilian Labor Force,
Unemployment and Unemployment Rates for Massachusetts and the United States
(in thousands)

Fiscal Year	<u>Massachusetts</u>			<u>United States</u>			Massachusetts Rate as % of U.S. Rate
	Labor Force	Unemployment	Unemployment Rate %	Labor Force	Unemployment	Unemployment Rate %	
2020	3,754	230	6.1%	162,611	9,653	5.9%	103.4%
2019	3,805	119	3.1%	162,665	6,125	3.8%	83.1%
2018	3,736	134	3.6%	161,174	6,627	4.1%	87.2%
2017	3,654	137	3.7%	159,800	7,444	4.7%	80.5%
2016	3,591	155	4.3%	158,034	7,895	5.0%	86.4%
2015	3,595	189	5.3%	156,626	8,908	5.7%	92.4%
2014	3,531	221	6.3%	155,470	10,514	6.8%	92.5%
2013	3,504	238	6.8%	155,346	12,079	7.8%	87.4%
2012	3,472	237	6.8%	154,297	13,153	8.5%	80.1%
2011	3,472	270	7.8%	153,615	14,252	9.3%	83.8%

Source-Federal Bureau of Labor Statistics, October 2020. Seasonally adjusted. Previous data has been updated by the Federal Bureau of Labor Statistics.

Massachusetts and US Average Unemployment Rates 2011 - 2020



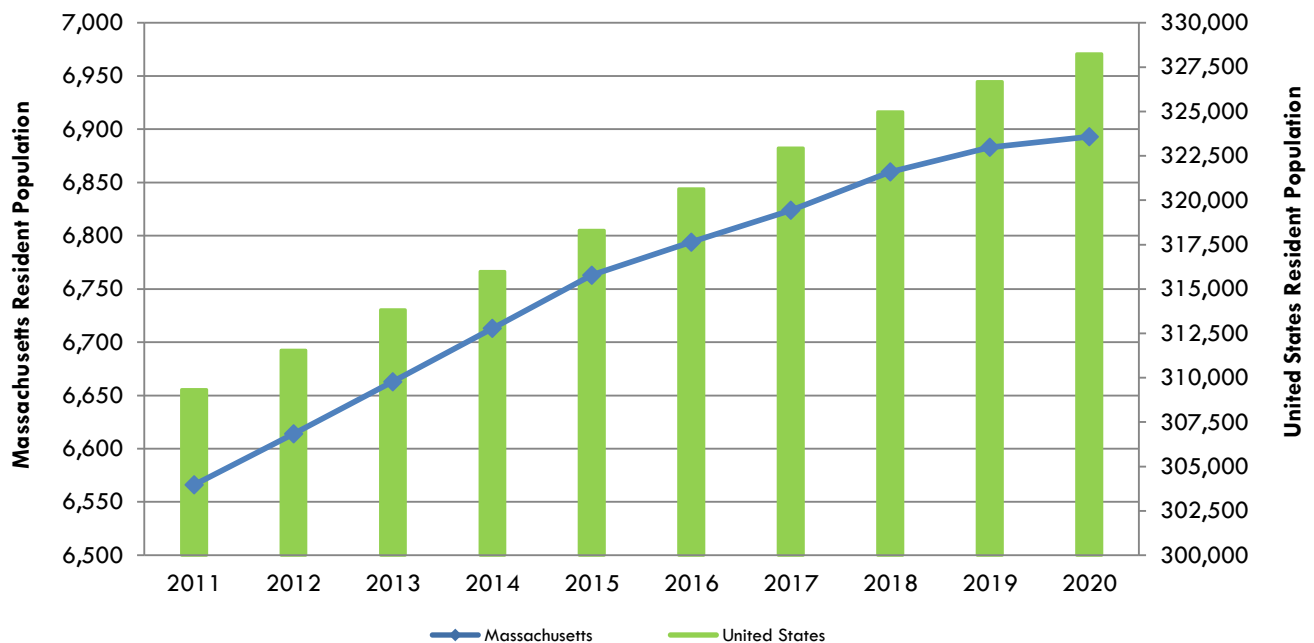
MASSACHUSETTS CLEAN WATER TRUST

Ten Year Schedule of Massachusetts and United States Resident Population
(in thousands)

Beginning of Fiscal Year	Massachusetts Resident Population ⁽¹⁾	% Change	United States Resident Population ⁽¹⁾	% Change	Massachusetts as % of U.S.
2020	6,893	0.1%	328,240	0.5%	2.1%
2019	6,883	0.3%	326,688	0.5%	2.1%
2018	6,860	0.5%	324,986	0.6%	2.1%
2017	6,824	0.4%	322,941	0.7%	2.1%
2016	6,794	0.5%	320,635	0.7%	2.1%
2015	6,763	0.7%	318,301	0.7%	2.1%
2014	6,713	0.8%	315,994	0.7%	2.1%
2013	6,663	0.7%	313,831	0.7%	2.1%
2012	6,614	0.7%	311,557	0.7%	2.1%
2011	6,566	0.7%	309,322	0.8%	2.1%

