



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, 2015 and June 30, 2014  
and Independent Auditors' Report

Prepared by the Management of the Massachusetts Clean Water Trust

## Eastham – Water Supply System

The Town of Eastham does not currently have a public water supply system. Drinking water is supplied by small community public water systems and individual private wells. A number of private wells near the closed town landfill were found to be contaminated with 1,4-dioxane and there is an ongoing problem with nitrate concentrations in drinking water wells throughout town. Due to these contamination issues and their associated public health concerns, the town decided to pursue the construction of a town-wide water distribution system. This \$45 million project is the first phase of the water distribution system consisting of the construction of two well fields, a water storage tank and 45 miles of water distribution piping.





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### Boston – Gardner Street Landfill Closure

This project completes the closure of the former Gardner Street Landfill located in the West Roxbury neighborhood of Boston. The project includes the construction of a landfill cap and gas collection system, which allows for the site to be re-used by the West Roxbury Education Complex as an athletic field. The construction of the landfill cap will help reduce rainwater infiltration, which should lessen the generation of leachate under the site and help reduce the exposure of groundwater to buried wastes. The Trust provided nearly \$15.8 million in project financing including \$412,000 in principal forgiveness.



### Middleborough – Wastewater Treatment Facility Upgrade

This \$25 million project is to upgrade the Wastewater Treatment Facility to address more stringent discharge permit limits, reduce nutrient discharges and protect the impaired receiving water downstream, specifically impacts to the Taunton River estuary as well as Mount Hope Bay and Narragansett Bay. The current plant was constructed in 1977 and has not undergone a major upgrade since then. This project is eligible to receive 0% interest rate financing for the nutrient reduction portion of the project and is also receiving nearly \$654,000 in principal forgiveness.





# I - INTRODUCTORY SECTION

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CLEAN WATER TRUST

### MWRA – Low Service Storage

This project is for the construction of a 20 million gallon potable water storage tank in the Town of Stoneham at its terminal reservoir at the northeastern extremity of the MWRA water service to metropolitan Boston. The project will provide not only improved storage but will also provide surge relief, protecting MWRA and community mains; allow more efficient use of the existing MWRA distribution system; and, provide emergency backup to 21 communities in the Northern Intermediate High and Northern High systems. The total project cost is \$67.9 million. The Trust has provided \$10.5 million in project financing over the last three years





# MESSAGE FROM THE CHAIR

December 31, 2015

The Massachusetts Clean Water Trust (the Trust) is pleased to submit its Comprehensive Annual Finance Report (CAFR) for State Fiscal Year (SFY) 2015 .

The Trust is a collaborative effort between the Treasurer's Office, the Executive Office for Administration and Finance, and the Massachusetts Department of Environmental Protection (MassDEP). Our leveraged financing program enables us to maximize the impact of our efforts throughout the Commonwealth. To date, the Trust has used approximately \$2.2 billion in federal grants and state matching funds to finance nearly \$6.3 billion in clean water and drinking water construction projects.


As our water infrastructure continues to age, now is the time for municipalities to invest in protecting both the health of their citizens and the environment, while supporting economic development in their communities. Easy access to financing is essential in order to achieve these goals. The Trust continues to do its part by providing subsidized loans backed by its AAA credit. In SFY 2015 the Trust provided approximately \$327 million in commitments for low interest rate loans to cities and towns across the state. The commitment amount will support an estimated 1,960 construction and engineering jobs. This financing provides vast benefits to the quality of the state's waterways. The funding also protects public health through projects such as combined sewer overflow removal, wastewater treatment plant upgrades, sewer system construction and rehabilitation, septic system repairs, drinking water treatment facilities, treated water storage and water main replacement and rehabilitation.

The Trust continues to be a leader in the SRF arena. In January, the Trust was one of the first SRFs to issue Green Bonds. The sale of \$228 million of Green Bonds went to finance water and wastewater projects and provided the Trust with an opportunity to showcase the vital work being done by our cities and towns. The Trust led the SRF industry with its Green Bond disclosure, which has been used by other SRFs that issued Green Bonds. The Annual Report provides an update to the disclosure in the Appendix as to the use of proceeds.

I would like to thank the staff of the Trust and our partners at MassDEP. We wish to also acknowledge the excellent work of everyone at the Environmental Protection Agency Region One for all of their efforts this year. Without the combined efforts of these organizations, our state's innovative economic and environmental initiatives would not be possible.

Finally, I would like to thank our borrowers, the cities and towns within the Commonwealth. Their dedication to protecting the environment and the public health of their citizens drives our program's success. My office looks forward to serving as an accessible partner in this vital work.

Sincerely,



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



**December 31, 2015**

**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, 2015. This year’s CAFR is presented on a comparative basis with the fiscal year ended June 30, 2014, and is submitted under Article VII, Section 2 of the by-laws of the Trust. This report has been prepared in conformity with generally accepted accounting principles (“GAAP”), thereby satisfying applicable federal and state laws, program regulations, and other Trust agreements.

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

***Reporting Entity***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Trust makes funds available to eligible projects on both the CWSRF and DWSRF Intended Use Plans (IUPs) through its Interim Loan Program year round. Borrowers can enter into a short term loan to enable projects to proceed prior to the Trust's bond sale. The Trust is capable of funding projects prior to a bond sale by extending the use of program equity funds as a source of capital. The interest is accrued monthly on the basis of the balance drawn on the construction account. The interest rate is set at one-half of the Massachusetts Municipal Depository Trust (MMDT) rate. The average interest rate charged in FY 2015, accruing only on drawn funds, was 0.10%.

| <b>FY 2015 Program Disbursements</b> |                                    |                                      |                                    |                                      |                            |                                      |
|--------------------------------------|------------------------------------|--------------------------------------|------------------------------------|--------------------------------------|----------------------------|--------------------------------------|
|                                      | <b>CWSRF<br/>Dollar<br/>Amount</b> | <b>CWSRF<br/>Number<br/>of Loans</b> | <b>DWSRF<br/>Dollar<br/>Amount</b> | <b>DWSRF<br/>Number of<br/>Loans</b> | <b>Total Dollar Amount</b> | <b>Total<br/>Number<br/>of Loans</b> |
| Interim Loans                        | \$119,450,441                      | 97                                   | \$58,547,738                       | 33                                   | <b>\$177,998,179</b>       | <b>130</b>                           |
| Pool Program<br>Project Funds        | 87,772,403                         | 57                                   | 24,227,038                         | 47                                   | <b>111,999,441</b>         | <b>104</b>                           |
| <b>Total</b>                         | <b>\$207,222,844</b>               | <b>154</b>                           | <b>\$82,774,776</b>                | <b>80</b>                            | <b>\$289,997,620</b>       | <b>234</b>                           |

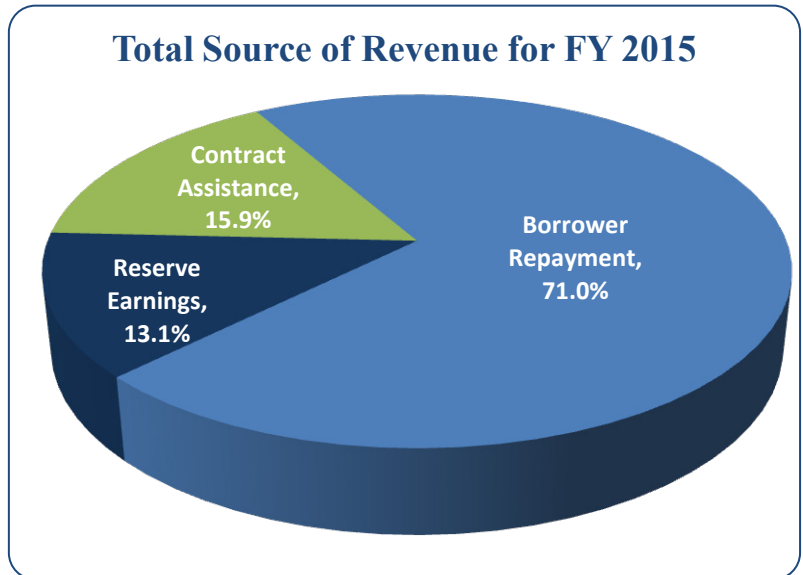
## ***Trust's Financing Model***

### ***Leveraged Financing Model***

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

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

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



***Pledged Direct Loans***

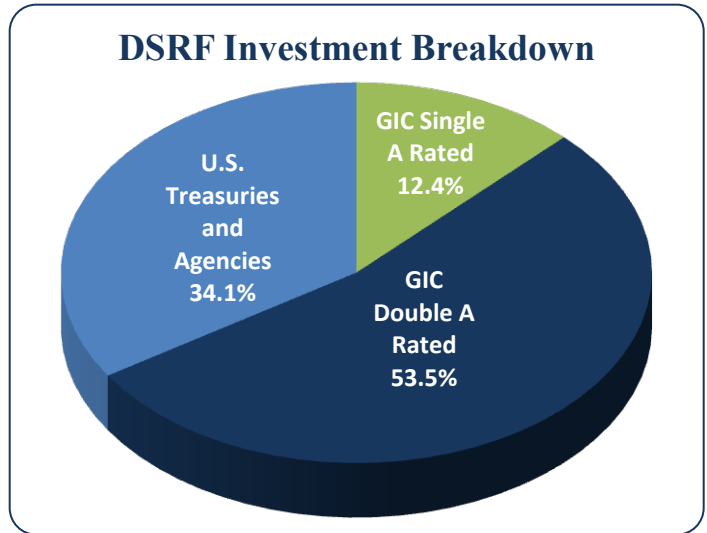
Under the pledged direct loan approach, the Trust pledges as additional security for a series of its SRF Bonds, direct loans (“Pledged Direct Loans”) that it has made or making concurrently with the issuance of such SRF Bonds from its SRF Program Funds to eligible borrowers for water pollution abatement and drinking water projects. The Trust applies the interest payments on such Pledged Direct Loans to pay a portion of the debt service on the related series of SRF Bonds, thereby supplementing the loan repayment obligations of the borrowers of the Leveraged Loans funded by such SRF Bonds. Principal payments on the Pledged Direct Loans are pledged as further security for the related series of SRF Bonds. The Trust used the Pledged Direct Loan approach for its two most recent series of SRF Bonds. As of June 30, 2015, the Trust has \$309.9 million in Pledged Direct Loans.

***Reserve Funds***

In the past, the Trust has applied a portion of its SRF Program Funds to establish reserve funds to secure a series of its SRF Bonds. Those investment earnings are then applied to pay a portion of the debt service on the related SRF Bonds, thereby supplementing the loan repayment obligation of the borrowers of the Leveraged Loans funded by such SRF Bonds. As of June 30, 2015, the Trust has \$924 million in DSRF reserve funds invested in guaranteed investment contracts (GIC) and US Treasury and Agency Obligations.

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

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



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

In order to provide security to its bonds, the Trust pledges federal and state capitalization grant funds. As can be seen in the chart, the Trust has received significant federal and Commonwealth support. The Trust has received total combined support of \$2.1 billion to date which has provided funding for over \$6.3 billion in clean water and drinking water construction projects.

| <b>Federal Capitalization Grant and State Matching Funds</b> |                                 |                                    |                        |
|--|---------------------------------|------------------------------------|------------------------|
|  | <b>Clean Water Grant Awards</b> | <b>Drinking Water Grant Awards</b> | <b>Total Awards</b>    |
| <b>FY 2015</b>   |                                 |                                    |                        |
| Federal Grant  | \$47,603,000                    | \$16,441,000                       | \$64,044,000           |
| State Grant  | 9,520,600                       | 3,288,200                          | 12,808,800             |
| <b>Total</b>   | <b>\$57,123,600</b>             | <b>\$19,729,200</b>                | <b>\$76,852,800</b>    |
| <b>Program to Date</b>                                       |                                 |                                    |                        |
| Federal Grant  | \$1,373,250,761                 | \$478,686,100                      | \$1,851,936,861        |
| State Grant  | 248,038,692                     | 85,294,020                         | 333,332,712            |
| <b>Total</b>   | <b>\$1,621,289,453</b>          | <b>\$563,980,120</b>               | <b>\$2,185,269,573</b> |

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

| <b>Subsidization Provided<br/><i>Dollars in Millions</i></b> | <b>Clean Water</b> | <b>Drinking Water</b> | <b>Total</b>   |
|--|--------------------|-----------------------|----------------|
| 2009 ARRA Grant  | \$127.7            | \$50.1                | \$177.8        |
| 2010 Grant   | 10.4               | 7.6                   | 18.0           |
| 2011 Grant   | 4.6                | 5.2                   | 9.8            |
| 2012 Grant   | 2.7                | 3.3                   | 6.0            |
| 2013 Grant   | 2.1                | 3.1                   | 5.2            |
| 2014 Grant   | 3.5                | 3.3                   | 6.8            |
| 2015 Grant   | 3.5                | 3.3                   | 6.8            |
| <b>Total Subsidization</b>                                   | <b>\$154.5</b>     | <b>\$75.9</b>         | <b>\$230.4</b> |

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

Relative to its long-term financial position, one of the most important issues facing the Trust is the status of future federal support for the CWSRF and DWSRF. It is the policy of the Trust to allow DEP 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 DEP, however, future growth in capacity of the Trust is dependent on federal appropriations to the State Revolving Fund programs, shown on the Trust's Financial Statements, footnote (4), as "Capitalization Grants." Additionally, because DEP'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 DEP. For the Trust's programs to continue, funding would need to be provided to DEP either by the Commonwealth or additional funding from the Trust's administrative fees.

***Economic Factors Affecting the Trust***

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

Demand for Trust loans is dependent on the Commonwealth's need for drinking water and wastewater infrastructure, which remains strong. For 2015, the DEP received applications for over \$722 million in Clean Water projects and approved \$400.3 million. DEP also received applications for over \$370 million of Drinking Water projects and approved \$106.5 million. Demand is expected to remain strong as communities work to meet tightening environmental standards and maintain an aging infrastructure. The current record low interest rate environment has somewhat reduced the value of the subsidization resulting from the below market rate being provided to the Trust's borrowers. However, the Trust expects to continue to award additional subsidization in the form of principal forgiveness to its eligible borrowers.

**Performance Indicator**

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

**Clean Water State Revolving Fund Performance Indicators\*, Ranked by State  
for Fiscal Years 2013-2015**

| 2013   |               | 2014                     |               | 2015                     |               |
|--|---------------|--------------------------|---------------|--------------------------|---------------|
| <b>Total Loan Assistance Provided (Millions of dollars)</b>                                      |               |                          |               |                          |               |
| 1 New York   | \$ 12,442     | 1 New York               | \$ 13,366     | 1 New York               | \$ 14,115     |
| 2 California   | 6,511         | 2 California             | 6,911         | 2 California             | 7,674         |
| 3 Ohio   | 6,230         | 3 Ohio                   | 6,587         | 3 Ohio                   | 6,850         |
| 4 Texas  | 6,186         | 4 Texas                  | 6,401         | 4 Texas                  | 6,624         |
| <b>5 Massachusetts</b>   | <b>5,394</b>  | <b>5 Massachusetts</b>   | <b>5,569</b>  | <b>5 Massachusetts</b>   | <b>5,815</b>  |
| <i>National average:</i>   | 1,960         | <i>National average:</i> | 2,066         | <i>National average:</i> | 2,181         |
| <b>Assistance Provided as a Percent of Federal Capitalization Grants</b>                         |               |                          |               |                          |               |
| 1 Rhode Island   | 607%          | 1 Rhode Island           | 604%          | 1 Rhode Island           | 602%          |
| 2 Arizona  | 592%          | 2 Arizona                | 562%          | 2 Arizona                | 542%          |
| <b>3 Massachusetts</b>   | <b>421%</b>   | <b>3 Massachusetts</b>   | <b>420%</b>   | <b>3 Massachusetts</b>   | <b>423%</b>   |
| 4 Minnesota  | 418%          | 4 Minnesota              | 410%          | 4 Minnesota              | 409%          |
| 5 Connecticut  | 384%          | 5 Connecticut            | 385%          | 5 Connecticut            | 393%          |
| <i>National average:</i>   | 276%          | <i>National average:</i> | 280%          | <i>National average:</i> | 282%          |
| <b>SRF Project Disbursements (Millions of dollars)</b>   |               |                          |               |                          |               |
| 1 New York   | \$ 11,949     | 1 New York               | \$ 12,591     | 1 New York               | \$ 13,178     |
| 2 Texas  | 6,182         | 2 Texas                  | 6,401         | 2 Texas                  | 6,565         |
| 3 California   | 5,533         | 3 California             | 5,940         | 3 California             | 6,337         |
| 4 Ohio   | 4,822         | 4 Ohio                   | 5,194         | 4 Ohio                   | 5,548         |
| <b>5 Massachusetts</b>   | <b>4,714</b>  | <b>5 Massachusetts</b>   | <b>4,882</b>  | <b>5 Massachusetts</b>   | <b>5,089</b>  |
| <i>National average:</i>   | 1,719         | <i>National average:</i> | 1,810         | <i>National average:</i> | 1,910         |
| <b>Total Loan Assistance Provided for Combined Sewer Overflow Projects (Millions of dollars)</b> |               |                          |               |                          |               |
| 1 Michigan   | \$ 1,832      | 1 Michigan               | \$ 1,834      | 1 Michigan               | \$ 1,894      |
| 2 New York   | 1,481         | 2 New York               | 1,527         | 2 New York               | 1,735         |
| 3 Ohio   | 1,253         | 3 Ohio                   | 1,326         | 3 Ohio                   | 1,543         |
| <b>4 Massachusetts</b>   | <b>1,159</b>  | <b>4 Massachusetts</b>   | <b>1,228</b>  | <b>4 Massachusetts</b>   | <b>1,310</b>  |
| 5 Illinois   | 796           | 5 Illinois               | 814           | 5 Illinois               | 861           |
| <i>National average:</i>   | 202           | <i>National average:</i> | 211           | <i>National average:</i> | 227           |
| <b>Total Loan Assistance Provided for Secondary Treatment Projects (Millions of dollars)</b>     |               |                          |               |                          |               |
| 1 New York   | \$ 7,393      | 1 New York               | \$ 7,997      | 1 New York               | \$ 8,237      |
| 2 California   | 3,204         | 2 California             | 3,288         | 2 California             | 3,743         |
| 3 Ohio   | 1,937         | 3 Ohio                   | 2,073         | 3 Ohio                   | 2,089         |
| <b>4 Massachusetts</b>   | <b>1,927</b>  | <b>4 Massachusetts</b>   | <b>1,956</b>  | 4 Illinois               | 2,074         |
| 5 Illinois   | 1,652         | 5 Illinois               | 1,869         | <b>5 Massachusetts</b>   | <b>1,998</b>  |
| <i>National average:</i>   | 697           | <i>National average:</i> | 735           | <i>National average:</i> | 773           |
| <b>Total Loan Assistance Provided for New Collector System Projects (Millions of dollars)</b>    |               |                          |               |                          |               |
| <b>1 Massachusetts</b>   | <b>\$ 882</b> | <b>1 Massachusetts</b>   | <b>\$ 882</b> | <b>1 Massachusetts</b>   | <b>\$ 919</b> |
| 2 Florida  | 753           | 2 Florida                | 834           | 2 Florida                | 874           |
| 3 Pennsylvania   | 688           | 3 Pennsylvania           | 694           | 3 Pennsylvania           | 705           |
| 4 New York   | 471           | 4 New York               | 532           | 4 New York               | 562           |
| 5 Arizona  | 378           | 5 Arizona                | 364           | 5 Arizona                | 365           |
| <i>National average:</i>   | 135           | <i>National average:</i> | 141           | <i>National average:</i> | 146           |
| <b>Total Loan Assistance Provided for Storm Sewer Projects (Millions of dollars)</b>             |               |                          |               |                          |               |
| 1 New Jersey   | \$ 183        | 1 New Jersey             | \$ 193        | 1 New Jersey             | \$ 204        |
| 2 Florida  | 158           | 2 Florida                | 180           | 2 Florida                | 199           |
| <b>3 Massachusetts</b>   | <b>139</b>    | <b>3 Massachusetts</b>   | <b>146</b>    | <b>3 Massachusetts</b>   | <b>149</b>    |
| 4 South Dakota   | 68            | 4 South Dakota           | 69            | 4 South Dakota           | 70            |
| 5 California   | 31            | 5 California             | 40            | 5 California             | 40            |
| <i>National average:</i>   | 16            | <i>National average:</i> | 18            | <i>National average:</i> | 20            |

Source: Environmental Protection Agency, National Information Management System

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



***Independent Audit***

The Trust’s independent auditors, KPMG LLP, have performed an independent audit of the Trust for the fiscal year ended June 30, 2015. 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***

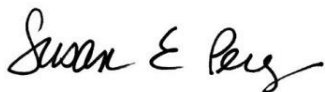
The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Trust for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2014. The award is the Trust’s nineteenth consecutive citation. In order to be awarded a Certificate of Achievement, the Trust must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

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

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

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

Respectfully submitted,



Susan E. Perez  
Executive Director

## Board of Trustees

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



## Senior Management

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



Government Finance Officers Association

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**Massachusetts Water Pollution  
Abatement Trust**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

### Dracut – Sewer Extensions

This project involves the construction of new sanitary sewers that will mitigate the migration of leachate from failing septic systems into tributaries of the Merrimack River. In addition, the project will eliminate several direct sewage connections to the local stormwater system and mitigate impacts to natural resources, town conservation land and private drinking water supplies. The project will install approximately 11,000 linear feet of 8-inch diameter gravity sewer, approximately 1,000 linear feet of small diameter pressure sewers, approximately 2,100 linear feet of force mains and two submersible pumping stations within town roads and cross country areas. \$4.7 million in project financing is being provided by the Clean Water Trust to the Town of Dracut.





