

Comprehensive Annual **FINANCIAL REPORT**

As of and for the Years Ended June 30, 2019 and June 30, 2018
and Independent Auditors' Report

Prepared by the Management of the Massachusetts Clean Water Trust

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MASSACHUSETTS CLEAN WATER TRUST
*Comprehensive Annual Financial Report as of and for the Years Ended
June 30, 2019 and June 30, 2018 and Independent Auditors' Report*

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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.

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I. INTRODUCTORY SECTION

Comprehensive Annual Financial Report as of and for the Years Ended
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MESSAGE FROM THE CHAIR

The Massachusetts Clean Water Trust (the Trust) is pleased to submit our Clean Water and Drinking Water State Revolving Fund Comprehensive Annual Financial Report for the 2019 fiscal year. The Trust's loan program is a collaborative effort between the State Treasurer's Office, the Executive Office for Administration and Finance, the Massachusetts Department of Environmental Protection (MassDEP) and communities across the Commonwealth.

To date, approximately \$2.5 billion in federal grants and state matching funds have supported nearly \$7.3 billion in water infrastructure planning and construction projects through a leveraged financing program.

With its AAA credit rating, the Trust finances vital infrastructure projects that enhance ground and surface water resources, ensures the safety of drinking water, protects public health and develops resilient communities. Access to below-market rate financing makes improvements to water infrastructure more feasible while reducing the overall financial impact on communities and ratepayers.

During 2019, the Trust provided cities and towns approximately \$371.1 million in commitments for low interest rate loans, including \$21.5 million in loan forgiveness to 31 projects, which will support an estimated 2,227 construction and engineering jobs. Additionally, the Trust launched two new programs to support communities with replacing lead service lines and a grant program to fund asset management planning.

These new programs demonstrate our deep commitment to supporting the Commonwealth's water infrastructure and the health of our residents. By promoting the replacement of lead service lines, it will reduce the chances of lead exposure for residents and do so at a lower cost to communities. Additionally, by funding \$2 million of asset management plans, the Trust is assisting communities in creating a plan for asset repairs, replacements, or rehabilitation. This will allow communities to deliver the required level of service, while making informed decisions on where to make vital infrastructure investments.

I would like to sincerely express my appreciation for the staff of the Environmental Protection Agency Region 1 for their efforts during the 2019 fiscal year, and congratulations to the staff of the Trust and MassDEP for a job well done.

Finally, to the cities and towns in Massachusetts, without your commitment and dedication to this vital work, our program would not be a success. Thank you. I look forward to continuing this critical work together.



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

LETTER OF TRANSMITTAL



December 16, 2019

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, 2019. This year's CAFR is presented on a comparative basis with the fiscal year ended June 30, 2018, and is submitted under Article VII, Section 2 of the by-laws of the Trust. This report has been prepared in conformity with generally accepted accounting principles ("GAAP"), thereby satisfying applicable federal and state laws, program regulations, and other Trust agreements. This data presented is accurate in all material aspects and is reported in a manner that presents fairly the financial position and results of operations of the Trust. All disclosures necessary to enable the reader to gain an understanding of the Trust's activities have been included. The information contained within this report is the responsibility of management.

Reporting Entity

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

Profile of the Massachusetts Clean Water Trust

The Trust is a public instrumentality of the Commonwealth of Massachusetts which was established in 1989 to administer the Massachusetts Water Pollution Abatement Revolving Fund, pursuant to Title VI of the Federal Clean Water Act. Its enabling statute, Chapter 29C of the Massachusetts General Laws, was amended in 1998 to provide that the Trust would also administer the provisions of Title XIV of the Federal Safe Drinking Water Act establishing the Drinking Water State Revolving Fund. We estimate that 97% of the population of the Commonwealth is served by one of approximately 300 entities that have borrowed funds through the Trust. The Trust administers loan programs that provide funding to cities, towns, other governmental units and certain eligible private entities to finance improvements to drinking water and wastewater infrastructure. To qualify for a loan, the project must be approved by the MassDEP.

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

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

LOAN PROGRAMS OF THE TRUST

The Trust administers two loan programs. The Clean Water State Revolving Fund (CWSRF), primarily finances wastewater infrastructure projects, including the Community Septic Management Program (CSMP), which finances improvements to private homeowner septic systems. The Drinking Water State Revolving Fund (DWSRF), primarily finances drinking water infrastructure projects. The Trust lends to cities, towns, other governmental units such as water and sewer authorities, and private water system operators. Since its inception the SRF loan program has provided nearly \$7.3 billion in loans to approximately 300 borrowers to improve and maintain the quality of water in the Commonwealth. To fund its operations, the Trust charges an administrative fee of 0.15% of principal outstanding per year on Clean Water and Drinking Water loans.

Clean Water Program

The Trust finances projects that focus on the development and rehabilitation of wastewater infrastructure while promoting sustainability, energy efficiency and green infrastructure. The CWSRF program provides additional subsidies to designated low income affordability communities and continues to perform outreach activities to help borrowers realize opportunities to implement energy efficiencies and 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 who, 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 or replacement at a subsidized, below market interest rate.

Drinking Water Program

The Trust continues to support protection of public health by ensuring that all its public water suppliers have the necessary technical, financial, and managerial capacity to meet the current and foreseeable Safe Drinking Water Act requirements. The program continues to promote the completion of cost-effective projects that maximize protection of public health. 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. Currently, the standard loan offer is for a term of 20 years at a subsidized loan rate of 2%.