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

Massachusetts and United States Population 2011 - 2020



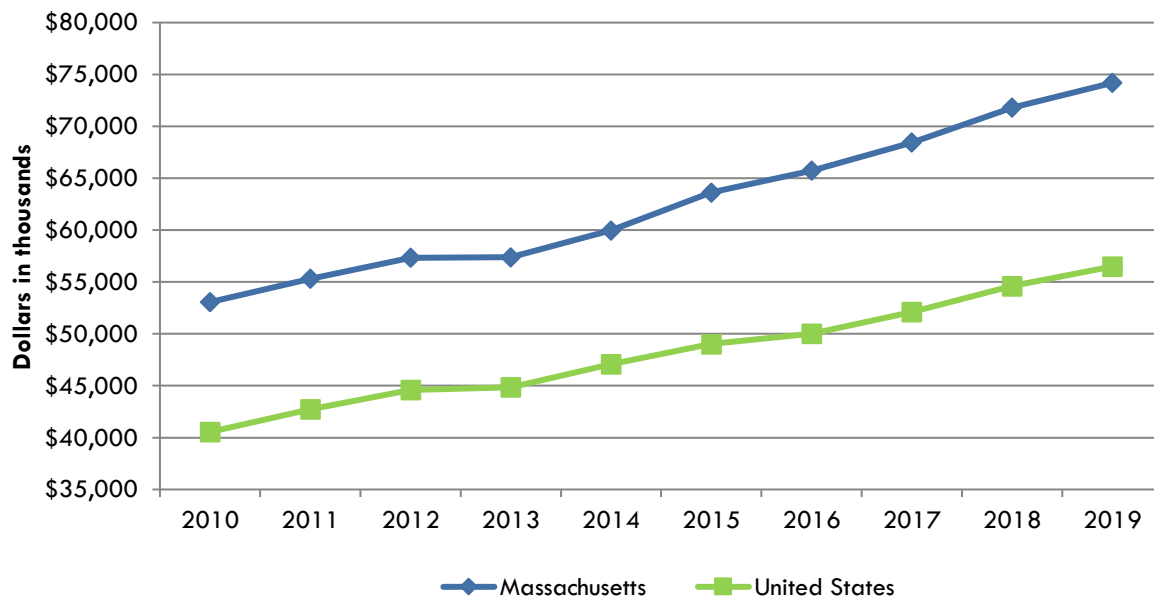
MASSACHUSETTS CLEAN WATER TRUST

Ten Year Schedule of Massachusetts and United States Resident Per Capita Net Income
Calendar Years 2010 – 2019
(in thousands)

Calendar Year	Massachusetts ⁽¹⁾	% Change	United States ⁽¹⁾	% Change	Massachusetts as % of U.S.
2019	\$ 74,187	3.3%	\$ 56,490	3.5%	131.3%
2018	71,801	4.9%	54,606	4.8%	131.5%
2017	68,442	4.1%	52,118	4.2%	131.3%
2016	65,725	3.3%	50,015	2.0%	131.4%
2015	63,618	6.1%	49,019	4.1%	129.8%
2014	59,963	4.5%	47,071	4.9%	127.4%
2013	57,377	0.1%	44,860	0.6%	127.9%
2012	57,333	3.7%	44,605	4.4%	128.5%
2011	55,302	4.2%	42,739	5.4%	129.4%
2010	53,062	4.1%	40,547	3.2%	130.9%

⁽¹⁾ Source: Bureau of Economic Analysis, US Department of Commerce. Prior years restated due to revised estimates updated on September 24, 2020.

Massachusetts and United States Year-to-Year Per Capita Net Income Calendar Years 2010 - 2019



MASSACHUSETTS CLEAN WATER TRUST

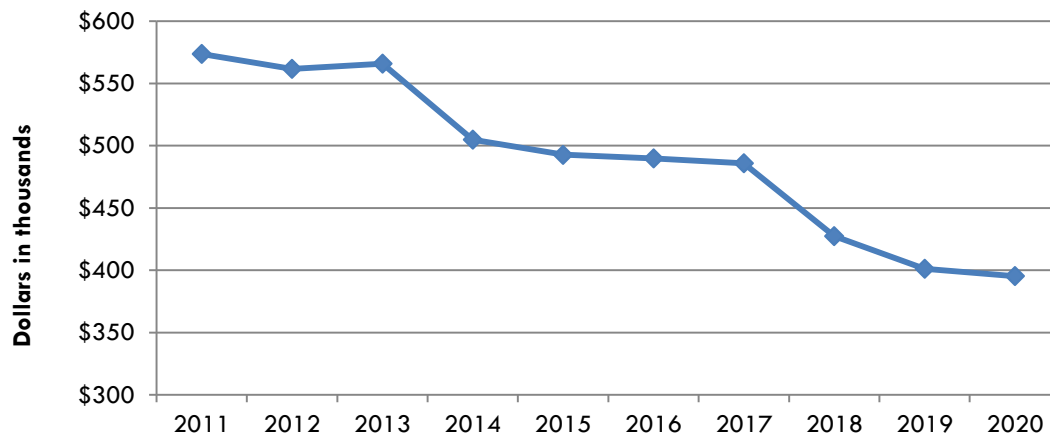
Ten Year Schedule of Total MCWT Debt (Net), Massachusetts Resident Population, and Debt Per Capita
For fiscal years ending June 30, 2011 through June 30, 2020
(in thousands)