# II - FINANCIAL SECTION

**Comprehensive Annual Financial Report  
as of and for the Years Ended June 30, 2015 and June 30, 2014  
and Independent Auditors' Report**



MASSACHUSETTS  
CLEAN WATER TRUST



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

## Independent Auditors' Report

The Board of Trustees  
Massachusetts Clean Water Trust:

### Report on the Financial Statements

We have audited the accompanying financial statements of the Massachusetts Clean Water Trust (the Trust), a component unit of the Commonwealth of Massachusetts, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 our opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Massachusetts Clean Water Trust as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.



*Other Matters*

*Required Supplementary Information*

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

*Other Information*

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

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

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

**KPMG LLP**

October 21, 2015

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

Management's Discussion and Analysis – Required Supplementary Information

(Unaudited)

June 30, 2015 and 2014

**Introduction**

The Massachusetts Clean Water Trust (the Trust) is a public instrumentality of the Commonwealth of Massachusetts (the Commonwealth). It was established in 1989 to administer the Massachusetts Water Pollution Abatement Revolving Fund pursuant to Title VI of the Federal Clean Water Act. 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.

The Trust's Clean Water State Revolving Fund (SRF) and the Drinking Water State Revolving Fund programs were established to accept federal grants and required Commonwealth matching funds in an amount equal to approximately 20% of the federal grants. The Trust's program is leveraged by issuing revenue bonds to provide construction proceeds for loans. Federal and state grants and other monies available to the Trust are pledged to secure the bonds by either financing reserve funds or pledged loans or a combination of both. Earnings on these pledged assets are used to pay a portion of debt service on the related bonds, thereby reducing the borrowers' loan repayment obligation. As the loans are repaid, the funds "revolve" and become available for new projects.

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

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

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

**Financial Highlights – Fiscal Year 2015**

- At the close of fiscal year 2015, assets and deferred outflows exceed liabilities by \$2.24 billion compared to \$2.13 billion for fiscal year 2014. Included in this number are total loans receivable, which increased to



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

Management's Discussion and Analysis – Required Supplementary Information  
(Unaudited)

June 30, 2015 and 2014

\$3.96 billion from \$3.91 billion, total debt (bonds payable), which decreased to \$3.33 billion from \$3.39 billion was offset by a decrease in the total amount of long-term investments and long-term project fund investments (primarily reserve fund investments) to \$1.00 billion from \$1.03 billion.

- Total assets and deferred outflow of resources of \$5.70 billion increased \$77 million from \$5.62 billion the year before. Total liabilities of \$3.46 billion decreased \$35 million from \$3.49 billion the year before.
- On January 7, 2015, the Trust issued Series 18 (Green Bonds) bonds in the amount of \$228,155,000. The Trust designated the Series 18 Bonds as “Green Bonds” based on the intended use of the proceeds for financing projects that adhere to the federal Clean Water Act and Safe Drinking Water Act, as determined by the Environmental Protection Agency (EPA). These monies were used to finance water pollution abatement and drinking water projects in 68 communities. The purpose of labeling the Series 18 Bonds as Green Bonds was to allow investors to invest directly in bonds which finance environmentally beneficial projects. The Trust pledged \$81.7 million of direct loans for projects under the clean water SRF and \$23.5 million of direct loans for projects under the drinking water SRF. The interest payments on the Series 18 pledged direct loans will be used to pay a portion of the debt service due on the Series 18 bonds. On October 30, 2014, the Trust used \$40.5 million of its program equity cash to refund optimal current refunding candidates from Series 6, 7, 8, 9 and MWRA 99A. All of borrowed equity will be returned in approximately 12 years, increasing program capacity by approximately \$16.4 million. On March 31, 2015, the Trust used \$59.6 million of its program equity cash to advance refund optimal current refunding candidates from Series 12. Equity used for this transaction will be returned in approximately 16 years, increasing capacity by \$43.6 million. The total debt defeased this fiscal year was \$100.1 million.
- For FY 2015, the Trust recorded operating income of \$36.0 million as compared to an operating income of \$3.2 million in FY 2014. The \$32.8 million change in the Trust's operating income in FY 2015 was primarily due to a \$12.0 million decrease in operating expenses as principal forgiveness decreased \$2.8 million due to timing of disbursements on qualifying projects and interest expense decreased \$7.1 million due to higher interest rate bonds maturing or having been refunded with lower interest rate bonds. These decreases in expenses were also coupled with a \$20.5 million increase in interest income due to an increase in the fair market value of investments.
- The statement of cash flows indicates an increase in cash for the year of \$84.2 million.
- In FY 2015, the Trust continued to receive Capitalization Grants from the Environmental Protection Agency (EPA) for both the Clean Water and Drinking Water programs. The Trust received revenue of \$47.0 million from the Clean Water Program and received \$16.3 million in the Drinking Water Program. The Commonwealth provided a match of \$12.8 million for these federally funded programs. The continued capitalization of the Trust, combined with the Trust's access to the bond market, has allowed the Trust to provide funding to all qualified borrowers.
- The Trust maintains the highest ratings of “Aaa,” “AAA,” and “AAA” from Moody's S&P, and Fitch rating agencies, respectively, on its recently issued bonds, allowing the Trust to continue to provide low cost funding to communities in the Commonwealth.

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

Management's Discussion and Analysis – Required Supplementary Information

(Unaudited)

June 30, 2015 and 2014

**Financial Highlights – Fiscal Year 2014**

- At the close of fiscal year 2014, assets and deferred outflows exceed liabilities by \$2.13 billion compared to \$2.07 billion for fiscal year 2013. Included in this number are total loans receivable, which decreased to \$3.91 billion from \$3.99 billion, total debt (bonds payable); which decreased to \$3.39 billion from \$3.77 billion was offset by a decrease in long-term investments (primarily reserve fund investments) to \$1.03 billion from \$1.26 billion.
- Total assets and deferred outflow of resources of \$5.62 billion decreased \$407 million from \$6.02 billion the year before. Total liabilities of \$3.49 billion decreased \$463 million from \$3.95 billion the year before.
- On June 12, 2014, the Trust issued \$565,610,000 State Revolving Fund Refunding Bonds (at a true interest cost of 2.13%) to refund, \$2,760,000 of the Trust's Pool Program Series 4 bonds; \$12,050,000 of the Trust's Series 9 bonds; \$33,540,000 of the Trust's Pool Program Series 10 bonds; \$105,575,000 of the Trust's 2004B Refunding bonds; and \$2,800,000 of the Trust's MWRA Loan Program 1998A bonds. These bonds also advance refunded \$162,385,000 of the Trust's Pool Program Series 12 bonds; \$283,220,000 of the Trust's Pool Program Series 13 bonds; and \$137,595,000 of the Trust's Pool Program Series 14 bonds.
- On January 13, 2014, the Trust used \$20,737,000 of proceeds received from terminating certain GIC investments with Portigon and program funds in the amount of \$16,500,000 to pay off the Trust's Subordinate Revenue Refunding Bonds under the New Bedford Loan Program Series 1998A. The total debt defeased was \$36,460,000.
- For FY 2014, the Trust recorded operating income of \$3.2 million as compared to an operating loss of \$11.7 million in FY 2013. The \$14.9 million change in the Trust's operating income in FY 2014 was primarily attributed to the \$17.0 million decrease in interest expense which exceeded the \$10.4 million decrease in interest income and contract assistance by \$6.7 million, primarily due to the Trust's recent refunding's that replaced higher yielding bonds with bonds at all-time low interest rates. Also attributing to this increase in operating income was a \$4.8 million decrease in principal forgiveness expense resulting from the final expenditures of the ARRA capitalization grants. Although the Trust's current capitalization grants continue to provide for principal forgiveness, it is not at the levels experienced with the ARRA grants.
- The statement of cash flows indicates a decrease in cash for the year of \$86.8 million.
- In FY 2014, the Trust continued to receive Capitalization Grants from the Environmental Protection Agency (EPA) for both the Clean Water and Drinking Water programs. The Trust received \$46.0 million from the Clean Water Program and received \$16.0 million in the Drinking Water Program. The Commonwealth provided a match of \$12.2 million for these federally funded programs. The continued capitalization of the Trust, combined with the Trust's access to the bond market, has allowed the Trust to provide funding to all qualified borrowers.
- The Trust maintains the highest ratings of "Aaa," "AAA," and "AAA" from Moody's S&P, and Fitch rating agencies, respectively, on its recently issued bonds, allowing the Trust to continue to provide low cost funding to communities in the Commonwealth.

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

Management's Discussion and Analysis – Required Supplementary Information

(Unaudited)

June 30, 2015 and 2014

**Overview of Financial Statements**

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

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

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

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

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

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

Management's Discussion and Analysis – Required Supplementary Information

(Unaudited)

June 30, 2015 and 2014

**Condensed Financial Information and Financial Analysis**

(In thousands)

|  | 2015                | 2014             | 2013             | Percentage change |                |
|--|---------------------|------------------|------------------|-------------------|----------------|
|  |                     |                  |                  | 2015–2014         | 2014–2013      |
| Current assets                             | \$ 990,101          | 1,005,129        | 918,563          | (1.5)%            | 9.4%           |
| Loans receivable, long term                | 3,591,902           | 3,469,108        | 3,711,065        | 3.5               | (6.5)          |
| Investments, long term                     | 977,104             | 1,029,899        | 1,262,224        | (5.1)             | (18.4)         |
| Project fund investments                   | 25,255              | —                | 58,992           | 100.0             | (100.0)        |
| Deferred outflows                          | 108,352             | 113,216          | 72,071           | (4.3)             | 57.1           |
| Other                                      | 1,928               | 42               | 1,469            | 4,490.5           | (97.1)         |
| <b>Total assets and deferred outflows</b>  | <b>\$ 5,694,642</b> | <b>5,617,394</b> | <b>6,024,384</b> | <b>1.4%</b>       | <b>(6.8)%</b>  |
| Current liabilities                        | \$ 318,424          | 304,331          | 335,822          | 4.6%              | (9.4)%         |
| Loan commitments and project funds payable | 25,233              | —                | 58,979           | 100.0             | (100.0)        |
| Liability for derivative instruments       | 5,642               | 2,206            | 3,435            | 155.8             | (35.8)         |
| Long-term debt                             | 3,105,887           | 3,183,470        | 3,555,255        | (2.4)             | (10.5)         |
| <b>Total liabilities</b>                   | <b>3,455,186</b>    | <b>3,490,007</b> | <b>3,953,491</b> | <b>(1.0)%</b>     | <b>(11.7)%</b> |
| Net position:                              |                     |                  |                  |                   |                |
| Restricted                                 | \$ 1,866,407        | 1,718,052        | 1,658,888        | 8.6%              | 3.6%           |
| Unrestricted                               | 373,049             | 409,335          | 412,005          | (8.9)             | (0.6)          |
| <b>Total net position</b>                  | <b>\$ 2,239,456</b> | <b>2,127,387</b> | <b>2,070,893</b> | <b>5.3%</b>       | <b>2.7%</b>    |

***Net position***

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

The Trust's net position at June 30, 2014 and 2013 was \$2.13 billion and \$2.07 billion, respectively. Total assets and deferred outflow of \$5.62 billion decreased \$407 million from \$6.02 billion at June 30. Total loans receivable, long-term decreased \$242 million to \$3.47 billion as the Trust did not finance any loans in FY 2014 as part of a new bond financing, rather the Trust's interim loan portfolio and loan commitments increased \$161 million and \$122 million, respectively. The Trust's total investments decreased \$232 million to \$1.03 billion. The decrease was primarily attributed to the termination of a \$19.2 million GIC with Portigon and the liquidation of the \$141.8 million Series 13 debt service reserve fund as part of the 2014 Refunding, in addition to scheduled maturities. Total liabilities decreased \$463 million to \$3.49 billion primarily due to the Series 2014 Refunding bonds that refunded \$739.9 million while issuing only \$565.6 million of refunding bonds. In addition, the Trust did not finance new loans with a new bond issue in FY 2014, which resulted in a reduction of outstanding debt by scheduled maturities.

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

Management's Discussion and Analysis – Required Supplementary Information

(Unaudited)

June 30, 2015 and 2014

***Bonds Payable***

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

The following is a summary of bonds payable at June 30, 2015, 2014 and 2013 (in thousands). More detailed information can be found in note 6 to the financial statements.

|  | <u>2015</u>         | <u>2014</u>      | <u>2013</u>      |
|--|---------------------|------------------|------------------|
| Water Pollution Abatement Revenue Bonds: |                     |                  |                  |
| MWRA Loan Program                        | \$ 10,060           | 11,365           | 16,410           |
| South Essex Sewage District Loan Program | 890                 | 1,855            | 2,765            |
| New Bedford Loan Program                 | 270                 | 785              | 1,515            |
| Pool Loan Program                        | 1,362,395           | 1,328,845        | 2,078,738        |
| Subtotal revenue bonds                   | <u>1,373,615</u>    | <u>1,342,850</u> | <u>2,099,428</u> |
| Subordinated Revenue Refunding Bonds:    |                     |                  |                  |
| MWRA Loan Program                        | 54,040              | 63,620           | 63,775           |
| New Bedford Loan Program                 | —                   | —                | 36,460           |
| Pool Loan Program                        | 1,583,935           | 1,678,245        | 1,311,580        |
| Subtotal revenue refunding bonds         | <u>1,637,975</u>    | <u>1,741,865</u> | <u>1,411,815</u> |
| Total bonds                              | 3,011,590           | 3,084,715        | 3,511,243        |
| Add: unamortized bond premium            | <u>320,762</u>      | <u>304,295</u>   | <u>259,765</u>   |
| Total bonds payable, net                 | <u>\$ 3,332,352</u> | <u>3,389,010</u> | <u>3,771,008</u> |

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

Management's Discussion and Analysis – Required Supplementary Information  
(Unaudited)

June 30, 2015 and 2014

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)

|   | <b>June 30</b>      |                  |                  | <b>Percentage change</b> |                  |
|---|---------------------|------------------|------------------|--------------------------|------------------|
|   | <b>2015</b>         | <b>2014</b>      | <b>2013</b>      | <b>2015–2014</b>         | <b>2014–2013</b> |
| Loan servicing fees   | \$ 5,315            | 5,137            | 5,288            | 3.5%                     | (2.9)%           |
| Loan origination fees   | 2,150               | 19               | 1,698            | 11,215.8                 | (98.9)           |
| Interest income   | 147,069             | 126,577          | 135,518          | 16.2                     | (6.6)            |
| Contract assistance from Commonwealth of Massachusetts            | 30,375              | 32,388           | 33,895           | (6.2)                    | (4.4)            |
| Total operating revenues  | <u>184,909</u>      | <u>164,121</u>   | <u>176,399</u>   | <u>12.7</u>              | <u>(7.0)</u>     |
| Department of Environmental Protection programmatic support costs | \$ 5,793            | 7,418            | 8,921            | (21.9)                   | (16.8)           |
| Principal forgiveness   | 4,797               | 7,567            | 12,335           | (36.6)                   | (38.7)           |
| General and administrative  | 5,923               | 7,860            | 5,046            | (24.6)                   | 55.8             |
| Arbitrage rebate payments   | 1,538               | 166              | 6,725            | 826.5                    | (97.5)           |
| Interest expense  | 130,888             | 137,959          | 155,047          | (5.1)                    | (11.0)           |
| Total operating expenses  | <u>148,939</u>      | <u>160,970</u>   | <u>188,074</u>   | <u>(7.5)</u>             | <u>(14.4)</u>    |
| Operating income (loss)   | <u>35,970</u>       | <u>3,151</u>     | <u>(11,675)</u>  | <u>(1,041.5)</u>         | <u>127.0</u>     |
| U.S. Environmental Protection Agency capitalization grants        | 63,290              | 61,950           | 65,671           | 2.2                      | (5.7)            |
| Commonwealth of Massachusetts matching grants                     | 12,809              | 12,205           | 12,999           | 4.9                      | (6.1)            |
| Total nonoperating revenues                                       | <u>76,099</u>       | <u>74,155</u>    | <u>78,670</u>    | <u>2.6</u>               | <u>(5.7)</u>     |
| Return of Commonwealth initial investment                         | —                   | 20,812           | —                | 100.0                    | —                |
| Total nonoperating expenses                                       | <u>—</u>            | <u>20,812</u>    | <u>—</u>         | <u>100.0</u>             | <u>—</u>         |
| Increase in net position  | 112,069             | 56,494           | 66,995           | 98.4                     | (15.7)           |
| Net position, beginning of year                                   | <u>2,127,387</u>    | <u>2,070,893</u> | <u>2,003,898</u> | <u>2.7</u>               | <u>3.3</u>       |
| Net position, end of year   | <u>\$ 2,239,456</u> | <u>2,127,387</u> | <u>2,070,893</u> | <u>5.3%</u>              | <u>2.7%</u>      |

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

Management's Discussion and Analysis – Required Supplementary Information

(Unaudited)

June 30, 2015 and 2014

**Results of Operations**

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

For FY 2014, the Trust recorded operating income of \$3.2 million as compared to an operating loss of \$11.7 million in FY 2013. The \$14.9 million change in the Trust's operating income in FY 2014 was primarily attributed to the \$17.0 million decrease in interest expense, which exceeded the \$10.4 million decrease in interest income and contract assistance by \$6.7 million, primarily due to the Trust's recent refunding's that replaced higher yielding bonds with bonds at all-time low interest rates. Also attributing to this increase in operating income was a \$4.8 million decrease in principal forgiveness expense resulting from the final expenditures of the ARRA capitalization grants. Although the Trust's current capitalization grants continue to provide for principal forgiveness, it is not at the levels experienced with the ARRA grants.

The Trust's operating income (loss) is negatively impacted by the inclusion of expenses such as DEP programmatic support costs of \$5.8 million, \$7.4 million, and \$8.9 million for FY 2015, FY 2014 and FY 2013, respectively, and principal forgiveness, which are funded by the capitalization grant revenue that is classified as nonoperating revenue.

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

The \$4.5 million, or 5.7%, decrease in nonoperating revenue in FY 2014 reflects a decrease in the annual Clean Water and Drinking Water federal capitalization grants revenue and the related state matching grant. Revenue is recognized based on the funding availability schedule contained in the grant. For more information on grant revenue, refer to note 4.

FY 2014 includes nonoperating expense of \$20.8 million, which represents the return to the Commonwealth of its investment in the Commonwealth Program that provided funding for eight projects that were ineligible for funding pursuant to the Clean Water Act when the SRF program was initially established.

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

Management's Discussion and Analysis – Required Supplementary Information

(Unaudited)

June 30, 2015 and 2014

**Future Economic Factors**

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

**Requests for Information**

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



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

Statements of Net Position

June 30, 2015 and 2014

(In thousands)

|  | 2015         | 2014      |
|--|--------------|-----------|
| Assets and deferred outflows:                  |              |           |
| Current assets:                                |              |           |
| Cash and cash equivalents (note 3)             | \$ 451,885   | 367,669   |
| Short-term investments (note 3)                | 46,526       | 43,576    |
| Project fund investments (note 3)              | 1,690        | 16,540    |
| Grants receivable:                             |              |           |
| U.S. Environmental Protection Agency           | 64,340       | 81,507    |
| Loans receivable, net (note 5)                 | 368,201      | 437,317   |
| Accrued interest receivable                    | 57,459       | 58,520    |
| Total current assets                           | 990,101      | 1,005,129 |
| Noncurrent assets:                             |              |           |
| Project fund investments (note 3)              | 25,255       | —         |
| Loans receivable, long term (note 5)           | 3,591,902    | 3,469,108 |
| Long-term investments (note 3)                 | 977,104      | 1,029,899 |
| Other assets                                   | 1,928        | 42        |
| Total noncurrent assets                        | 4,596,189    | 4,499,049 |
| Deferred outflow of resources (note 10)        | 108,352      | 113,216   |
| Total assets and deferred outflow of resources | 5,694,642    | 5,617,394 |
| Liabilities:                                   |              |           |
| Current liabilities:                           |              |           |
| Accrued expenses and interest payable          | 61,611       | 54,326    |
| Unearned revenue                               | 28,834       | 28,065    |
| Loan commitments and project funds payable     | 1,514        | 16,400    |
| Long-term debt (note 6)                        | 226,465      | 205,540   |
| Total current liabilities                      | 318,424      | 304,331   |
| Noncurrent liabilities:                        |              |           |
| Loan commitments and project funds payable     | 25,233       | —         |
| Liability for derivative instruments (note 9)  | 5,642        | 2,206     |
| Long-term debt, net (note 6)                   | 3,105,887    | 3,183,470 |
| Total noncurrent liabilities                   | 3,136,762    | 3,185,676 |
| Total liabilities                              | 3,455,186    | 3,490,007 |
| Net position:                                  |              |           |
| Restricted for program purposes (note 7)       | 1,866,407    | 1,718,052 |
| Unrestricted (note 7)                          | 373,049      | 409,335   |
| Total net position                             | \$ 2,239,456 | 2,127,387 |

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, 2015 and 2014  
(In thousands)

|   | <b>2015</b>  | <b>2014</b> |
|---|--------------|-------------|
| Operating revenues:   |              |             |
| Loan servicing fees   | \$ 5,315     | 5,137       |
| Loan origination fees   | 2,150        | 19          |
| Interest income   | 147,069      | 126,577     |
| Contract assistance from Commonwealth of Massachusetts              | 30,375       | 32,388      |
| Total operating revenues  | 184,909      | 164,121     |
| Operating expenses:   |              |             |
| Commonwealth of Massachusetts:                                      |              |             |
| Department of Environmental Protection – programmatic support costs | 5,793        | 7,418       |
| Principal forgiveness   | 4,797        | 7,567       |
| General and administrative  | 5,923        | 7,860       |
| Arbitrage rebate payments   | 1,538        | 166         |
| Interest expense  | 130,888      | 137,959     |
| Total operating expenses  | 148,939      | 160,970     |
| Operating income  | 35,970       | 3,151       |
| Nonoperating revenue:   |              |             |
| Capitalization grant revenue:                                       |              |             |
| U.S. Environmental Protection Agency capitalization grants (note 4) | 63,290       | 61,950      |
| Commonwealth of Massachusetts matching grants (note 4)              | 12,809       | 12,205      |
| Total nonoperating revenue  | 76,099       | 74,155      |
| Nonoperating expense:   |              |             |
| Return of Commonwealth initial investment (note 2(f))               | —            | 20,812      |
| Total nonoperating expense  | —            | 20,812      |
| Increase in net position  | 112,069      | 56,494      |
| Net position – beginning of year                                    | 2,127,387    | 2,070,893   |
| Net position – end of year  | \$ 2,239,456 | 2,127,387   |

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, 2015 and 2014

(In thousands)

|   | <b>2015</b> | <b>2014</b> |
|---|-------------|-------------|
| Cash flows from operating activities:   |             |             |
| Other cash received from borrowers  | \$ 5,558    | 6,556       |
| Cash paid to vendors  | (10,827)    | (14,906)    |
| Net cash used in operating activities   | (5,269)     | (8,350)     |
| Cash flows from noncapital financing activities:                                    |             |             |
| Bonds proceeds  | 268,686     | —           |
| Cash used in debt refunding   | (99,633)    | (197,738)   |
| Repayment of bonds  | (205,540)   | (215,753)   |
| Interest paid   | (134,400)   | (163,928)   |
| Return of Commonwealth initial investment   | —           | (20,812)    |
| Proceeds from U.S. Environmental Protection Agency capitalization grants            | 81,210      | 40,929      |
| Proceeds from Commonwealth matching capitalization grants                           | 12,823      | 12,809      |
| Net cash used in noncapital financing activities                                    | (76,854)    | (544,493)   |
| Cash flows from investing activities:   |             |             |
| Loans disbursed to recipients   | (300,344)   | (168,511)   |
| Cash received from borrowers  | 209,803     | 210,697     |
| Contract assistance received – principal  | 29,905      | 29,612      |
| Interest received   | 108,278     | 121,834     |
| Contract assistance received – interest   | 31,897      | 32,879      |
| Purchases of investments  | (7,192)     | (13,726)    |
| Cash received from termination of guaranteed investment contracts                   | —           | 160,102     |
| Sales/maturities of investments, net  | 93,993      | 93,173      |
| Net cash provided by investing activities   | 166,339     | 466,060     |
| Net increase (decrease) in cash and cash equivalents                                | 84,216      | (86,783)    |
| Cash and cash equivalents, beginning of year  | 367,669     | 454,452     |
| Cash and cash equivalents, end of year  | \$ 451,885  | 367,669     |
| Reconciliation of operating income to net cash used in operating activities:        |             |             |
| Operating income  | \$ 35,970   | 3,151       |
| Adjustments to reconcile operating income to net cash used in operating activities: |             |             |
| Reclassification of:  |             |             |
| Interest income   | (147,069)   | (126,577)   |
| Contract assistance   | (30,375)    | (32,388)    |
| Interest expense  | 130,888     | 137,959     |
| Principal forgiveness   | 4,797       | 7,567       |
| Changes in operating assets and liabilities:  |             |             |
| Other assets and liabilities, net   | 520         | 1,938       |
| Net cash used in operating activities   | \$ (5,269)  | (8,350)     |

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2015 and 2014

(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 and Drinking Water State Revolving Fund (SRF) programs.

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

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

**(b) Description of Business**

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

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

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

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

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June 30, 2015 and 2014

(Dollars in thousands, unless noted)

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

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

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

**(a) Basis of Presentation**

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

**(b) Revenue Recognition**

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

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

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

**(c) Cash and Cash Equivalents**

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

**(d) Investments**

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

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

June 30, 2015 and 2014

(Dollars in thousands, unless noted)

Investments are generally carried at fair value. The investment in MMDT is valued at the share value of \$1.00 and carried at fair value. The guaranteed investment contracts (GICs) are considered nonparticipating investment contracts and therefore are recorded at amortized cost.

Under the Trust's Master Trust Agreement, dated January 1, 2015, the Trust's Program Resolution, as amended through January 7, 2015, and bond resolutions entered into in connection with the issuance of bonds by the Trust (the Resolutions), the Trust must maintain certain investment funds in the SRF programs. The types of funds held by the Trustees are in the following accounts:

*Equity Accounts* – The equity accounts consist of cash and cash equivalents that are currently primarily invested in MMDT. The equity accounts comprise both a federal program account and a state account and can be used for programmatic costs and operating expenses within the SRF programs. These funds are derived from: (1) funds drawn by the Trust from federal capitalization grants and Commonwealth matching funds; (2) other amounts paid to the Trust representing financial assistance provided pursuant to the Act for purposes of deposit in the SRF programs; (3) other amounts appropriated to the Trust by the Commonwealth for purposes of the SRF programs; (4) direct loan repayments; (5) interest earnings on investments or deposits of amounts held in the equity accounts; and (6) amounts transferred from the Debt Service Reserve Fund as a result of loan repayments in accordance with the provisions specified in the Resolutions.

*Interim Loan Accounts* – The interim loan accounts have been established to fund temporary loans in anticipation of permanent leveraged borrowings. The source of funds is the equity accounts.

*Project Accounts* – The project accounts disburse bond proceeds to borrowers as needed. These funds are restricted by the bond resolutions and are to be applied solely to the payment or refinancing of costs associated with the applicable project. When all costs have been paid, any amounts remaining unexpended in the project accounts will normally be applied to the repayment of the applicable borrower's principal.

*Debt Service Reserve Accounts* – Debt service reserve accounts consist of reserves established as security to bonds issued by the Trust. The amount deposited in each debt service reserve account is determined at the time of the issuance of the bonds, and has varied from 33% to 50% of the par amount of the bonds issued. Debt Service Reserve Funds are funded from cash, and deposits are transferred from the equity accounts. Interest earnings on the debt service reserve accounts are used for debt service payments.

*Debt Service Accounts* – Debt service accounts are used as a pass-through of principal and interest to the bondholders. The debt service accounts are also used to hold accrued interest on the bonds to be applied to pay a portion of the interest due on the bonds.

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Notes to Financial Statements

June 30, 2015 and 2014

(Dollars in thousands, unless noted)

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

The Trust requires payment of loan origination fees at the time of the first debt service payment. This origination fee revenue is recorded at the time of the bond closing which is when these fees are earned. Cost of issuance, under GASB Statement No. 65, related to the bonds is recorded to general and administrative expenses when incurred.

Prior to FY 2007, fees received and certain direct costs incurred, relating to the origination of loans, have been deferred and being paid by certain borrowers with their respective loans receivable.

**(f) *Nonoperating Expenses***

FY 2014 includes nonoperating expense of \$20,812, which represents the return to the Commonwealth of its investment in the Commonwealth Program that provided funding for eight projects that were ineligible for funding pursuant to the Clean Water Act when the SRF program was initially established.

**(g) *Risk Financing***

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

**(h) *Bond Premium***

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

**(i) *Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**(j) *Derivatives***

The Trust complies with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement requires that derivative instruments be reported as assets or liabilities at fair value on the statement of net position. Changes in fair value are either deferred or

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Notes to Financial Statements

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reported in the statement of revenues, expenses, and changes in net position, depending on whether the derivative instrument qualifies for hedge accounting.

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

The Trust accounts for certain transactions that result in the consumption or acquisition in one period that are applicable to future periods as deferred outflows and deferred inflows of resources, respectively, to distinguish them from assets and liabilities. For fiscal years 2015 and 2014, the Trust has reported deferred outflows of resources pertaining to its hedging derivative instruments and to the losses on its debt refunding transactions.

**(l) *Reclassifications***

Certain reclassifications have been made to the FY 2014 balances to conform to the presentation used in FY 2015.

**(3) *Deposits and Investments***

The Trust complies with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. Cash, cash equivalents, and investments are separately held by several of the Trust's funds.

**(a) *Cash and Cash Equivalents***

The Trust's cash and cash equivalents consist of the equity accounts previously discussed in note 2 as well as project funds that have not yet been disbursed. The project funds are held by the Trustees and disbursed in accordance with executed loan agreements. A small portion of the cash and cash equivalents is held to pay the administrative costs of the Trust.

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

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

*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



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June 30, 2015 and 2014

(Dollars in thousands, unless noted)

that may be subject to custodial credit risk. The Trust had no significant amount of cash on deposit with banks at June 30, 2015 and 2014.

**(b) Investments**

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

*Credit Risk* – The majority of the Trust’s investments are in Guaranteed Investment Contracts (GICs) or in Treasury or agency securities. The Treasury and agency securities 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 do 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 a AA rating, or 3) provide credit enhancement to maintain a rating on the investment contract of at least AA. MMDT and the GICs are not rated.

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

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

June 30, 2015 and 2014

(Dollars in thousands, unless noted)

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

| <u>Investment type</u>                          | <u>2015</u>         | <u>Investment maturities (in years)</u> |                |                |                     |
|---|---------------------|---|----------------|----------------|---------------------|
|   |                     | <u>Less than 1</u>                      | <u>1 to 5</u>  | <u>6 to 10</u> | <u>More than 10</u> |
| Debt securities:                                |                     |   |                |                |                     |
| Guaranteed investment contracts                 | \$ 659,912          | \$ 113,063                              | \$ 239,663     | \$ 210,802     | \$ 96,384           |
| U.S. Treasuries – federally guaranteed          | 322,262             | 23,550                                  | 67,838         | 79,465         | 151,409             |
| Cash equivalents:                               |                     |   |                |                |                     |
| Massachusetts Municipal Depository Trust (MMDT) | 520,286             | 495,031                                 | 25,255         | —              | —                   |
| Total investments and cash equivalents          | <u>\$ 1,502,460</u> | <u>631,644</u>                          | <u>332,756</u> | <u>290,267</u> | <u>247,793</u>      |

| <u>Investment type</u>                          | <u>2014</u>         | <u>Investment maturities (in years)</u> |                |                |                     |
|---|---------------------|---|----------------|----------------|---------------------|
|   |                     | <u>Less than 1</u>                      | <u>1 to 5</u>  | <u>6 to 10</u> | <u>More than 10</u> |
| Debt securities:                                |                     |   |                |                |                     |
| Guaranteed investment contracts                 | \$ 722,108          | \$ 113,455                              | \$ 244,864     | \$ 235,716     | \$ 128,073          |
| U.S. Treasuries – federally guaranteed          | 310,504             | 22,391                                  | 72,834         | 87,782         | 165,271             |
| Cash equivalents:                               |                     |   |                |                |                     |
| Massachusetts Municipal Depository Trust (MMDT) | 425,072             | 425,072                                 | —              | —              | —                   |
| Total investments and cash equivalents          | <u>\$ 1,457,684</u> | <u>560,918</u>                          | <u>317,698</u> | <u>323,498</u> | <u>293,344</u>      |

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

Notes to Financial Statements

June 30, 2015 and 2014

(Dollars in thousands, unless noted)

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

|   | <b>Percentage of<br/>total investments</b> |             |
|---|--|-------------|
|   | <b>2015</b>                                | <b>2014</b> |
| Provider:   |  |             |
| Dexia Credit Local/FSA Capital Management Services, LLC | 21%  | 22%         |
| NATIXIS Funding Corp.                                   | 17   | 17          |
| Trinity Funding Company, LLC                            | 15   | 14          |
| Citigroup   | 10   | 10          |

On June 3, 2014, the Trust liquidated its U.S. Treasuries portfolio comprising the debt service reserve fund for Series 13 Bonds. The Trust received \$140,800 in cash proceeds, which were used to refund a portion of its outstanding bonds, refer to note 6.

**(4) Capitalization Grants**

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

The total grants awarded for the Trust’s fiscal years ended June 30, 2015 and 2014 are as follows:

|  | <b>Clean Water Program</b> |             | <b>Drinking Water Program</b> |             |
|--|----------------------------|-------------|-------------------------------|-------------|
|  | <b>2015</b>                | <b>2014</b> | <b>2015</b>                   | <b>2014</b> |
| Federal capitalization                       | \$ 47,603                  | 45,328      | 16,441                        | 15,699      |
| State match on federal funds                 | 9,520                      | 9,065       | 3,288                         | 3,140       |
| Total capitalization                         | 57,123                     | 54,393      | 19,729                        | 18,839      |
| Less administrative allowance and set asides | (2,285)                    | (2,176)     | (5,096)                       | (4,866)     |
| Project capitalization                       | \$ 54,838                  | 52,217      | 14,633                        | 13,973      |

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

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

|                                   | <u>Clean Water</u> |               | <u>Drinking Water</u> |               | <u>Total Programs</u> |               |
|-----------------------------------|--------------------|---------------|-----------------------|---------------|-----------------------|---------------|
|                                   | <u>2015</u>        | <u>2014</u>   | <u>2015</u>           | <u>2014</u>   | <u>2015</u>           | <u>2014</u>   |
| Federal FY 2014 grant             | \$ 35,702          | —             | 12,331                |               | 48,033                | —             |
| Federal FY 2013 grant             | 11,332             | 33,996        | 3,925                 | 11,775        | 15,257                | 45,771        |
| Federal FY 2012 grant             | —                  | 11,996        | —                     | 4,183         | —                     | 16,179        |
|                                   | <u>—</u>           | <u>—</u>      | <u>—</u>              | <u>—</u>      | <u>—</u>              | <u>—</u>      |
| Total grant revenue – EPA         | <u>\$ 47,034</u>   | <u>45,992</u> | <u>16,256</u>         | <u>15,958</u> | <u>63,290</u>         | <u>61,950</u> |
| State match – FY 2014 grant       | \$ 9,521           | —             | 3,288                 | —             | 12,809                | —             |
| State match – FY 2013 grant       | —                  | 9,065         | —                     | 3,140         | —                     | 12,205        |
| State match – FY 2012 grant       | —                  | —             | —                     | —             | —                     | —             |
|                                   | <u>—</u>           | <u>—</u>      | <u>—</u>              | <u>—</u>      | <u>—</u>              | <u>—</u>      |
| Total grant revenue – State Match | <u>\$ 9,521</u>    | <u>9,065</u>  | <u>3,288</u>          | <u>3,140</u>  | <u>12,809</u>         | <u>12,205</u> |

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

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

Each loan to a borrower is in the form of either a loan or the 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 makes loans under its Clean Water SRF program with terms up to 30 years from project completion and under its Drinking Water SRF program up to 20 years from project completion, but in no event does the Trust make a loan longer than the expected useful life of the project financed or refinanced by such loan. The Trust's loans to borrowers are funded either through SRF bond proceeds (leveraged loans), or funded with SRF program equity funds (direct loans).

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

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A summary of loan receivables as of June 30, 2015 and 2014 is as follows:

|                                       | <b>2015</b>  | <b>2014</b> |
|---------------------------------------|--------------|-------------|
| Leveraged loans or bonds purchased    | \$ 3,519,380 | 3,483,433   |
| Pledged loans                         | 309,871      | 210,198     |
| Direct loans                          | 10,574       | 14,145      |
| Interim loans                         | 266,500      | 365,629     |
| Principal forgiveness                 | (146,222)    | (166,980)   |
| Total loans receivable                | 3,960,103    | 3,906,425   |
| Less current portion loans receivable | 368,201      | 437,317     |
| Long-term portion – loans receivable  | \$ 3,591,902 | 3,469,108   |

The interim loan receivable balances were \$266,500 and \$365,629 as of June 30, 2015 and 2014, respectively. Additionally, the interim loan balances represent disbursements of construction funds of \$146,222 and \$166,980, respectively, to borrowers for which a subsidy was provided in the form of principal forgiveness. The interim loan amounts will be legally forgiven as the applicable projects are completed.

The Series 18 bond issuance occurred in January 2015 and interim loans totaling \$251,572 were permanently financed as part of the Series 18 bond issue.

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

|   |              |
|---|--------------|
| Years ending June 30:                       |              |
| 2016  | \$ 233,934   |
| 2017  | 241,692      |
| 2018  | 233,234      |
| 2019  | 238,646      |
| 2020  | 232,822      |
| 2021–2025                                   | 1,050,076    |
| 2026–2030                                   | 731,649      |
| 2031–2035                                   | 394,661      |
| 2036–2040                                   | 129,192      |
| 2041–2045                                   | 33,474       |
| Total leveraged loans or<br>bonds purchased | \$ 3,519,380 |

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The Trust's loans to its borrowers are subsidized by interest earnings on Debt Service Reserve Funds and contract assistance provided to the Trust by the Commonwealth. Although borrowers are obligated to the Trust to make scheduled payments, both of these subsidies are expected to be available for the lives of the financing agreements. The Commonwealth has committed to provide contract assistance in the amount of \$366.4 million. 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.

For the leveraged bond purchase program, pursuant to an agreement with the Commonwealth, contract assistance is drawn in an amount as if the financing was for a 20-year period. The amount that is not currently needed is invested at the applicable bond yield and used to fund the subsidy in years 21 to 30.

**(6) Bonds Payable**

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

The Series 18 Bonds that were issued on January 7, 2015, were the first 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 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.

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 not pledged as security for the bonds; however, the Contract Assistance payment, when received by the Trust is pledged as security for the bonds.