Fiscal Year ending June 30	Total MCWT Debt (Net)	Massachusetts Resident Population ⁽¹⁾	Debt Per Capita (Net)
2020	\$ 2,724,344	6,893	\$ 395
2019	2,762,192	6,883	401
2018	2,932,678	6,860	428
2017	3,316,209	6,824	486
2016	3,328,202	6,794	490
2015	3,332,352	6,763	493
2014	3,389,010	6,713	505
2013	3,771,008	6,663	566
2012	3,715,203 ⁽²⁾	6,614	562
2011	3,766,617	6,566	574

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

⁽²⁾ Implemented GASB 65, Items Previously Reported as Assets and Liabilities, resulting in the recognition of certain amounts as deferred inflow/outflow of resources rather than assets/liabilities.

MCWT Debt Per Capita (Net) 2011 - 2020



MASSACHUSETTS CLEAN WATER TRUST
Largest Private Sector Massachusetts Employers 2020 and 2011
(Alphabetical Order)

2020				2011			
Employer	Headquarters	Product or Service	Employer	Headquarters	Product or Service		
Bay State Medical Center, Inc.	Springfield	Hospital	Bay State Medical Center, Inc	Springfield	Hospital		
Beth Israel Deaconess Medical Center	Boston	Hospital	Beth Israel Deaconess Medical Center	Boston	Hospital		
Boston Medical Center Corporation	Boston	Hospital	Boston Medical Center Corporation	Boston	Hospital		
Boston University	Boston	University	Boston University	Boston	University		
Brigham and Women's Hospital, Inc.	Boston	Hospital	Brigham and Women's Hospital, Inc.	Boston	Hospital		
The Children's Hospital Corporation	Boston	Hospital	The Children's Hospital Corporation	Boston	Hospital		
DeMoulas Supermarkets, Inc.	Tewksbury	Supermarket	DeMoulas Supermarkets, Inc.	Tewksbury	Supermarket		
General Hospital Corporation	Boston	Hospital	EMC Corporation	Hopkinton	Computer Storage & Peripherals		
Harvard University	Cambridge	University	General Hospital Corporation	Boston	Hospital		
Massachusetts Institute of Technology	Cambridge	University	Harvard University	Cambridge	University		
Partners Healthcare Systems, Inc.	Boston	Hospital	Massachusetts Institute of Technology	Cambridge	University		
Raytheon Company	Lexington	Electronics / Defense	Partners Healthcare Systems, Inc.	Boston	Hospital		
Shaw's Supermarkets, Inc.	West Bridgewater	Supermarket	Raytheon Company	Lexington	Electronics / Defense		
The Stop & Shop Supermarkets, Co	Quincy	Supermarket	S & S Credit Company, Inc.	Quincy	Supermarket		
State Street Bank and Trust Company	Boston	Banking	Shaw's Supermarkets, Inc.	West Bridgewater	Supermarket		
The TJX Companies, Inc.	Framingham	Retail	Southcoast Hospitals Group	New Bedford	Hospital		
UMASS Memorial Medical Center, Inc.	Worcester	Hospital	State Street Bank and Trust Company	Boston	Banking		
Wayfair, LLC	Boston	Retail	UMASS Memorial Medical Center, Inc.	Worcester	Hospital		

Source: - Massachusetts Executive Office of Labor and Workforce Development, Division of Unemployment Assistance - March 2020 survey. In addition, Amazon.Com Services, Inc., CVS Pharmacy, Inc., Home Depot U.S.A., Inc., Target Corp., United Parcel Services, Inc., Wal-Mart Associates, Inc. and Whole Foods Market Group, Inc. are all large Massachusetts employers, but are headquartered outside of Massachusetts. Verizon New England is a subsidiary of Verizon Communications, headquartered in New York. The information is based on employers registered for unemployment insurance. The list may not include those employers who do business in Massachusetts under multiple legal corporations and those who register each store, facility or franchisee as a separate employer.

This page left intentionally blank



MASSACHUSETTS CLEAN WATER TRUST

A Component Unit of the Commonwealth of Massachusetts

Massachusetts Clean Water Trust
1 Center Plaza, Suite 430
Boston, MA 02108