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

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

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|   | <u>Beginning<br/>balance,<br/>June 30, 2014</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>balance,<br/>June 30, 2015</u> | <u>Due within<br/>one year</u> |
|---|---|------------------|-------------------|--|--------------------------------|
| Series 12, 3.0% to 5.25%,<br>issued December 14, 2006,<br>due 2007 to 2036    | \$ 132,115                                      | —                | 73,475            | 58,640                                       | 17,660                         |
| Series 14, 1.0% to 5.0%,<br>issued March 18, 2009,<br>due 2009 to 2038        | 195,345   | —                | 15,965            | 179,380                                      | 16,260                         |
| Series 15, 2.0% to 5.192%,<br>issued July 8, 2010,<br>due 2012 to 2040        | 399,585   | —                | 16,605            | 382,980                                      | 17,120                         |
| Series 16A and B, 2.0% to 5.0%,<br>issued June 13, 2012,<br>due 2013 to 2032  | 234,085   | —                | 8,955             | 225,130                                      | 9,170                          |
| Series 17A and B, 0.25% to 5.0%,<br>issued May 22, 2013,<br>due 2014 to 2043  | 194,090   | —                | 7,330             | 186,760                                      | 7,365                          |
| Series 18, 0.25% to 5.0%,<br>issued January 7, 2015,<br>due 2016 to 2045      | —   | 228,155          | —                 | 228,155                                      | 7,240                          |
| Subordinated Revenue Refunding Bonds:   |   |                  |                   |  |                                |
| MWRA Loan Program:  |   |                  |                   |  |                                |
| Series 1999A, 4.2% to 6.0%,<br>issued November 3, 1999,<br>due 2000 to 2029   | 63,620  | —                | 9,580             | 54,040                                       | —                              |
| Pool Program Refunding Bonds:   |   |                  |                   |  |                                |
| Series A and B, 2.0% to 5.25%,<br>issued August 25, 2004,<br>due 2005 to 2028 | 373,895   | —                | 63,915            | 309,980                                      | 48,870                         |
| Series 2006, 3.0% to 5.25%,<br>issued December 14, 2006<br>due 2007 to 2034   | 408,215   | —                | —                 | 408,215                                      | —                              |
| Series 2009A, 2.0% to 5.0%,<br>issued July 30, 2009<br>due 2010 to 2029       | 175,335   | —                | 13,445            | 161,890                                      | 13,560                         |
| Series 2010A, 3.0% to 5.0%,<br>issued July 8, 2010<br>due 2014 to 2026        | 37,430  | —                | 4,905             | 32,525                                       | 5,270                          |



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|   | <b>Beginning<br/>balance,<br/>June 30, 2014</b> | <b>Additions</b> | <b>Reductions</b> | <b>Ending<br/>balance,<br/>June 30, 2015</b> | <b>Due within<br/>one year</b> |
|---|---|------------------|-------------------|--|--------------------------------|
| Series 2012A and B, 3.0% to 5.0%,<br>issued June 13, 2012<br>due 2013 to 2032 | \$ 117,760                                      | —                | 12,045            | 105,715                                      | 12,695                         |
| Series 2014, 2.0% to 5.0%,<br>issued June 12, 2014<br>due 2015 to 2028        | <u>565,610</u>                                  | <u>—</u>         | <u>—</u>          | <u>565,610</u>                               | <u>40,735</u>                  |
| Subtotal  | 3,084,715                                       | 228,155          | 301,280           | 3,011,590                                    | 226,465                        |
| Add: Unamortized bond premiums  | <u>304,295</u>                                  | <u>40,531</u>    | <u>24,064</u>     | <u>320,762</u>                               | <u>—</u>                       |
| Total bonds payable   | <u>\$ 3,389,010</u>                             | <u>268,686</u>   | <u>325,344</u>    | <u>3,332,352</u>                             | <u>226,465</u>                 |

The following is a summary of bonds payable at June 30, 2014 and 2013:

|   | <b>Beginning<br/>balance,<br/>June 30, 2013</b> | <b>Additions</b> | <b>Reductions</b> | <b>Ending<br/>balance,<br/>June 30, 2014</b> | <b>Due within<br/>one year</b> |
|---|---|------------------|-------------------|--|--------------------------------|
| Water Pollution Abatement Revenue Bonds:                                      |   |                  |                   |  |                                |
| MWRA Loan Program:  |   |                  |                   |  |                                |
| Series 1993B, 4.3% to 5.25%,<br>issued January 6, 1994,<br>due 2000 to 2014   | \$ 615  | —                | 300               | 315  | 315                            |
| Series 1995A, 4.5% to 6.0%,<br>issued November 21, 1995,<br>due 2000 to 2015  | 70  | —                | 70                | —  | —                              |
| Series 1998A, 4.0% to<br>5.375%, issued July 9, 1998,<br>due 2000 to 2018     | 3,660   | —                | 3,660             | —  | —                              |
| Series 2002A, 3.0% to 5.25%<br>issued October 15, 2002,<br>due 2003 to 2032   | 12,065  | —                | 1,015             | 11,050                                       | 990                            |
| South Essex Sewage District<br>Loan Program:                                  |   |                  |                   |  |                                |
| Series 1994A, 5.3% to 6.375%,<br>issued November 1, 1994,<br>due 2001 to 2015 | 755   | —                | 365               | 390  | 390                            |
| Series 1996A, 4.25% to 6.0%,<br>issued December 5, 1996,<br>due 2000 to 2016  | 2,010   | —                | 545               | 1,465  | 575                            |
| New Bedford Loan Program:   |   |                  |                   |  |                                |
| Series 1996A, 4.8% to 6.0%,<br>issued July 10, 1996,<br>due 2000 to 2016      | 1,515   | —                | 730               | 785  | 515                            |

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|  | <b>Beginning<br/>balance,<br/>June 30, 2013</b> | <b>Additions</b> | <b>Reductions</b> | <b>Ending<br/>balance,<br/>June 30, 2014</b> | <b>Due within<br/>one year</b> |
|--|---|------------------|-------------------|--|--------------------------------|
| Pool Loan Program:   |   |                  |                   |  |                                |
| Series 1, 4.75% to 5.6%,<br>issued July 14, 1993,<br>due 2000 to 2013        | \$ 23   | —                | 23                | —  | —                              |
| Series 2, 4.9% to 6.125%,<br>issued June 1, 1995,<br>due 2001 to 2015        | 295   | —                | 190               | 105  | 105                            |
| Series 3, 4.6% to 6.0%,<br>issued April 29, 1997,<br>due 2001 to 2017        | 85  | —                | 85                | —  | —                              |
| Series 4, 4.0% to 5.125%,<br>issued December 9, 1998,<br>due 2000 to 2018    | 3,785   | —                | 3,785             | —  | —                              |
| Series 6, 4.5% to 5.66%<br>issued November 6, 2000,<br>due 2001 to 2030      | 20,190  | —                | 1,675             | 18,515                                       | 1,440                          |
| Series 7, 3.0% to 5.25%<br>issued July 15, 2001,<br>due 2001 to 2031         | 8,630   | —                | 560               | 8,070  | 470                            |
| Series 8, 3.0% to 5.0%,<br>issued November 15, 2002,<br>due 2003 to 2032     | 21,040  | —                | 2,065             | 18,975                                       | 1,935                          |
| Series 9, 2.0% to 5.0%,<br>issued October 10, 2003,<br>due 2004 to 2033      | 72,260  | —                | 24,420            | 47,840                                       | 12,825                         |
| Series 10, 2.5% to 5.25%,<br>issued August 25, 2004,<br>due 2005 to 2034     | 59,315  | —                | 46,215            | 13,100                                       | 13,100                         |
| Series 11, 3.0% to 5.25%,<br>issued October 19, 2005,<br>due 2006 to 2035    | 78,995  | —                | 11,975            | 67,020                                       | 12,340                         |
| Series 12, 3.0% to 5.25%,<br>issued December 14, 2006,<br>due 2007 to 2036   | 311,260   | —                | 179,145           | 132,115                                      | 17,195                         |
| Series 13, 3.75% to 5.0%,<br>issued December 18, 2007,<br>due 2008 to 2037   | 295,790   | —                | 295,790           | —  | —                              |
| Series 14, 1.0% to 5.0%,<br>issued March 18, 2009,<br>due 2009 to 2038       | 348,570   | —                | 153,225           | 195,345                                      | 15,965                         |
| Series 15, 2.0% to 5.192%,<br>issued July 8, 2010,<br>due 2012 to 2040       | 415,665   | —                | 16,080            | 399,585                                      | 16,605                         |
| Series 16A and B, 2.0% to 5.0%,<br>issued June 13, 2012,<br>due 2013 to 2032 | 240,585   | —                | 6,500             | 234,085                                      | 8,955                          |

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|   | <u>Beginning<br/>balance,<br/>June 30, 2013</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>balance,<br/>June 30, 2014</u> | <u>Due within<br/>one year</u> |
|---|---|------------------|-------------------|--|--------------------------------|
| Series 17A and B, 0.25% to 5.0%,<br>issued May 22, 2013,<br>due 2014 to 2043  | \$ 202,250                                      | —                | 8,160             | 194,090                                      | 7,330                          |
| Subordinated Revenue Refunding Bonds:   |   |                  |                   |  |                                |
| New Bedford Loan Program:   |   |                  |                   |  |                                |
| Series 1998A, 4.0% to 5.25%,<br>issued December 23, 1998,<br>due 2001 to 2026 | 36,460  | —                | 36,460            | —  | —                              |
| MWRA Loan Program:  |   |                  |                   |  |                                |
| Series 1999A, 4.2% to 6.0%,<br>issued November 3, 1999,<br>due 2000 to 2029   | 63,775  | —                | 155               | 63,620                                       | 180                            |
| Pool Program Refunding Bonds:   |   |                  |                   |  |                                |
| Series A and B, 2.0% to 5.25%,<br>issued August 25, 2004,<br>due 2005 to 2028 | 541,680   | —                | 167,785           | 373,895                                      | 63,915                         |
| Series 2006, 3.0% to 5.25%,<br>issued December 14, 2006<br>due 2007 to 2034   | 408,215   | —                | —                 | 408,215                                      | —                              |
| Series 2009A, 2.0% to 5.0%,<br>issued July 30, 2009<br>due 2010 to 2029       | 188,860   | —                | 13,525            | 175,335                                      | 13,445                         |
| Series 2010A, 3.0% to 5.0%,<br>issued July 8, 2010<br>due 2014 to 2026        | 41,990  | —                | 4,560             | 37,430                                       | 4,905                          |
| Series 2012A and B, 3.0% to 5.0%,<br>issued June 13, 2012<br>due 2013 to 2032 | 130,835   | —                | 13,075            | 117,760                                      | 12,045                         |
| Series 2014, 2.0% to 5.0%,<br>issued June 12, 2014<br>due 2015 to 2028        | —   | 565,610          | —                 | 565,610                                      | —                              |
| Subtotal  | 3,511,243                                       | 565,610          | 992,138           | 3,084,715                                    | 205,540                        |
| Add: Unamortized bond premiums  | 259,765   | 102,558          | 58,028            | 304,295                                      | —                              |
| Total bonds payable   | <u>\$ 3,771,008</u>                             | <u>668,168</u>   | <u>1,050,166</u>  | <u>3,389,010</u>                             | <u>205,540</u>                 |

On January 7, 2015 the Trust issued Series 18 Green Bonds in the amount of \$228,155,000. These monies were used to finance or refinance certain wastewater and drinking water projects in 68 communities. The Trust has designated the Series 18 bonds as “Green Bonds” based on the intended use of the proceeds of the Series 18 Bonds for the financing of projects that adhere to the federal Clean Water Act and Safe Drinking Water Act, as determined by the Environmental Protection Agency (EPA). Proceeds in the amount of \$203.5 million were applied to fund loans for projects under the clean water SRF and \$65.2 million of proceeds were applied to fund loans for projects under the drinking water SRF. The Trust anticipates expending all of the proceeds within three

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years. The Trust pledged \$81.7 million of direct loans for projects under the clean water SRF and \$26.3 million of direct loans for projects under the drinking water SRF. The interest payments on this Series 18 pledged direct loans will be used to pay a portion of the debt service due on the Series 18 bonds.

On October 30, 2014, the Trust used \$40.5 million of its program equity cash to refund optimal current refunding candidates from Series 6, 7, 8, 9 and MWRA 99A. All of borrowed equity will be returned in approximately 12 years, increasing program capacity by approximately \$16.4 million. On March 31, 2015, the Trust used \$59.6 million of its program equity cash to advance refund optimal current refunding candidates from Series 12. Equity used for this transaction will be returned in approximately 16 years, increasing capacity by \$43.6 million. The total debt defeased this fiscal year was \$100.1 million.

On June 12, 2014, the Trust issued \$565,610 State Revolving Fund Refunding Bonds (at a true interest cost of 2.13%) to refund, \$2,760 of the Trust's Pool Program Series 4 bonds; \$12,050 of the Trust's Series 9 bonds; \$33,540 of the Trust's Pool Program Series 10 bonds; \$105,575 of the Trust's 2004B Refunding bonds; and \$2,800 of the Trust's MWRA Loan Program 1998A bonds. These bonds also advance refunded \$162,385 of the Trust's Pool Program Series 12 bonds; \$283,220 of the Trust's Pool Program Series 13 bonds; and \$137,595 of the Trust's Pool Program Series 14 bonds.

The Trust used bond proceeds from the refunding bonds in addition to \$140,839 of proceeds received from liquidating its Series 13 debt service reserve fund U.S. government securities. These proceeds were 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 new issue was \$739,925, for a cash flow savings of \$123,115, resulting in an economic gain (net present value) of \$73,304. The reacquisition price exceeded the net carrying amount of the old debt by \$52,427. This accounting loss is being reported as deferred outflows of resources on the Statement of Net Position.

On January 13, 2014, the Trust used \$20,700 of proceeds received from terminating certain GIC investments with Portigon and program funds in the amount of \$16,500 to refund the Trust's Subordinate Revenue Refunding Bonds under the New Bedford Loan Program Series 1998A. The total debt defeased was \$36,460.

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Notes to Financial Statements

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At June 30, 2015, debt service requirements to maturity for principal and interest are as follows:

|                                 | <u>Total<br/>debt service</u> | <u>Principal</u> | <u>Interest</u>  |
|---------------------------------|-------------------------------|------------------|------------------|
| Year ending June 30:            |                               |                  |                  |
| 2016                            | \$ 367,954                    | 226,465          | 141,489          |
| 2017                            | 349,628                       | 218,350          | 131,278          |
| 2018                            | 337,676                       | 216,395          | 121,281          |
| 2019                            | 325,524                       | 214,990          | 110,534          |
| 2020                            | 310,470                       | 210,580          | 99,890           |
| 2021–2025                       | 1,282,253                     | 928,175          | 354,078          |
| 2026–2030                       | 765,690                       | 601,225          | 164,465          |
| 2031–2035                       | 338,068                       | 278,525          | 59,543           |
| 2036–2040                       | 102,174                       | 84,185           | 17,989           |
| 2041–2045                       | 36,013                        | 32,700           | 3,313            |
| Total debt service requirements | <u>\$ 4,215,450</u>           | <u>3,011,590</u> | <u>1,203,860</u> |

In the current year and in prior years, the Trust has deposited bond proceeds from refunding bonds with an escrow agent to provide resources for all future debt service payments on the refunded bonds. As a result, the bonds are considered to be defeased and the liability has been removed from the financial statements. The balances of bonds defeased “in substance” in the current year or prior years, and still outstanding as of June 30, 2015 are as follows:

| <u>Description</u> | <u>Redemption date</u> | <u>Outstanding principal amount</u> |             |
|--------------------|------------------------|-------------------------------------|-------------|
|                    |                        | <u>2015</u>                         | <u>2014</u> |
| MWRA Loan Program: |                        |                                     |             |
| Series 1993B       | November 3, 1999       | \$ —                                | 6,145       |
| Series 1995A       | November 3, 1999       | 6,270                               | 12,230      |
| Series 1998A       | November 3, 1999       | 32,565                              | 39,790      |
| Series 1998A       | June 12, 2014          | 2,035                               | 2,800       |
| Pool Loan Program: |                        |                                     |             |
| Pool 9             | December 14, 2006      | \$ 139,560                          | 139,560     |
| Pool 9             | June 12, 2014          | 12,050                              | 12,050      |
| Pool 10            | December 14, 2006      | 168,620                             | 168,620     |
| Pool 10            | June 12, 2014          | 33,540                              | 33,540      |
| Pool 11            | December 14, 2006      | 87,735                              | 87,735      |
| Pool 11            | June 13, 2012          | 50,780                              | 50,780      |
| Pool 12            | August 11, 2009        | 31,430                              | 31,430      |
| Pool 12            | June 12, 2014          | 162,385                             | 162,385     |
| Pool 12            | March 31, 2015         | 56,280                              | —           |
| Pool 13            | June 12, 2014          | 270,280                             | 283,220     |
| Pool 14            | June 12, 2014          | 137,595                             | 137,595     |

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

Excess of reacquisition price over net carrying value of defeased bonds:

|                   | <b>2015</b> | <b>2014</b> |
|-------------------|-------------|-------------|
| Beginning balance | \$ 111,010  | 68,636      |
| Additions         | —           | 52,427      |
| Reductions        | (8,300)     | (10,053)    |
| Ending balance    | \$ 102,710  | 111,010     |

**(7) Net Position**

As of June 30, 2015 and 2014, the Trust has a restricted net position in the amount of \$1,886,407 and \$1,718,052, respectively, and an unrestricted net position in the amount of \$373,049 and \$409,335, respectively. Restricted net position represents capitalization grants received cumulative to date from the EPA and corresponding matching amounts received from the Commonwealth. The capitalization grants are restricted to provide financial assistance, but not grants, to local communities and interstate agencies for the construction of wastewater treatment works, drinking water infrastructure improvements, and other related projects as described in note 1.

**(8) Commitment**

As of June 30, 2015 and 2014, the Trust has agreed to provide loans to various local government units amounting to approximately \$111,586 and \$175,600, respectively, excluding loans amounts already disbursed, which will be funded or collateralized with grant awards received by the Trust.

**(9) Derivative Transactions**

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

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

*Terms* – Under the terms of these swaps, the Trust agrees to receive a variable rate, based on the Muni-CPI, equal to the amounts due on variable rate bonds issued by the Trust concurrently with the execution of the swap agreement. The Trust agrees to pay a fixed rate to the counterparty. Payments are

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

|   | <b>2022</b>               | <b>2023</b>               |
|---|---------------------------|---------------------------|
|   | <b>Termination</b>        | <b>Termination</b>        |
| Trade date                              | November 21, 2006         | November 21, 2006         |
| Effective date                          | December 14, 2006         | December 14, 2006         |
| Termination date                        | August 1, 2022            | August 1, 2023            |
| Notional amount                         | \$ 30,650                 | 46,605                    |
| Fair value at June 30, 2015             | (2,169)                   | (3,473)                   |
| Fair value at June 30, 2014             | (865)                     | (1,341)                   |
| Variable rate bond coupon payments      | Muni-CPI* rate<br>+ 0.99% | Muni-CPI* rate<br>+ 0.99% |
| Variable rate payment from counterparty | Muni-CPI* rate<br>+ 0.99% | Muni-CPI* rate<br>+ 0.99% |
| Fixed-rate payment to counterparty      | 3.88%                     | 3.90%                     |
| Synthetic fixed rate on bonds           | 3.88                      | 3.90                      |

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

*Fair Value* – The swaps had an aggregate negative fair value as of June 30, 2015 and 2014, which means on the August 1, 2015 debt service payment date the Trust will make a payment to the swap counterparty. At June 30, 2015 and 2014, the fair value of these swaps is reflected as a liability for derivative instruments and deferred outflows in the accompanying financial statements. The fair value of the derivative was estimated using the zero coupon method. This method calculates the future net settlement payments/receipts required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement of the swap.

*Credit Risk* – As of June 30, 2015 and 2014, the Trust is not exposed to credit risk because the swaps had a negative fair value. Prior to January 5, 2009, the swap counterparty was Bear Stearns Capital Markets, Inc. As of January 5, 2009, the counterparty is JP Morgan Chase & Co. JP Morgan Chase Bank, N.A. and is rated AA-/Aa1/AA-by Standard & Poor's, Moody's Investors Service, and Fitch Ratings, respectively. To mitigate credit risk, the Trust has the right to terminate the swap upon a ratings downgrade by the counterparty's credit support provider below BBB-/Baa3 by Standard & Poor's, and Moody's Investors Service, respectively.

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

*Swap Payments and Hedged Debt* – In accordance with the swap agreement, the variable rate is calculated using the preceding 3 months’ Muni-CPI rate with settlement payments made on the debt service payment dates of February 1 and August 1. As of June 30, 2015, the variable rate was calculated using the May 31, 2015 Muni-CPI rate. Assuming this rate remains the same, the debt service requirements of the variable rate debt and the net swap payments are presented in the table below. As the Muni-CPI rate varies, the variable rate payments on the bonds and the variable rate receipts from the swap are equal, the net debt service will remain fixed.

|                             | <u>Variable rate bonds<sup>1</sup></u> |                 | <u>Net swap<br/>payments<sup>2</sup></u> | <u>Total<br/>debt service</u> |
|-----------------------------|--|-----------------|--|-------------------------------|
|                             | <u>Principal</u>                       | <u>Interest</u> |  |                               |
| Fiscal year ending June 30: |  |                 |  |                               |
| 2016                        | \$ —                                   | 728             | 2,279                                    | 3,007                         |
| 2017                        | —                                      | 728             | 2,279                                    | 3,007                         |
| 2018                        | —                                      | 728             | 2,279                                    | 3,007                         |
| 2019                        | —                                      | 728             | 2,279                                    | 3,007                         |
| 2020                        | —                                      | 728             | 2,279                                    | 3,007                         |
| 2021                        | —                                      | 728             | 2,279                                    | 3,007                         |
| 2022                        | —                                      | 728             | 2,279                                    | 3,007                         |
| 2023                        | 30,650                                 | 583             | 1,829                                    | 33,062                        |
| 2024                        | 46,605                                 | 220             | 689                                      | 47,514                        |

<sup>1</sup> Calculated rate uses May 31, 2015 Muni-CPI rate to reflect debt service payment for August 1, 2015.

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



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**(10) Deferred Outflows of Resources**

The following is a summary of deferred outflows of resources at June 30, 2015 and 2014:

|   | <u>2015</u>       | <u>2014</u>    |
|---|-------------------|----------------|
| Deferred outflows of resources:   |                   |                |
| Derivative instruments (note 9)   | \$ 5,642          | 2,206          |
| Excess of reacquisition price over net carrying value of<br>deceased bonds (note 6) | <u>102,710</u>    | <u>111,010</u> |
|   | <u>\$ 108,352</u> | <u>113,216</u> |

# Massachusetts Clean Water Trust

## COMBINING FINANCIAL STATEMENTS AND SCHEDULES FOR THE YEAR ENDED JUNE 30, 2015 (With Comparative Amounts as of June 30, 2014)

### NARRATIVE

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

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

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

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

### Supplemental Schedules

### Page

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

|   |       |
|---|-------|
| Combining Schedule of Net Position (Unaudited).....                                   | 38    |
| Combining Schedule of Revenues, Expenses and Changes in Net Position (Unaudited)..... | 39    |
| Five Year Schedule of Fifteen Largest Borrowers (Unaudited).....                      | 40    |
| Schedule of SRF Loans Outstanding by Borrower (Unaudited).....                        | 41-46 |

Massachusetts Clean Water Trust  
 Combining Schedule of Net Position (Unaudited)  
 June 30, 2015 (With Comparative Amounts as of June 30, 2014)  
 (in thousands)

|   | Federally Capitalized State Revolving Fund Loan Program | Federally Capitalized Safe Drinking Water Revolving Fund Loan Program | Commonwealth of Massachusetts Capitalized Revolving Fund Loan Program | Program for General Operations | 6/30/2015           | 6/30/2014           |
|---|---|---|---|--------------------------------|---------------------|---------------------|
| <b>ASSETS AND DEFERRED OUTFLOWS</b>                       |   |   |   |                                |                     |                     |
| <b>CURRENT ASSETS:</b>                                    |   |   |   |                                |                     |                     |
| Cash and cash equivalents                                 | \$ 370,756  | \$ 62,759   | \$ 1,453  | \$ 16,917                      | \$ 451,885          | \$ 367,669          |
| Short - term investments                                  | 25,177  | 609   | -   | 20,740                         | 46,526              | 43,576              |
| Project fund investments                                  | 973   | 717   | -   | -                              | 1,690               | 16,540              |
| Grants receivable:  |   |   |   |                                |                     |                     |
| U.S. Environmental Protection Agency                      | 52,573  | 11,767  | -   | -                              | 64,340              | 81,507              |
| Commonwealth of Massachusetts                             | -   | -   | -   | -                              | -                   | -                   |
| Loans receivable, net                                     | 261,868   | 106,282   | -   | 51                             | 368,201             | 437,317             |
| Accrued interest receivable                               | 46,388  | 11,071  | -   | -                              | 57,459              | 58,520              |
| Total current assets                                      | 757,735   | 193,205   | 1,453   | 37,708                         | 990,101             | 1,005,129           |
| <b>NONCURRENT ASSETS:</b>                                 |   |   |   |                                |                     |                     |
| Project fund investments                                  | 19,383  | 5,872   | -   | -                              | 25,255              | -                   |
| Loans receivable, long-term                               | 2,769,025   | 822,279   | -   | 598                            | 3,591,902           | 3,469,108           |
| Long-term investments                                     | 764,550   | 212,554   | -   | -                              | 977,104             | 1,029,899           |
| Other assets  | -   | -   | -   | 1,928                          | 1,928               | 42                  |
| Total noncurrent assets                                   | 3,552,958   | 1,040,705   | -   | 2,526                          | 4,596,189           | 4,499,049           |
| Deferred outflow of resources from derivative instruments | 85,327  | 23,025  | -   | -                              | 108,352             | 113,216             |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>                 | <b>4,396,020</b>  | <b>1,256,935</b>  | <b>1,453</b>  | <b>40,235</b>                  | <b>5,694,642</b>    | <b>5,617,394</b>    |
| <b>LIABILITIES</b>  |   |   |   |                                |                     |                     |
| <b>CURRENT LIABILITIES:</b>                               |   |   |   |                                |                     |                     |
| Accrued expenses and interest payable                     | 46,664  | 14,522  | -   | 425                            | 61,611              | 54,326              |
| Deferred revenue  | 21,435  | 7,399   | -   | -                              | 28,834              | 28,065              |
| Loan commitments and project funds payable                | 857   | 657   | -   | -                              | 1,514               | 16,400              |
| Long-term debt  | 171,840   | 54,625  | -   | -                              | 226,465             | 205,540             |
| Total current liabilities                                 | 240,796   | 77,203  | -   | 425                            | 318,424             | 304,331             |
| <b>NONCURRENT LIABILITIES</b>                             |   |   |   |                                |                     |                     |
| Loan commitments and project funds payable                | 19,365  | 5,868   | -   | -                              | 25,233              | -                   |
| Liability for derivative instruments                      | 3,740   | 1,902   | -   | -                              | 5,642               | 2,206               |
| Long-term debt, net                                       | 2,366,940   | 738,947   | -   | -                              | 3,105,887           | 3,183,470           |
| Total noncurrent liabilities                              | 2,390,045   | 746,717   | -   | -                              | 3,136,762           | 3,185,676           |
| <b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>             | <b>2,630,841</b>  | <b>823,920</b>  | <b>-</b>  | <b>425</b>                     | <b>3,455,186</b>    | <b>3,490,007</b>    |
| <b>NET POSITION</b>                                       |   |   |   |                                |                     |                     |
| Restricted for program purposes                           | 1,455,667   | 410,740   | -   | -                              | 1,866,407           | 1,718,052           |
| Unrestricted  | 309,512   | 22,274  | 1,453   | 39,810                         | 373,049             | 409,335             |
| <b>TOTAL NET POSITION</b>                                 | <b>\$ 1,765,179</b>                                     | <b>\$ 433,014</b>   | <b>\$ 1,453</b>   | <b>\$ 39,810</b>               | <b>\$ 2,239,456</b> | <b>\$ 2,127,387</b> |

Massachusetts Clean Water Trust  
Combining Schedule of Revenues, Expenses and Changes in Net Position  
June 30, 2015 (With Comparative Amounts as of June 30, 2014)  
(in thousands)

|  | Federally<br>Capitalized<br>State<br>Revolving Fund<br>Loan Program | Federally<br>Capitalized<br>Safe Drinking Water<br>Revolving Fund<br>Loan Program | Commonwealth of<br>Massachusetts<br>Capitalized State<br>Revolving Fund<br>Loan Program | Program<br>for<br>General<br>Operations | Combined Totals<br>6/30/2015 | Combined Totals<br>6/30/2014 |
|--|---|---|---|---|------------------------------|------------------------------|
| <b>OPERATING REVENUES:</b>   |   |   |   |   |                              |                              |
| Loan servicing fees  | \$ -  | \$ -  | \$ -  | 5,315                                   | \$ 5,315                     | \$ 5,137                     |
| Loan origination fees  | -   | -   | -   | 2,150                                   | 2,150                        | 19                           |
| Interest income  | 117,644   | 29,058  | 4   | 363                                     | 147,069                      | 126,577                      |
| Contract assistance from Commonwealth of Massachusetts                 | 25,835  | 4,540   | -   | -                                       | 30,375                       | 32,388                       |
| Total operating revenues   | 143,479   | 33,598  | 4   | 7,828                                   | 184,909                      | 164,121                      |
| <b>OPERATING EXPENSES:</b>   |   |   |   |   |                              |                              |
| Commonwealth of Massachusetts:   |   |   |   |   |                              |                              |
| Department of Environmental Protection -<br>programmatic support costs | 1,374   | 4,419   | -   | -                                       | 5,793                        | 7,418                        |
| Principal forgiveness  | 900   | 3,897   | -   | -                                       | 4,797                        | 7,567                        |
| General and administrative<br>InterFund transfers                      | -   | (5,754)   | -   | 5,923                                   | 5,923                        | 7,860                        |
| Arbitrage rebate payments  | 1,538   | -   | -   | 25                                      | 0                            | -                            |
| Interest expense   | 103,983   | 26,905  | -   | -                                       | 1,538                        | 166                          |
| Total operating expenses   | 113,524   | 29,467  | -   | 5,948                                   | 148,939                      | 160,970                      |
| <b>OPERATING (LOSS) INCOME</b>   | 29,955  | 4,131   | 4   | 1,880                                   | 35,970                       | 3,151                        |
| <b>NONOPERATING REVENUE:</b>   |   |   |   |   |                              |                              |
| Capitalization Grant Revenue:  |   |   |   |   |                              |                              |
| U.S. Environmental Protection Agency<br>capitalization grants          | 47,034  | 16,256  | -   | -                                       | 63,290                       | 61,950                       |
| Commonwealth of Massachusetts matching grants                          | 9,521   | 3,288   | -   | -                                       | 12,809                       | 12,205                       |
| Total nonoperating revenues  | 56,555  | 19,544  | -   | -                                       | 76,099                       | 74,155                       |
| <b>NONOPERATING EXPENSE:</b>   |   |   |   |   |                              |                              |
| Return of initial Commonwealth investment                              | -   | -   | -   | -                                       | -                            | 20,812                       |
| Total nonoperating expense   | -   | -   | -   | -                                       | -                            | 20,812                       |
| <b>INCREASE IN NET POSITION</b>  | 86,510  | 23,675  | 4   | 1,880                                   | 112,069                      | 56,494                       |
| <b>NET POSITION - BEGINNING OF YEAR</b>                                | 1,678,669   | 409,339   | 1,449   | 37,930                                  | 2,127,387                    | 2,070,893                    |
| <b>NET POSITION - END OF YEAR</b>                                      | \$ 1,765,179  | \$ 433,014  | \$ 1,453  | \$ 39,810                               | \$ 2,239,456                 | \$ 2,127,387                 |

## MASSACHUSETTS CLEAN WATER TRUST

Five Year Schedule of Fifteen Largest Borrowers (Unaudited)  
For fiscal years ending June 30, 2011 through June 30, 2015  
(in thousands)

| BORROWER NAME                           | June 30, 2015              |               | June 30, 2014              |               | June 30, 2013              |               | June 30, 2012              |               | June 30, 2011              |               |
|---|----------------------------|---------------|----------------------------|---------------|----------------------------|---------------|----------------------------|---------------|----------------------------|---------------|
|   | Outstanding<br>Loan Amount | % of<br>Loans | Outstanding<br>Loan Amount | % of<br>Loans | Outstanding<br>Loan Amount | % of<br>Loans | Outstanding<br>Loan Amount | % of<br>Loans | Outstanding<br>Loan Amount | % of<br>Loans |
| Massachusetts Water Resources Authority | 1,042,931                  | 27.16%        | 1,031,168                  | 27.81%        | 1,076,575                  | 27.27%        | 1,086,783                  | 28.04%        | 1,070,963                  | 29.34%        |
| Fall River                              | 147,160                    | 3.83%         | 138,007                    | 3.72%         | 143,870                    | 3.64%         | 141,885                    | 3.66%         | 143,748                    | 3.94%         |
| Upper Blackstone WPAD                   | 138,321                    | 3.60%         | 143,835                    | 3.88%         | 150,230                    | 3.81%         | 154,667                    | 3.99%         | 138,240                    | 3.79%         |
| New Bedford                             | 114,390                    | 2.98%         | 121,929                    | 3.29%         | 129,260                    | 3.27%         | 136,078                    | 3.51%         | 130,380                    | 3.57%         |
| Chicopee                                | 94,011                     | 2.45%         | 79,097                     | 2.13%         | 81,968                     | 2.08%         | 61,471                     | 1.59%         | 53,484                     | 1.47%         |
| Brockton                                | 86,108                     | 2.24%         | 90,276                     | 2.43%         | 97,143                     | 2.46%         | 100,223                    | 2.59%         | 101,514                    | 2.78%         |
| Taunton                                 | 79,998                     | 2.08%         | 78,612                     | 2.12%         | 84,558                     | 2.14%         | 79,129                     | 2.04%         | 66,053                     | 1.81%         |
| Lowell                                  | 73,851                     | 1.92%         | 94,651                     | 2.55%         | 82,578                     | 2.09%         | 82,505                     | 2.13%         | 73,044                     | 2.00%         |
| Springfield Water & Sewer Commission    | 70,346                     | 1.83%         | 53,150                     | 1.43%         | 56,100                     | 1.42%         | 56,086                     | 1.45%         | 42,816                     | 1.17%         |
| Gloucester                              | 69,931                     | 1.82%         | 55,798                     | 1.50%         | 61,761                     | 1.56%         | 50,280                     | 1.30%         | 52,860                     | 1.45%         |
| Marlborough                             | 59,638                     | 1.55%         | 40,756                     | 1.10%         | 42,069                     | 1.07%         | 22,204                     | 0.57%         | 2,397                      | 0.07%         |
| Nantucket                               | 55,511                     | 1.45%         | 52,630                     | 1.42%         | 54,946                     | 1.39%         | 56,681                     | 1.46%         | 58,838                     | 1.61%         |
| Frammingham                             | 53,501                     | 1.39%         | 49,798                     | 1.34%         | 52,294                     | 1.32%         | 52,099                     | 1.34%         | 31,772                     | 0.87%         |
| Lynn Water & Sewer Commission           | 46,414                     | 1.21%         | 48,812                     | 1.32%         | 52,006                     | 1.32%         | 55,104                     | 1.42%         | 58,114                     | 1.59%         |
| Billerica                               | 45,303                     | 1.18%         | 25,262                     | 0.68%         | 27,216                     | 0.69%         | 29,364                     | 0.76%         | 31,486                     | 0.86%         |
| Total all others                        | <u>1,662,411</u>           | 43.30%        | <u>1,603,994</u>           | 43.27%        | <u>1,755,130</u>           | 44.47%        | <u>1,711,918</u>           | 44.15%        | <u>1,595,071</u>           | 43.69%        |
| <b>TOTALS AS OF FISCAL YEAR END</b>     | <b><u>3,839,825</u></b>    | 100%          | <b><u>3,707,776</u></b>    | 100%          | <b><u>3,947,704</u></b>    | 100%          | <b><u>3,876,477</u></b>    | 100%          | <b><u>3,650,780</u></b>    | 100%          |

**MASSACHUSETTS CLEAN WATER TRUST**  
**Schedule of SRF Loans Outstanding By Borrower**  
**June 30, 2015**

| <u>Borrower Name</u>                     | <u>Loans<br/>Outstanding<br/>as of<br/>June 30, 2015</u> | <u>% of Total Loans<br/>Outstanding</u> |
|--|--|---|
| Abington                                 | \$ 3,879,783   | 0.10%                                   |
| Acton                                    | 15,992,112   | 0.42                                    |
| Acton Water District                     | 13,470,767   | 0.35                                    |
| Acushnet                                 | 2,838,529  | 0.07                                    |
| Adams                                    | 1,727,163  | 0.05                                    |
| Adams Fire District                      | 1,783,876  | 0.05                                    |
| Agawam                                   | 1,279,360  | 0.03                                    |
| Amesbury                                 | 18,082,874   | 0.47                                    |
| Amherst                                  | 26,050   | 0.00                                    |
| Andover                                  | 3,493,999  | 0.09                                    |
| Aquarion Water Company of Massachusetts  | 1,755,000  | 0.05                                    |
| Ashburnham                               | 2,624,750  | 0.07                                    |
| Ashfield Water District                  | 205,000  | 0.01                                    |
| Ashland                                  | 4,027,191  | 0.11                                    |
| Athol                                    | 5,685,816  | 0.15                                    |
| Attleboro                                | 25,267,283   | 0.66                                    |
| Auburn                                   | 255,577  | 0.01                                    |
| Auburn Water District                    | 1,589,682  | 0.04                                    |
| Avon                                     | 856,197  | 0.02                                    |
| Ayer                                     | 97,138   | 0.00                                    |
| Barnstable                               | 22,308,450   | 0.58                                    |
| Barnstable County                        | 20,150,000   | 0.53                                    |
| Barre                                    | 112,005  | 0.00                                    |
| Belchertown                              | 7,501,820  | 0.20                                    |
| Bellingham                               | 747,614  | 0.02                                    |
| Belmont                                  | 9,768,978  | 0.26                                    |
| Berlin                                   | 44,505   | 0.00                                    |
| Bernardston                              | 30,002   | 0.00                                    |
| Beverly                                  | 381,570  | 0.01                                    |
| Billerica                                | 45,303,597   | 1.18                                    |
| Blackstone                               | 20,735   | 0.00                                    |
| Boston                                   | 4,065,000  | 0.11                                    |
| Boston Water and Sewer Commission        | 1,551,218  | 0.04                                    |
| Bourne                                   | 259,461  | 0.01                                    |
| Boxford                                  | 59,688   | 0.00                                    |
| Boylston                                 | 43,115   | 0.00                                    |
| Brewster                                 | 152,200  | 0.00                                    |
| Bridgewater                              | 2,289,940  | 0.06                                    |
| BristolCty                               | 1,004,653  | 0.03                                    |
| Brockton                                 | 86,107,759   | 2.25                                    |
| Brockton Sewer Enterprise System         | 452,811  | 0.01                                    |
| Brookfield                               | 43,993   | 0.00                                    |
| Buckland                                 | 228,200  | 0.01                                    |
| Burlington                               | 5,263,872  | 0.14                                    |
| Cambridge                                | 21,210,330   | 0.55                                    |
| Canton                                   | 3,111,390  | 0.08                                    |
| Carver                                   | 22,201   | 0.00                                    |
| Centerville/Osterville Fire District     | 1,980,293  | 0.05                                    |
| Charles River Pollution Control District | 20,087,008   | 0.52                                    |
| Charlton                                 | 10,554,943   | 0.28                                    |
| Chatham                                  | 15,544,842   | 0.41                                    |

| <u>Borrower Name</u>                      | <u>Loans<br/>Outstanding<br/>as of<br/>June 30, 2015</u> | <u>% of Total Loans<br/>Outstanding</u> |
|---|--|---|
| Chelmsford                                | \$ 32,025,885  | 0.84%                                   |
| Chelmsford Water District                 | 2,871,520  | 0.07                                    |
| Chelsea                                   | 203,510  | 0.01                                    |
| Cherry Valley Water District              | 1,145,195  | 0.03                                    |
| Chesterfield                              | 198,665  | 0.01                                    |
| Chicopee                                  | 94,010,716   | 2.46                                    |
| Clarksburg                                | 109,600  | 0.00                                    |
| Clinton                                   | 5,562,940  | 0.15                                    |
| Cohasset                                  | 26,392,931   | 0.69                                    |
| Colrain                                   | 18,985   | 0.00                                    |
| Concord                                   | 10,596,727   | 0.28                                    |
| Conway                                    | 12,070   | 0.00                                    |
| Danvers                                   | 18,854,001   | 0.49                                    |
| Dartmouth                                 | 25,545,713   | 0.67                                    |
| Dedham                                    | 911,705  | 0.02                                    |
| Deerfield Fire District                   | 538,423  | 0.01                                    |
| Dennis                                    | 200,000  | 0.01                                    |
| Dennis Water District                     | 5,472,126  | 0.14                                    |
| Dighton                                   | 95,072   | 0.00                                    |
| Dighton Water District                    | 4,570,150  | 0.12                                    |
| Dighton-Rehoboth Regional School District | 476,645  | 0.01                                    |
| Douglas                                   | 3,777,923  | 0.10                                    |
| Dover                                     | 62,200   | 0.00                                    |
| Dracut                                    | 35,255,114   | 0.92                                    |
| Dracut Water Supply District              | 347,870  | 0.01                                    |
| Dudley                                    | 224,952  | 0.01                                    |
| Duxbury                                   | 2,515,833  | 0.07                                    |
| East Bridgewater                          | 13,410,936   | 0.35                                    |
| East Longmeadow                           | 398,756  | 0.01                                    |
| Eastham                                   | 172,200  | 0.00                                    |
| Easthampton                               | 4,041,317  | 0.11                                    |
| Easton                                    | 5,624,906  | 0.15                                    |
| Erving                                    | 3,330,339  | 0.09                                    |
| Essex                                     | 13,313,013   | 0.35                                    |
| Everett                                   | 3,652,556  | 0.10                                    |
| Fairhaven                                 | 1,611,465  | 0.04                                    |
| Fall River                                | 147,159,734  | 3.84                                    |
| Falmouth                                  | 14,656,861   | 0.38                                    |
| Fitchburg                                 | 40,365,896   | 1.05                                    |
| Foxborough                                | 4,484,796  | 0.12                                    |
| Framingham                                | 53,501,229   | 1.40                                    |
| Franklin                                  | 3,299,457  | 0.09                                    |
| Gardner                                   | 5,120,402  | 0.13                                    |
| Georgetown                                | 956,383  | 0.02                                    |
| Gill                                      | 11,330   | 0.00                                    |
| Gloucester                                | 68,448,468   | 1.79                                    |
| Grafton                                   | 20,825   | 0.00                                    |
| GreatBarrington                           | 100,000  | 0.00                                    |
| Greater Lawrence Sanitary District        | 24,806,154   | 0.65                                    |
| Greenfield                                | 2,221,307  | 0.06                                    |
| Groton                                    | 3,622,503  | 0.09                                    |
| Hadley                                    | 3,499,255  | 0.09                                    |
| Halifax                                   | 172,200  | 0.00                                    |
| Hanover                                   | 422,472  | 0.01                                    |
| Hanson                                    | 1,205,000  | 0.03                                    |
| Hardwick                                  | 7,401  | 0.00                                    |
| Harvard                                   | 2,561,585  | 0.07                                    |
| Harwich                                   | 121,914  | 0.00                                    |

| <b>Borrower Name</b>                       | <b>Loans<br/>Outstanding<br/>as of<br/>June 30, 2015</b> | <b>% of Total Loans<br/>Outstanding</b> |
|--|--|---|
| Hatfield                                   | \$ 348,485.00  | 0.01%                                   |
| Haverhill                                  | 29,789,087   | 0.78                                    |
| Hillcrest Sewer District                   | 1,760,908  | 0.05                                    |
| Hingham                                    | 1,124,662  | 0.03                                    |
| Hinsdale                                   | 1,760,000  | 0.05                                    |
| Holbrook                                   | 9,211,610  | 0.24                                    |
| Holden                                     | 8,490,263  | 0.22                                    |
| Holland                                    | 50,000   | 0.00                                    |
| Holliston                                  | 2,575,000  | 0.07                                    |
| Holyoke                                    | 15,128,577   | 0.40                                    |
| Hoosac Water Quality District              | 4,928,827  | 0.13                                    |
| Hopedale                                   | 709,435  | 0.02                                    |
| Hopkinton                                  | 11,215,943   | 0.29                                    |
| Hudson                                     | 14,191,550   | 0.37                                    |
| Hull                                       | 2,723,860  | 0.07                                    |
| Ipswich                                    | 5,913,824  | 0.15                                    |
| Kingston                                   | 30,692,134   | 0.80                                    |
| Lakeville                                  | 3,065,721  | 0.08                                    |
| Lancaster                                  | 64,422   | 0.00                                    |
| Lanesborough Village Fire & Water District | 1,380,000  | 0.04                                    |
| Lawrence                                   | 36,197,422   | 0.95                                    |
| Lee  | 13,572,970   | 0.35                                    |
| Leicester                                  | 156,292  | 0.00                                    |
| Leicester Water Supply District            | 236,383  | 0.01                                    |
| Lenox                                      | 394,999  | 0.01                                    |
| Leominster                                 | 33,128,097   | 0.87                                    |
| Lexington                                  | 14,051   | 0.00                                    |
| Lincoln                                    | 1,900,000  | 0.05                                    |
| Littleton                                  | 86,387   | 0.00                                    |
| Longmeadow                                 | 2,547,189  | 0.07                                    |
| Lowell                                     | 92,670,405   | 2.42                                    |
| Ludlow                                     | 3,736,964  | 0.10                                    |
| Lunenburg                                  | 5,047,396  | 0.13                                    |
| Lunenburg Water District                   | 3,398,222  | 0.09                                    |
| Lynn Water and Sewer Commission            | 46,414,210   | 1.21                                    |
| Lynnfield                                  | 448,208  | 0.01                                    |
| Malden                                     | 20,442,628   | 0.53                                    |
| Manchester                                 | 1,218,581  | 0.03                                    |
| Mansfield                                  | 14,668,296   | 0.38                                    |
| Mansfield Regional Wastewater District     | 9,773,207  | 0.26                                    |
| Marion                                     | 19,032,796   | 0.50                                    |
| Marlborough                                | 59,638,047   | 1.56                                    |
| Marshfield                                 | 10,901,408   | 0.28                                    |
| Mashpee                                    | 636,461  | 0.02                                    |
| Massachusetts Development Finance Agency   | 10,036,981   | 0.26                                    |
| Massachusetts Water Resources Authority    | 1,042,930,742  | 27.24                                   |
| Mattapoisett                               | 10,237,293   | 0.27                                    |
| Mattapoisett River Valley Water District   | 9,958,271  | 0.26                                    |
| Maynard                                    | 10,658,111   | 0.28                                    |
| Medfield                                   | 1,278,656  | 0.03                                    |
| Medway                                     | 1,561,074  | 0.04                                    |
| Melrose                                    | 2,431,577  | 0.06                                    |
| Mendon                                     | 22,201   | 0.00                                    |
| Merrimac                                   | 72,201   | 0.00                                    |
| Methuen                                    | 18,936,839   | 0.49                                    |
| Middleboro                                 | 1,793,038  | 0.05                                    |
| Middleton                                  | 55,350   | 0.00                                    |
| Millbury                                   | 19,879,734   | 0.52                                    |



| <b>Borrower Name</b>          | <b>Loans<br/>Outstanding<br/>as of<br/>June 30, 2015</b> | <b>% of Total Loans<br/>Outstanding</b> |
|-------------------------------|--|---|
| Millville                     | \$ 352,852   | 0.01%                                   |
| Milton                        | 201,095  | 0.01                                    |
| Monroe                        | 200,000  | 0.01                                    |
| Monson                        | 1,290,269  | 0.03                                    |
| Montague                      | 2,385,933  | 0.06                                    |
| Monterey                      | 24,490   | 0.00                                    |
| Nantucket                     | 55,511,015   | 1.45                                    |
| Natick                        | 3,264,068  | 0.09                                    |
| Needham                       | 6,837,008  | 0.18                                    |
| New Bedford                   | 114,390,263  | 2.99                                    |
| Newbury                       | 7,541,287  | 0.20                                    |
| Newburyport                   | 44,247,010   | 1.16                                    |
| Newton                        | 5,494,700  | 0.14                                    |
| Norfolk                       | 401,799  | 0.01                                    |
| North Adams                   | 836,062  | 0.02                                    |
| North Andover                 | 5,877,648  | 0.15                                    |
| North Attleboro               | 33,187,551   | 0.87                                    |
| North Brookfield              | 1,725,000  | 0.05                                    |
| North Raynham Water District  | 3,155,681  | 0.08                                    |
| North Reading                 | 353,472  | 0.01                                    |
| North Sagamore Water District | 1,203,105  | 0.03                                    |
| Northampton                   | 18,659,014   | 0.49                                    |
| Northborough                  | 310,018  | 0.01                                    |
| Northbridge                   | 3,389,819  | 0.09                                    |
| Norton                        | 1,839,997  | 0.05                                    |
| Norwell                       | 179,123  | 0.00                                    |
| Norwood                       | 3,806,276  | 0.10                                    |
| Oak Bluffs                    | 7,751,726  | 0.20                                    |
| Orange                        | 395,538  | 0.01                                    |
| Orleans                       | 55,000   | 0.00                                    |
| Palmer                        | 7,029,177  | 0.18                                    |
| Paxton                        | 46,036   | 0.00                                    |
| Pembroke                      | 3,586,517  | 0.09                                    |
| Pepperell                     | 2,780,000  | 0.07                                    |
| Phillipston                   | 46,028   | 0.00                                    |
| Pittsfield                    | 9,219,974  | 0.24                                    |
| Plainville                    | 3,074,557  | 0.08                                    |
| Plymouth                      | 17,772,823   | 0.46                                    |
| Plympton                      | 19,325   | 0.00                                    |
| Provincetown                  | 13,577,289   | 0.35                                    |
| Quincy                        | 9,552,839  | 0.25                                    |
| Randolph                      | 14,976,333   | 0.39                                    |
| Raynham                       | 5,790,105  | 0.15                                    |
| Reading                       | 6,968  | 0.00                                    |
| Revere                        | 19,845,316   | 0.52                                    |
| Richmond                      | 2,219,957  | 0.06                                    |
| Rockland                      | 3,156,219  | 0.08                                    |
| Rowley                        | 10,890,977   | 0.28                                    |
| Royalston                     | 17,160   | 0.00                                    |
| Russell                       | 251,426  | 0.01                                    |
| Rutland                       | 24,922   | 0.00                                    |
| Salem                         | 1,511,000  | 0.04                                    |
| Salisbury                     | 2,581,063  | 0.07                                    |
| Sandwich                      | 155,193  | 0.00                                    |
| Saugus                        | 11,866,623   | 0.31                                    |
| Scituate                      | 15,733,923   | 0.41                                    |
| Seekonk                       | 1,274,874  | 0.03                                    |
| Seekonk Water District        | 2,702,560  | 0.07                                    |

| <u>Borrower Name</u>                                | <u>Loans<br/>Outstanding<br/>as of<br/>June 30, 2015</u> | <u>% of Total Loans<br/>Outstanding</u> |
|---|--|---|
| Sharon  | \$ 108,665   | 0.00%                                   |
| Shirley   | 5,729,200  | 0.15                                    |
| Shrewsbury  | 5,272,940  | 0.14                                    |
| Shutesbury  | 186,899  | 0.00                                    |
| Somerset  | 5,533,579  | 0.14                                    |
| South Deerfield Water Supply District               | 1,325,000  | 0.03                                    |
| South Essex Sewer District                          | 15,483,854   | 0.40                                    |
| South Grafton Water District                        | 1,457,659  | 0.04                                    |
| South Hadley  | 4,238,721  | 0.11                                    |
| South Hadley Fire District #1                       | 641,667  | 0.02                                    |
| Southampton   | 1,192,200  | 0.03                                    |
| Southborough  | 602,611  | 0.02                                    |
| Southbridge   | 12,859,429   | 0.34                                    |
| Southwick   | 19,097   | 0.00                                    |
| Spencer   | 5,672,602  | 0.15                                    |
| Springfield Water & Sewer Commission                | 70,345,636   | 1.84                                    |
| Sterling  | 751,079  | 0.02                                    |
| Stockbridge   | 5,323,970  | 0.14                                    |
| Stoughton   | 2,212,105  | 0.06                                    |
| Stow  | 559,169  | 0.01                                    |
| Sturbridge  | 14,970,585   | 0.39                                    |
| Sunderland  | 25,315   | 0.00                                    |
| Sutton  | 4,716,404  | 0.12                                    |
| Swampscott  | 252,694  | 0.01                                    |
| Swansea   | 198,443  | 0.01                                    |
| Swansea Water District                              | 15,063,318   | 0.39                                    |
| Taunton   | 79,840,337   | 2.09                                    |
| Templeton   | 4,742,031  | 0.12                                    |
| Tewksbury   | 5,241,898  | 0.14                                    |
| Tisbury   | 3,981,293  | 0.10                                    |
| Townsend  | 1,311,359  | 0.03                                    |
| Truro   | 62,200   | 0.00                                    |
| Tyngsborough  | 1,378,693  | 0.04                                    |
| Upper Blackstone Water Pollution Abatement District | 138,320,740  | 3.61                                    |
| Upton   | 1,252,100  | 0.03                                    |
| Wakefield   | 1,314,595  | 0.03                                    |
| Walpole   | 5,333,207  | 0.14                                    |
| Waltham   | 2,527,414  | 0.07                                    |
| Ware  | 226,400  | 0.01                                    |
| Wareham   | 25,459,408   | 0.66                                    |
| Warren Water District                               | 145,000  | 0.00                                    |
| Wayland   | 344,147  | 0.01                                    |
| Webster   | 14,402,643   | 0.38                                    |
| Wellfleet   | 770,000  | 0.02                                    |
| West Boylston                                       | 6,241,204  | 0.16                                    |
| West Boylston Water District                        | 848,584  | 0.02                                    |
| West Bridgewater                                    | 799,416  | 0.02                                    |
| West Groton Water Supply District                   | 960,770  | 0.03                                    |
| West Newbury  | 168,826  | 0.00                                    |
| West Springfield                                    | 8,437,710  | 0.22                                    |
| West Stockbridge                                    | 285,000  | 0.01                                    |
| Westborough   | 43,480,538   | 1.14                                    |
| Westfield   | 13,857,030   | 0.36                                    |
| Westford  | 8,149,808  | 0.21                                    |
| Westminster   | 37,636   | 0.00                                    |
| Westport  | 250,000  | 0.01                                    |
| Westwood  | 782,700  | 0.02                                    |
| Weymouth  | 30,875,776   | 0.81                                    |

| <u>Borrower Name</u>   | <u>Loans<br/>Outstanding<br/>as of<br/>June 30, 2015</u> | <u>% of Total Loans<br/>Outstanding</u> |
|------------------------|--|---|
| Whitman                | \$ 3,780,957   | 0.10%                                   |
| Wilbraham              | 3,287,083  | 0.09                                    |
| Wilmington             | 205,678.66   | 0.01                                    |
| Winchendon             | 7,726,914  | 0.20                                    |
| Winchester             | 16,023   | 0.00                                    |
| Windbrook Acres        | 175,000  | 0.00                                    |
| Woburn                 | 12,482,903   | 0.33                                    |
| Worcester              | 6,181,530  | 0.16                                    |
| Wrentham               | 2,035,907  | 0.05                                    |
| Yarmouth               | 1,317,001  | 0.03                                    |
| Total                  | <u>\$ 3,829,250,771</u>                                  | 100.00%                                 |
| Clean Water Program    | \$ 2,945,084,344   |   |
| Drinking Water Program | \$ 884,166,427   |   |



# III - STATISTICAL SECTION

**Comprehensive Annual Financial Report  
as of and for the Years Ended June 30, 2015 and June 30, 2014  
and Independent Auditors' Report**



MASSACHUSETTS  
CLEAN WATER TRUST

# Statistical Section – Table of Contents

(Unaudited)

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## 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:

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|--|---|
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| 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:

|  |   |
|--|---|
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|--|---|

## 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:

|  |   |
|--|---|
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## 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 within which the Trust’s financial activities take place and the aid provided by the Commonwealth to the Trust. Schedules included are:

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

# MASSACHUSETTS CLEAN WATER TRUST

## Ten Year Schedule of Changes in Net Position

For fiscal years ending June 30, 2006 through June 30, 2015

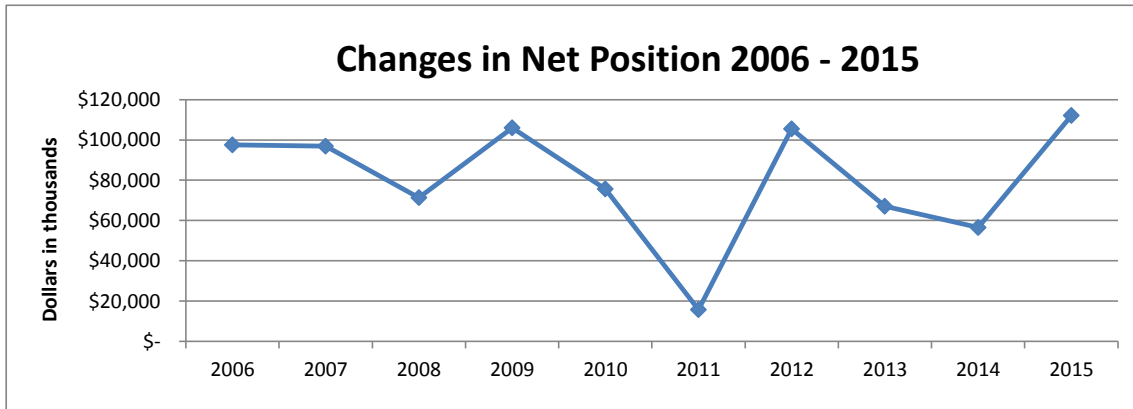
(in thousands)

| Fiscal Year | Operating Revenues | Operating Expenses | Operating Income (Loss) | Operating Assistance | Income (Loss) before Capital Contributions | Capitalization Grant | Increase in Net Position |
|-------------|--------------------|--------------------|-------------------------|----------------------|--|----------------------|--------------------------|
| 2015        | \$ 184,909         | \$ 148,939         | \$ 35,970               | \$ -                 | \$ 35,970                                  | \$ 76,099            | \$ 112,069               |
| 2014        | 164,121            | 181,782            | *** (17,661)            | -                    | (17,661)                                   | 74,155               | 56,494                   |
| 2013        | ** 190,947         | 202,622            | * (11,675)              | -                    | (11,675)                                   | 78,670               | 66,995                   |
| 2012        | ** 260,252         | 237,858            | * 22,394                | -                    | 22,394                                     | 83,077               | 105,471                  |
| 2011        | ** 201,146         | 273,500            | * (72,354)              | -                    | (72,354)                                   | 88,050               | 15,696                   |
| 2010        | 175,720            | 278,199            | * (102,479)             | -                    | (102,479)                                  | 178,096              | 75,617                   |
| 2009        | 194,359            | 192,139            | 2,220                   | -                    | 2,220                                      | 103,748              | 105,968                  |
| 2008        | 195,247            | 186,632            | 8,615                   | -                    | 8,615                                      | 62,782               | 71,397                   |
| 2007        | 184,646            | 154,527            | 30,119                  | 7,853                | 37,972                                     | 58,873               | 96,845                   |
| 2006        | 167,065            | 151,565            | 15,500                  | 8,507                | 24,007                                     | 73,524               | 97,531                   |

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

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

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



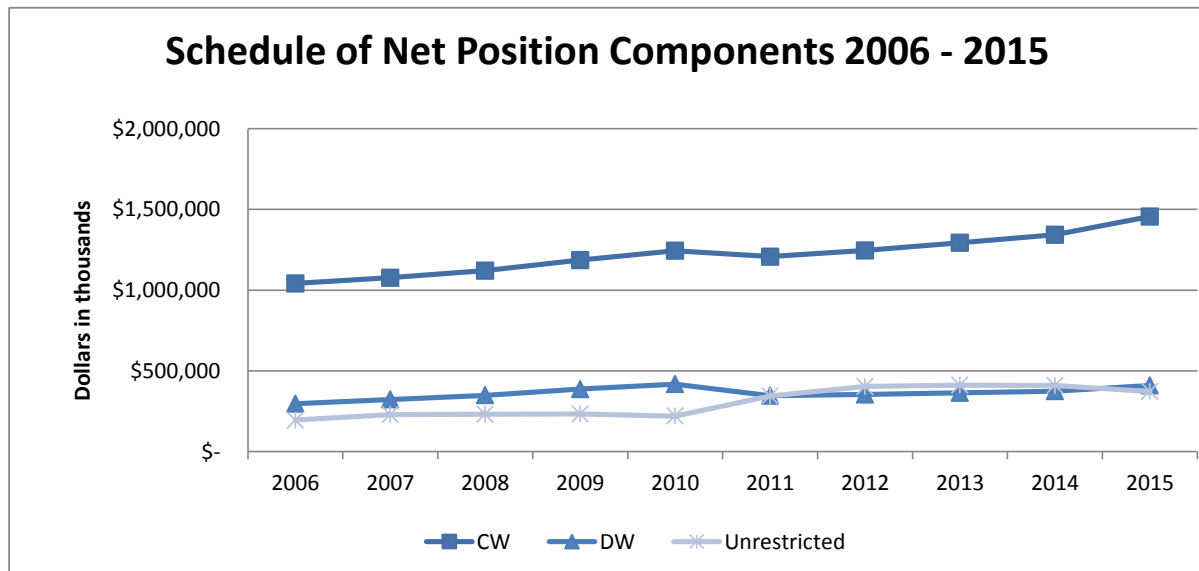
# MASSACHUSETTS CLEAN WATER TRUST

## Ten Year Schedule of Net Position Components

For fiscal years ending June 30, 2006 through June 30, 2015  
(in thousands)

| <u>Year</u> | <u>Restricted<br/>Clean<br/>Water</u> | <u>Restricted<br/>Drinking<br/>Water</u> | <u>Total<br/>Restricted</u> | <u>Unrestricted</u> | <u>Total</u> |
|-------------|---------------------------------------|--|-----------------------------|---------------------|--------------|
| 2015        | \$ 1,455,667                          | \$ 410,740                               | \$ 1,866,407                | \$ 373,049          | \$ 2,239,456 |
| 2014        | 1,342,846                             | 375,206                                  | 1,718,052                   | 409,335             | 2,127,387    |
| 2013        | 1,293,838                             | 365,050                                  | 1,658,888                   | 412,005             | 2,070,893    |
| 2012 **     | 1,245,659                             | 354,383                                  | 1,600,042                   | 403,856             | 2,003,898    |
| 2011 **     | 1,207,423                             | 346,412                                  | 1,553,835                   | 344,592             | 1,898,427    |
| 2010        | 1,243,728                             | 418,378                                  | 1,662,106                   | 220,624             | 1,882,730    |
| 2009        | 1,186,119                             | 387,472                                  | 1,573,591                   | 233,522             | 1,807,113    |
| 2008        | 1,120,509                             | 349,333                                  | 1,469,842                   | 231,303             | 1,701,145    |
| 2007        | 1,076,902                             | 322,890                                  | 1,399,792                   | 229,956             | 1,629,748    |
| 2006        | 1,041,224                             | 296,447                                  | 1,337,671                   | 195,232             | 1,532,903    |

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



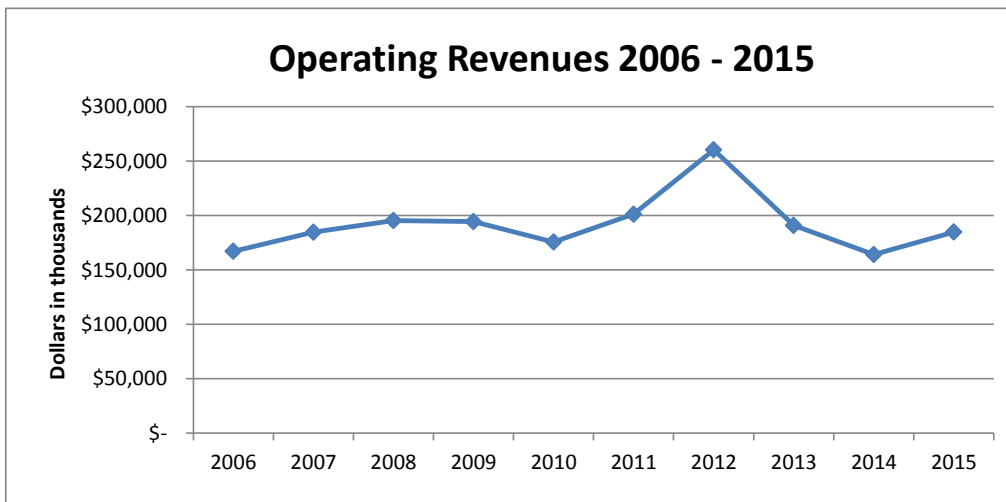
**MASSACHUSETTS CLEAN WATER TRUST**  
**Ten Year Combined Schedule of Operating Revenues by Source**  
**For fiscal years ending June 30, 2006 through June 30, 2015**  
**(in thousands)**

**OPERATING REVENUES**

| <b>Fiscal Year</b> | <b>Loan Servicing Fees</b> | <b>Loan Origination Fees</b> | <b>Interest Income *</b> | <b>Total Operating Revenues</b> |
|--------------------|----------------------------|------------------------------|--------------------------|---------------------------------|
| 2015               | \$ 5,315                   | \$ 2,150                     | \$ 177,444               | \$ 184,909                      |
| 2014               | 5,137                      | 19                           | 158,965                  | 164,121                         |
| 2013               | 5,288                      | 1,698                        | 183,961                  | 190,947                         |
| 2012               | 5,270                      | 2,243                        | 252,739 **               | 260,252                         |
| 2011               | 5,209                      | 129                          | 195,808                  | 201,146                         |
| 2010               | 5,092                      | 89                           | 170,539                  | 175,720                         |
| 2009               | 1,557                      | 165                          | 192,637                  | 194,359                         |
| 2008               | 4,320                      | 1,760                        | 189,167                  | 195,247                         |
| 2007               | 3,914                      | 1,387                        | 179,345                  | 184,646                         |
| 2006               | 3,646                      | 28                           | 163,391                  | 167,065                         |

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

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





**MASSACHUSETTS CLEAN WATER TRUST**

Ten Year Debt Schedule  
For fiscal years ending June 30, 2006 through June 30, 2015  
(in thousands)

|   | June 30,<br>2015    | June 30,<br>2014    | June 30,<br>2013    | June 30,<br>2012    | June 30,<br>2011    | June 30,<br>2010    | June 30,<br>2009    | June 30,<br>2008    | June 30,<br>2007    | June 30,<br>2006    |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Water Pollution Abatement Revenue Bonds:  |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Massachusetts Water Resources Authority Loan Program                                      | \$ 10,060           | \$ 11,365           | \$ 16,410           | \$ 22,370           | \$ 48,200           | \$ 54,545           | \$ 63,315           | \$ 70,350           | \$ 77,520           | \$ 115,700          |
| South Essex Sewerage District Loan Program  | 890                 | 1,855               | 2,765               | 3,780               | 5,015               | 6,440               | 8,030               | 9,775               | 11,645              | 13,625              |
| New Bedford Loan Program  | 270                 | 785                 | 1,515               | 2,405               | 3,440               | 4,605               | 5,890               | 7,280               | 8,770               | 10,340              |
| Pool Loan Program   | 1,362,395           | 1,328,845           | 2,078,738           | 1,989,878           | 2,125,200           | 1,812,331           | 1,988,091           | 1,704,979           | 1,466,832           | 1,547,025           |
| Subtotal Revenue Bonds  | 1,373,615           | 1,342,850           | 2,099,428           | 2,018,433           | 2,181,855           | 1,877,921           | 2,065,326           | 1,792,384           | 1,564,767           | 1,686,690           |
| Subordinated Revenue Refunding Bonds:   |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Massachusetts Water Resources Authority Loan Program                                      | 54,040              | 63,620              | 63,775              | 63,775              | 63,775              | 63,775              | 261,170             | 272,450             | 283,005             | 292,850             |
| New Bedford Loan Program  | -                   | -                   | 36,460              | 40,850              | 44,935              | 94,935              | 98,500              | 101,845             | 104,980             | 107,920             |
| Pool Loan Program   | 1,583,935           | 1,678,245           | 1,311,580           | 1,358,240           | 1,264,190           | 1,246,130           | 1,049,865           | 1,050,895           | 1,051,895           | 644,660             |
| Subtotal Revenue Refunding Bonds  | 1,637,975           | 1,741,865           | 1,411,815           | 1,462,865           | 1,372,900           | 1,404,840           | 1,409,535           | 1,425,190           | 1,439,880           | 1,045,430           |
| Total Bonds Payable   | 3,011,590           | 3,084,715           | 3,511,243           | 3,481,298           | 3,554,755           | 3,282,761           | 3,474,861           | 3,217,574           | 3,004,647           | 2,732,120           |
| Add (deduct) unamortized amounts:   |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Bond premium  | 320,762             | 304,295             | 259,765             | 233,905             | 211,862             | 194,122             | 185,723             | 171,664             | 157,254             | 120,749             |
| * Net unamortized excess of reacquisition price over net carrying value of defeased bonds | -                   | -                   | -                   | -                   | -                   | (82,837)            | (62,723)            | (65,735)            | (68,746)            | (48,711)            |
| <b>Total Bonds Payable, net</b>   | <b>\$ 3,332,352</b> | <b>\$ 3,389,010</b> | <b>\$ 3,771,008</b> | <b>\$ 3,715,203</b> | <b>\$ 3,766,617</b> | <b>\$ 3,394,046</b> | <b>\$ 3,597,861</b> | <b>\$ 3,323,503</b> | <b>\$ 3,093,155</b> | <b>\$ 2,804,158</b> |

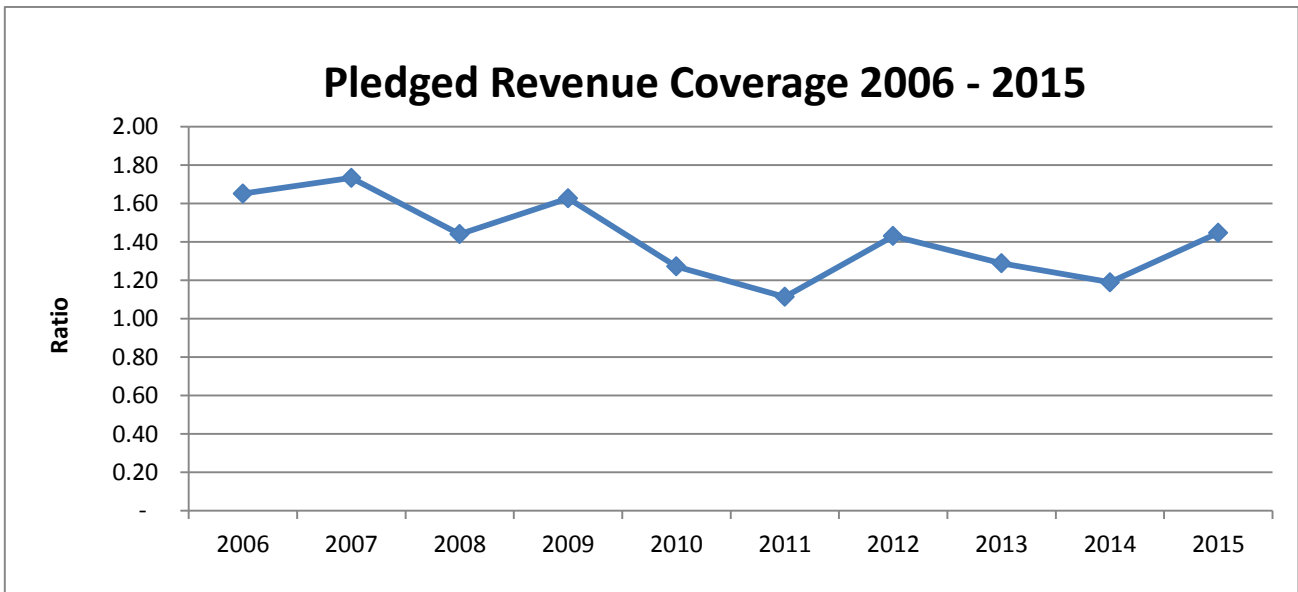
\* Net Bonds Payable restated after the implementation of GASB 65. Items Previously Reported as Assets and Liabilities, which resulted in the write off of bond issuance costs as of July 1, 2011.

**MASSACHUSETTS CLEAN WATER TRUST**  
**Ten Year Schedule of Pledged Revenue Coverage**  
For fiscal years ending June 30, 2006 through June 30, 2015  
(Dollar amounts in thousands)

| Fiscal Year | Changes in Net Assets | Comm of MA Contract Assistance | Principal and Interest Received from Borrowers * | Total Receivable and Revenue | Debt Service Requirements |            |                    | Coverage ratio |
|-------------|-----------------------|--------------------------------|--|------------------------------|---------------------------|------------|--------------------|----------------|
|             |                       |                                |  |                              | Principal                 | Interest   | Total Debt Service |                |
| 2015        | \$ 112,069            | \$ 61,802                      | \$ 318,081                                       | \$ 491,952                   | \$ 205,540                | \$ 134,400 | \$ 339,940         | 1.45           |
| 2014        | 56,494                | 62,491                         | 332,531  | 451,516                      | 215,753                   | 163,928    | 379,681            | 1.19           |
| 2013        | 66,995                | 62,811                         | 305,125  | 434,931                      | 172,306                   | 165,171    | 337,477            | 1.29           |
| 2012 **     | 105,471               | 64,986                         | 338,173  | 508,630                      | 183,102                   | 172,561    | 355,663            | 1.43           |
| 2011 **     | 15,696                | 66,093                         | 296,303  | 378,092                      | 168,319                   | 171,296    | 339,615            | 1.11           |
| 2010        | 75,617                | 67,262                         | 295,797  | 438,676                      | 175,090                   | 169,777    | 344,867            | 1.27           |
| 2009        | 105,968               | 66,856                         | 355,589  | 528,413                      | 152,243                   | 172,697    | 324,940            | 1.63           |
| 2008        | 71,397                | 67,489                         | 287,235  | 426,121                      | 139,393                   | 156,479    | 295,872            | 1.44           |
| 2007        | 96,845                | 64,014                         | 282,248  | 443,107                      | 122,045                   | 133,579    | 255,624            | 1.73           |
| 2006        | 97,531                | 63,979                         | 233,625  | 395,135                      | 111,655                   | 127,699    | 239,354            | 1.65           |

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

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



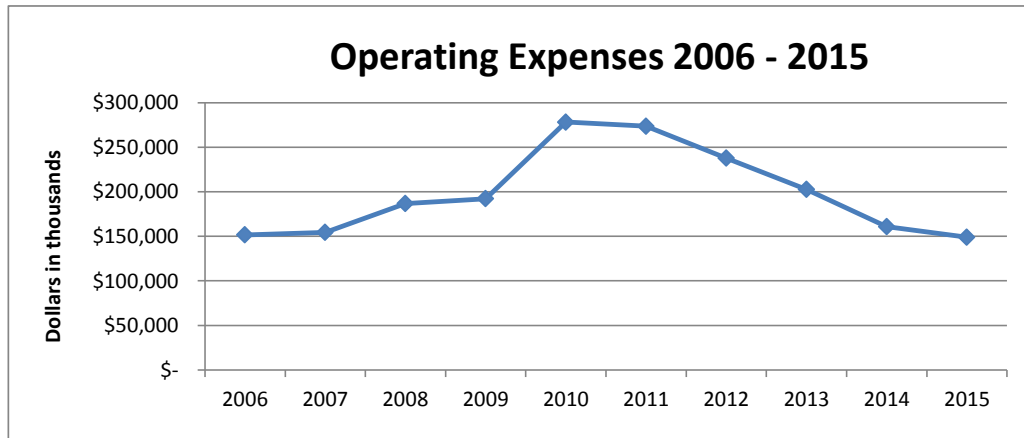
**MASSACHUSETTS CLEAN WATER TRUST**  
**Ten Year Combined Schedule of Operating Expenses**  
**For fiscal years ending June 30, 2006 through June 30, 2015**  
**(in thousands)**

**OPERATING EXPENSES**

| <b>Fiscal Year</b> | <b>DEP Programmatic Support Costs</b> | <b>General and Administrative</b> | <b>Arbitrage Rebate Payments</b> | <b>Interest Expense</b> | <b>Grant Disbursement</b> | <b>Total Operating Expenses</b> |
|--------------------|---------------------------------------|-----------------------------------|----------------------------------|-------------------------|---------------------------|---------------------------------|
| 2015               | \$ 5,793                              | \$ 5,923                          | \$ 1,538                         | \$ 130,888              | \$ 4,797 *                | \$ 148,939                      |
| 2014               | 7,418                                 | 7,860                             | 166                              | 137,959                 | 7,567 *                   | 160,970                         |
| 2013               | 8,921                                 | 5,046 **                          | 6,725                            | 169,595                 | 12,335 *                  | 202,622                         |
| 2012               | 11,369                                | 8,440 **                          | 10,487                           | 173,869                 | 33,693 *                  | 237,858                         |
| 2011               | 10,482                                | 8,843 **                          | 1,122                            | 182,035                 | 71,018 *                  | 273,500                         |
| 2010               | 12,168                                | 4,754                             | 972                              | 170,724                 | 89,581 *                  | 278,199                         |
| 2009               | 8,711                                 | 4,232                             | 1,979                            | 177,217                 | -                         | 192,139                         |
| 2008               | 10,834                                | 2,493                             | 267                              | 173,038                 | -                         | 186,632                         |
| 2007               | 16,602                                | 4,511                             | 3,886                            | 129,528                 | -                         | 154,527                         |
| 2006               | 15,306                                | 1,145                             | 1,035                            | 134,079                 | -                         | 151,565                         |

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

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



# MASSACHUSETTS CLEAN WATER TRUST

## Ten Year Schedule of Full Time Equivalent Employees

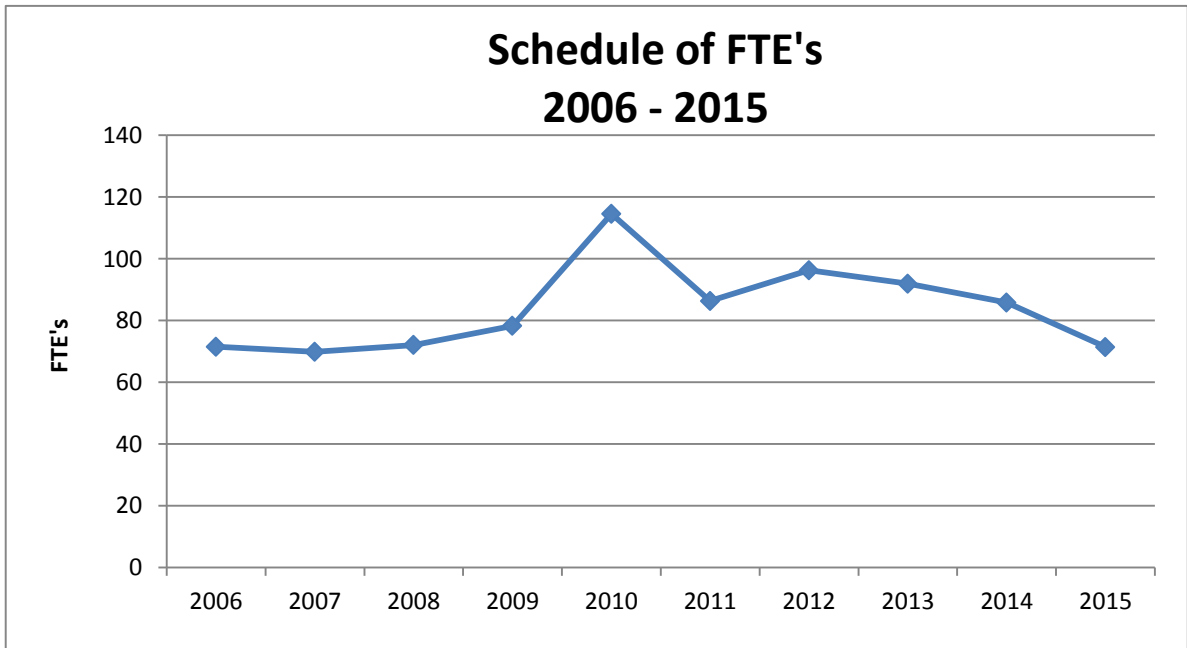
### By Program and Agency

For fiscal years ending June 30, 2006 through June 30, 2015

| <u>Year</u> | <u>MCWT -<br/>Administrative</u> | <u>DEP - Clean<br/>Water Program</u> | <u>DEP - Drinking<br/>Water Program</u> | <u>DEP - Admin<br/>Expendable<br/>Trust</u> | <u>Total</u> |
|-------------|----------------------------------|--------------------------------------|---|---|--------------|
| 2015        | 8.83                             | 17.50                                | 32.08                                   | 12.98                                       | 71.39        |
| 2014        | 9.25                             | 21.66                                | 45.01                                   | 9.92  | 85.84        |
| 2013        | 9.75                             | 21.49                                | 50.17                                   | 10.50                                       | 91.91        |
| 2012        | 9.78                             | 22.00                                | 50.19                                   | 14.27                                       | 96.24        |
| 2011        | 9.27                             | 21.50                                | 51.77                                   | 3.79  | 86.33        |
| 2010        | 9.70                             | 29.43                                | 68.02                                   | 7.42  | 114.57       |
| 2009        | 8.50                             | 9.15                                 | 37.50                                   | 23.14                                       | 78.29        |
| 2008        | 7.00                             | 15.10                                | 41.62                                   | 8.34  | 72.06        |
| 2007        | 7.00                             | 17.48                                | 45.40                                   | 0.00  | 69.88        |
| 2006        | 5.50                             | 17.23                                | 48.78                                   | 0.00  | 71.51        |

MCWT - Mass Clean Water Trust

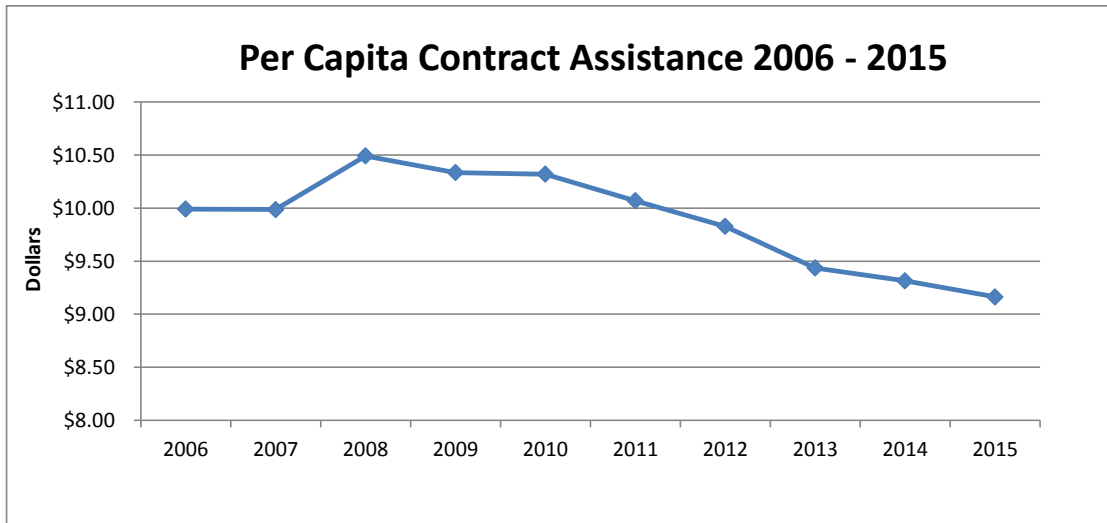
DEP - Department of Environmental Protection



**MASSACHUSETTS CLEAN WATER TRUST**  
**Ten Year Schedule of Contract Assistance Provided by the Commonwealth of Massachusetts,**  
**Massachusetts Population, and Per Capita Contract Assistance**  
**For fiscal years ending June 30, 2006 through June 30, 2015**

| <b>Fiscal year<br/>ending<br/>June 30</b> | <b>Contract<br/>assistance<br/>provided<br/>(in thousands)</b> | <b>Population<br/>estimates <sup>(1)</sup><br/>(in thousands)</b> | <b>Per capita<br/>Contract<br/>assistance</b> |
|---|--|---|---|
| 2015                                      | \$ 61,802  | 6,745   | \$ 9.16                                       |
| 2014                                      | 62,491   | 6,709   | 9.31  |
| 2013                                      | 62,811   | 6,656   | 9.44  |
| 2012                                      | 64,986   | 6,612   | 9.83  |
| 2011                                      | 66,093   | 6,564   | 10.07   |
| 2010                                      | 67,262   | 6,518   | 10.32   |
| 2009                                      | 66,856   | 6,469   | 10.33   |
| 2008                                      | 67,489   | 6,432   | 10.49   |
| 2007                                      | 64,014   | 6,410   | 9.99  |
| 2006                                      | 63,979   | 6,403   | 9.99  |

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

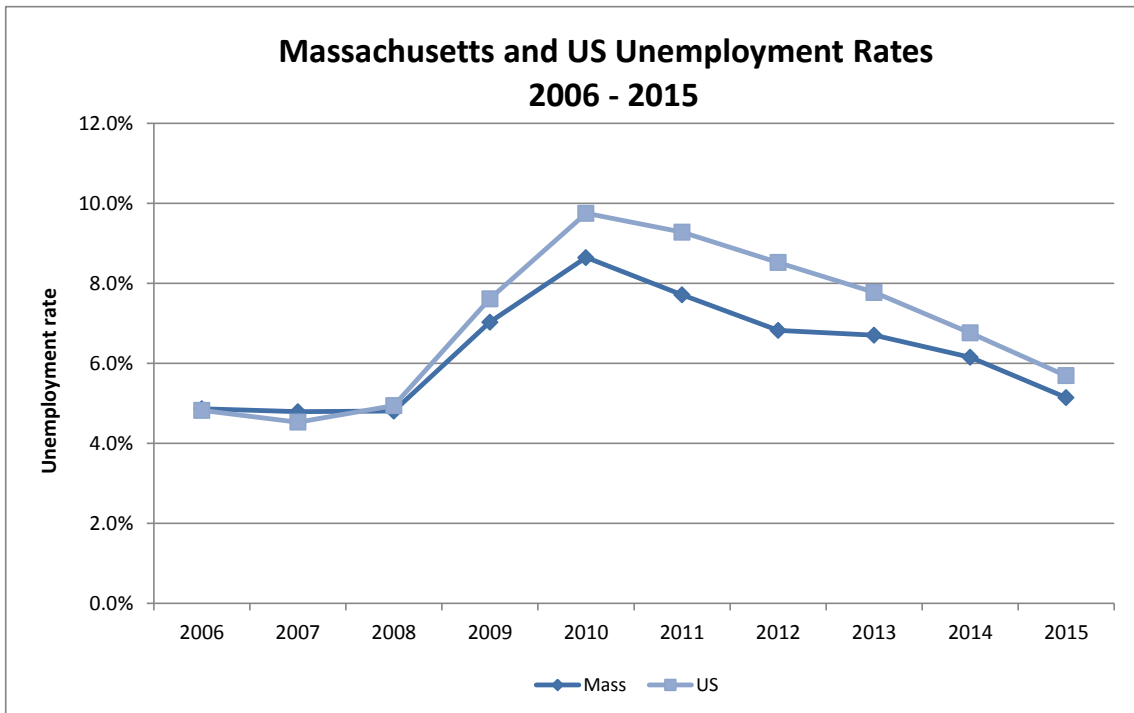


**MASSACHUSETTS CLEAN WATER TRUST**  
**Ten Year Schedule of Fiscal Year Annual Civilian Labor Force,**  
**Unemployment and Unemployment Rates**  
**For Massachusetts and the United States**

(Amounts in thousands)

| Year | <u>Massachusetts</u> |              |                        | <u>United States</u> |              |                        | Massachusetts<br>Rate as %<br>of U.S. Rate |
|------|----------------------|--------------|------------------------|----------------------|--------------|------------------------|--|
|      | Labor<br>Force       | Unemployment | Unemployment<br>Rate % | Labor<br>Force       | Unemployment | Unemployment<br>Rate % |  |
| 2015 | 3,598                | 185          | 5.1%                   | 156,613              | 8,915        | 5.7%                   | 90.3%                                      |
| 2014 | 3,526                | 217          | 6.2%                   | 155,482              | 10,513       | 6.8%                   | 91.0%                                      |
| 2013 | 3,492                | 234          | 6.7%                   | 155,336              | 12,076       | 7.8%                   | 86.2%                                      |
| 2012 | 3,472                | 237          | 6.8%                   | 154,301              | 13,150       | 8.5%                   | 80.1%                                      |
| 2011 | 3,463                | 267          | 7.7%                   | 153,624              | 14,254       | 9.3%                   | 83.1%                                      |
| 2010 | 3,470                | 300          | 8.6%                   | 153,906              | 15,009       | 9.8%                   | 88.7%                                      |
| 2009 | 3,470                | 244          | 7.0%                   | 154,559              | 11,767       | 7.6%                   | 92.4%                                      |
| 2008 | 3,434                | 165          | 4.8%                   | 153,680              | 7,593        | 4.9%                   | 97.2%                                      |
| 2007 | 3,424                | 164          | 4.8%                   | 152,438              | 6,904        | 4.5%                   | 105.8%                                     |
| 2006 | 3,392                | 165          | 4.9%                   | 150,353              | 7,252        | 4.8%                   | 100.9%                                     |

*Source-Federal Bureau of Labor Statistics, October 2015. Seasonally adjusted. Previous data may be updated by the Federal Bureau of Labor Statistics.*



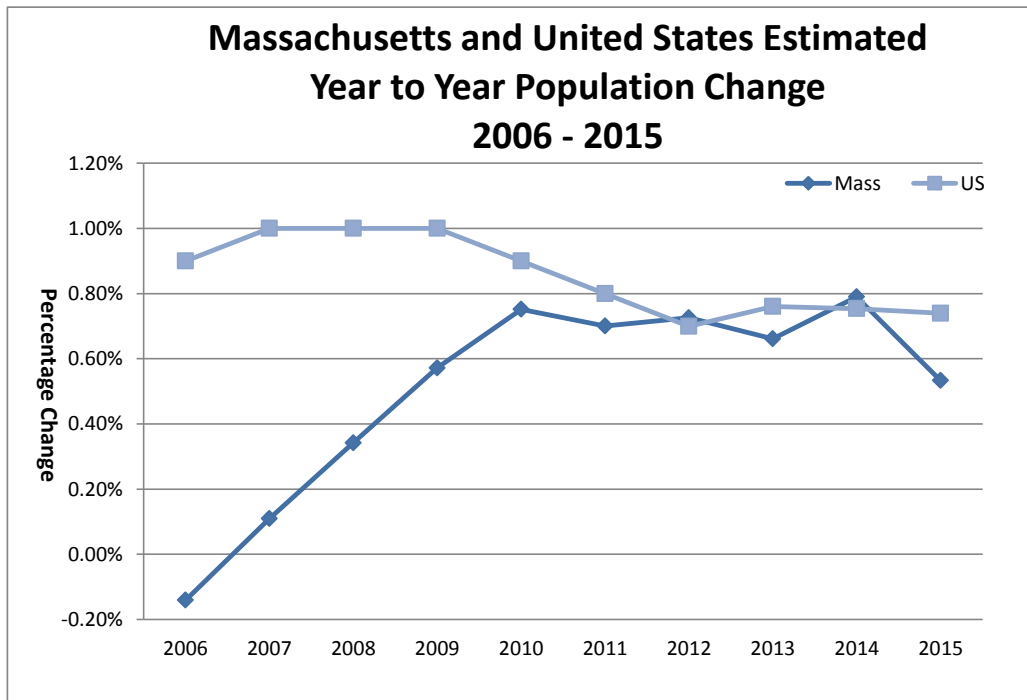
# MASSACHUSETTS CLEAN WATER TRUST

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

(Amounts in thousands)

| Beginning of Fiscal Year | United States | % Change | Massachusetts Resident Population <sup>(1)</sup> | % Change | Massachusetts as % of U.S. |
|--------------------------|---------------|----------|--|----------|----------------------------|
| 2015                     | 318,857       | 0.7%     | 6,745  | 0.5%     | 2.1%                       |
| 2014                     | 316,498       | 0.8%     | 6,709  | 0.8%     | 2.1%                       |
| 2013                     | 314,112       | 0.8%     | 6,656  | 0.7%     | 2.1%                       |
| 2012                     | 311,722       | 0.7%     | 6,612  | 0.7%     | 2.1%                       |
| 2011                     | 309,347       | 0.8%     | 6,564  | 0.7%     | 2.1%                       |
| 2010                     | 306,772       | 0.9%     | 6,518  | 0.8%     | 2.1%                       |
| 2009                     | 304,094       | 1.0%     | 6,469  | 0.6%     | 2.1%                       |
| 2008                     | 301,231       | 1.0%     | 6,432  | 0.3%     | 2.1%                       |
| 2007                     | 298,380       | 1.0%     | 6,410  | 0.1%     | 2.1%                       |
| 2006                     | 295,519       | 0.9%     | 6,403  | -0.1%    | 2.2%                       |

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

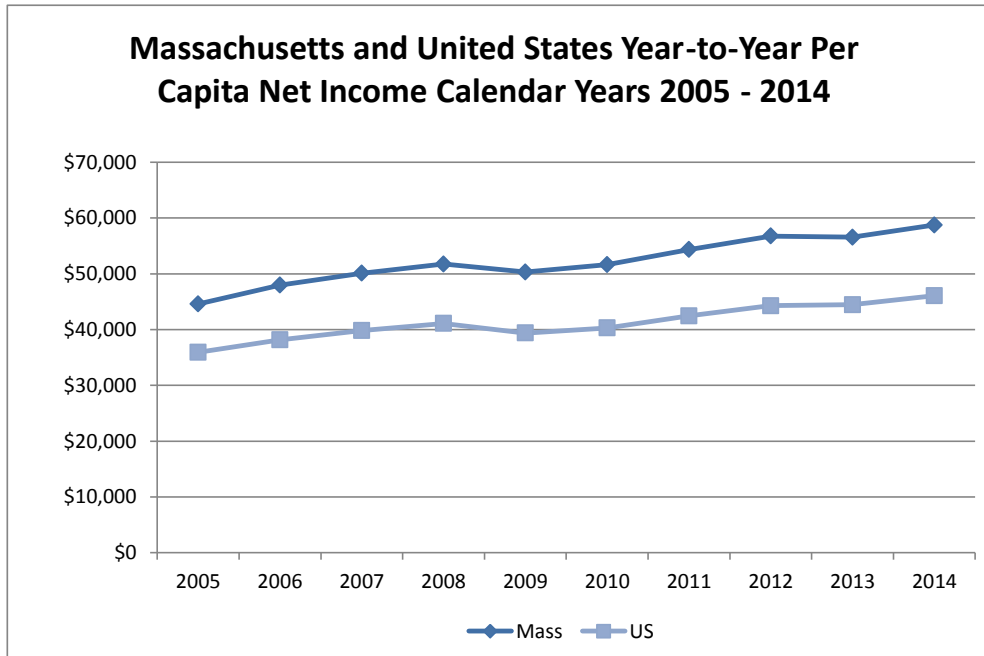


# MASSACHUSETTS CLEAN WATER TRUST

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

| Calendar Year | United States <sup>(1)</sup> | % Change | Massachusetts <sup>(1)</sup> | % Change | Massachusetts as % of U.S. |
|---------------|------------------------------|----------|------------------------------|----------|----------------------------|
| 2014          | \$ 46,049                    | 3.6%     | \$ 58,737                    | 3.9%     | 127.6%                     |
| 2013          | 44,438                       | 0.4%     | 56,549                       | -0.4%    | 127.3%                     |
| 2012          | 44,266                       | 4.3%     | 56,752                       | 4.5%     | 128.2%                     |
| 2011          | 42,453                       | 5.4%     | 54,327                       | 5.2%     | 128.0%                     |
| 2010          | 40,277                       | 2.3%     | 51,643                       | 2.7%     | 128.2%                     |
| 2009          | 39,376                       | -4.2%    | 50,296                       | -2.8%    | 127.7%                     |
| 2008          | 41,082                       | 3.2%     | 51,742                       | 3.3%     | 125.9%                     |
| 2007          | 39,821                       | 4.4%     | 50,103                       | 4.5%     | 125.8%                     |
| 2006          | 38,144                       | 6.2%     | 47,940                       | 7.5%     | 125.7%                     |
| 2005          | 35,904                       | 4.5%     | 44,596                       | 4.5%     | 124.2%                     |

<sup>(1)</sup> Source: Bureau of Economic Analysis, US Department of Commerce. Prior years restated due to revised estimates released September 30, 2015.



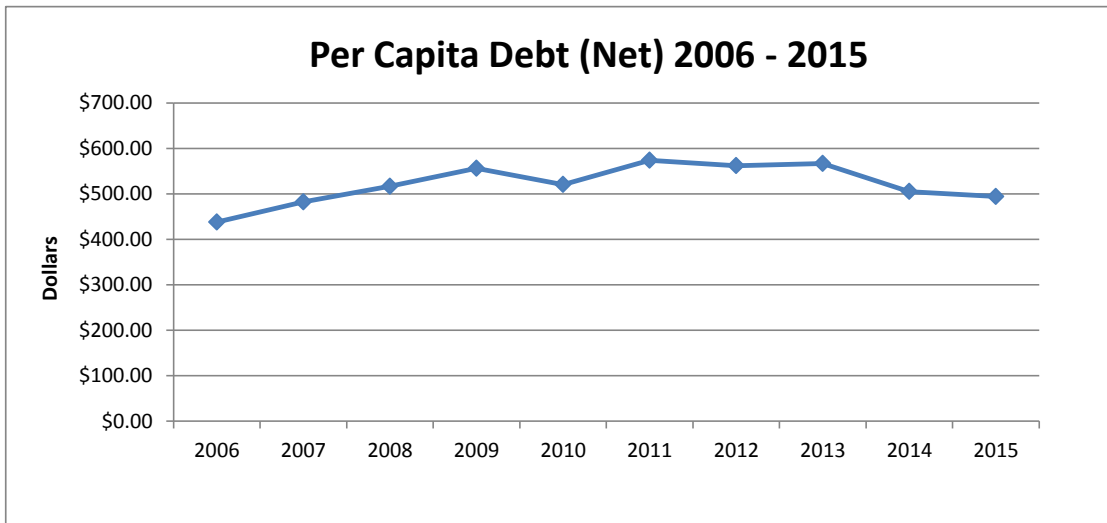


**MASSACHUSETTS CLEAN WATER TRUST**  
**Ten Year Schedule of Total Net Debt, Massachusetts Resident Population, and Debt Per Capita**  
**For fiscal years ending June 30, 2006 through June 30, 2015**

| <b>Fiscal year<br/>ending<br/>June 30</b> | <b>Total Debt (Net)<br/>(in thousands)</b> | <b>Population<br/>estimates <sup>(1)</sup><br/>(in thousands)</b> | <b>Per capita<br/>Debt (Net)</b> |
|---|--|---|----------------------------------|
| 2015                                      | \$3,332,352                                | 6,745   | \$494.05                         |
| 2014                                      | \$3,389,010                                | 6,709   | 505.14                           |
| 2013                                      | \$3,771,008                                | 6,656   | 566.56                           |
| 2012                                      | \$3,715,203 **                             | 6,612   | 561.89                           |
| 2011                                      | \$3,766,617                                | 6,564   | 573.83                           |
| 2010                                      | \$3,394,046                                | 6,518   | 520.72                           |
| 2009                                      | \$3,597,861                                | 6,469   | 556.17                           |
| 2008                                      | \$3,323,503                                | 6,432   | 516.71                           |
| 2007                                      | \$3,093,155                                | 6,410   | 482.55                           |
| 2006                                      | \$2,804,158                                | 6,403   | 437.94                           |

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

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



**MASSACHUSETTS CLEAN WATER TRUST**  
**Largest Private Sector Massachusetts Employers 2015 and 2006**  
(Alphabetical Order)

| 2015                                  |                  |                                | 2006                                    |                  |                                |
|---------------------------------------|------------------|--------------------------------|---|------------------|--------------------------------|
| Employer                              | Headquarters     | Product or Service             | Employer                                | Headquarters     | Product or Service             |
| Bay State Medical Center, Inc.        | Springfield      | Hospital                       | Bay State Medical Center, Inc           | Springfield      | Insurance                      |
| Beth Israel Deaconess Medical Center  | Boston           | Hospital                       | Beth Israel Deaconess Medical Center    | Boston           | Hospital                       |
| Boston Medical Center Corporation     | Boston           | Hospital                       | Boston Medical Center Corporation       | Boston           | Hospital                       |
| Boston University                     | Boston           | University                     | Boston University                       | Boston           | University                     |
| Brigham and Women's Hospital, Inc.    | Boston           | Hospital                       | Brigham and Women's Hospital, Inc.      | Boston           | Hospital                       |
| DeMoulas Supermarkets, Inc.           | Tewksbury        | Supermarket                    | DeMoulas Supermarkets, Inc.             | Tewksbury        | Supermarket                    |
| EMC Corporation                       | Hopkinton        | Computer Storage & Peripherals | EMC Corporation                         | Hopkinton        | Computer Storage & Peripherals |
| General Hospital Corporation          | Boston           | Hospital                       | Friendly Ice Cream Corporation          | Wilbraham        | Food Service                   |
| 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          | Raytheon Company                        | Lexington        | Electronics / Defense          |
| The Stop & Shop Supermarkets, Co      | Quincy           | Supermarket                    | S & S Credit Company, Inc (Stop & Shop) | Quincy           | Supermarket                    |
| Shaw's Supermarkets, Inc.             | West Bridgewater | Supermarket                    | Shaw's Supermarkets, Inc.               | West Bridgewater | Supermarket                    |
| Southcoast Hospitals Group            | New Bedford      | Hospital                       | Southcoast Hospitals Group              | New Bedford      | Hospital                       |
| State Street Bank and Trust Company   | Boston           | Banking                        | State Street Bank and Trust Company     | Boston           | Banking                        |
| The Children's Hospital Corporation   | Boston           | Hospital                       | The Children's Hospital Corporation     | Boston           | Hospital                       |
| The TJX Companies, Inc.               | Framingham       | Retail                         | UMASS Memorial Medical Center, Inc.     | Worcester        | Hospital                       |
| UMASS Memorial Medical Center, Inc.   | Worcester        | Hospital                       |   |                  |                                |

*Source: - Massachusetts Executive Office of Labor and Workforce Development, Division of Unemployment Assistance - March 2015 survey. In addition, Bank of America NA., Home DepotUSA, Inc., Massachusetts CVS Pharmacy LLC, Target Corp, United Parcel Service, Inc and Wal-Mart Associates, Inc. are all large Massachusetts employers, but are headquartered outside of Massachusetts. Verizon New England is a subsidiary of Verizon Communications, headquartered in New York. The information is based on employers registered for unemployment insurance. The list may not include those employers who do business in Massachusetts under multiple legal corporations and those who register each store, facility or franchisee as a separate employer.*





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3 Center Plaza, Suite 430  
Boston, MA 02108  
[www.mass.gov/treasury](http://www.mass.gov/treasury)

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