Interim Loan Program

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

FY 2019 Program Disbursements

	CWSRF Dollar Amount	CWSRF Number of Loans	DWSRF Dollar Amount	DWSRF Number of Loans	Total Dollar Amount	Total Number of Loans
Interim Loans	\$ 139,056,879	77	\$ 108,522,603	25	\$ 247,579,482	102
SRF Program Project Funds	54,974,215	42	39,925,327	21	94,899,542	63
Total	\$ 194,031,094	119	\$ 148,447,930	46	\$ 342,479,024	165

TRUST'S FINANCING MODEL

Leveraged Financing Model

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

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

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

The sources of repayment for the Trust's SRF Bonds are made from the following sources: (1) loan repayments from borrowers; (2) subsidy payments provided by the Commonwealth, known as contract assistance; and (3) interest earnings on reserve funds.

FY 2019 Sources of Debt Service Payments

	CWSRF		DWSRF		Total	
Borrower Loan Repayments	\$ 219,380,040	77.45%	\$ 81,992,916	82.47%	\$ 301,372,956	78.76%
Contract Assistance	36,037,864	12.72%	10,528,988	10.59%	46,566,853	12.17%
Reserve Earnings	27,819,908	9.82%	6,904,896	6.94%	34,724,804	9.07%
Total	\$ 283,237,813	100.00%	\$ 99,426,800	100.00%	\$ 382,664,613	100.00%

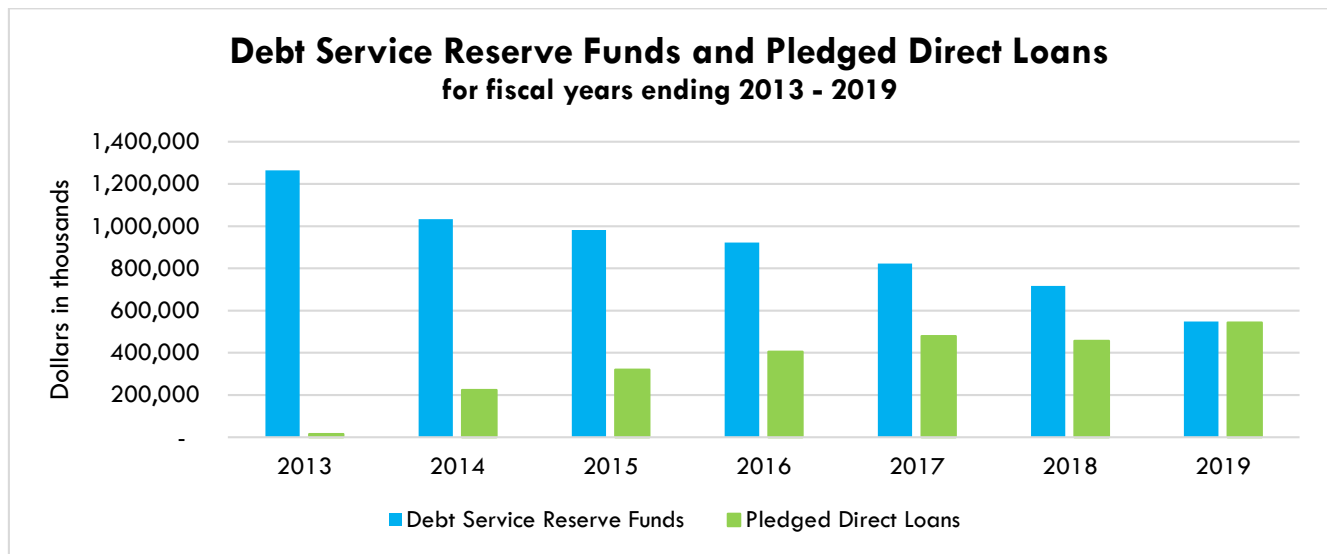
Pledged Direct Loans

The Trust uses its program funds rather than bond proceeds to fund certain loans to borrowers. These direct loans are pledged as additional security to SRF Bonds. As the direct loans are repaid, these borrower repayments are applied first to debt service, along with borrower repayments from loans funded with bond proceeds. The principal payments of the pledged direct loans provide further security for the SRF bonds in case of default on loans funded with bond proceeds. Any excess of these pledged direct loan repayments, not required to cure a default, revolve back to the SRF program funds. Since 2012, the Trust has used the Pledged Direct Loan approach. As of June 30, 2019, the Trust has \$544.1 million in outstanding 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. Since 2012, the Trust has been pledging direct loans as security for its bonds rather than establishing debt service reserve funds. As a result, the debt service reserve fund investment balance continues to decline as scheduled maturities occur. As of June 30, 2019, the Trust held \$548.1 million in DSRF reserve funds invested in guaranteed investment contracts (GIC) and US Treasury and Agency Obligations, and \$544.1 million in pledged direct loans.

Pledged Direct Loans and Debt Service Reserve Funds for fiscal years ending 2013-19



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

Federal Capitalization Grants and State Matching Funds

In order to provide security to its bonds, the Trust pledges federal and state capitalization grant funds. The Trust has received significant federal and Commonwealth support. The Trust has received total combined support of \$2.5 billion in grant awards to date which has provided funding for nearly \$7.3 billion in clean water and drinking water construction projects.

Federal Capitalization Grant and State Matching Funds

	Clean Water Grant Awards	Drinking Water Grant Awards	Total Awards
Federal FY 2018 Grant Award			
Federal Grant	\$ 54,495,000	\$ 25,774,000	\$ 80,269,000
State Grant	10,899,000	5,154,800	16,053,800
Total Federal FY 2018 Grant Award	\$ 65,394,000	\$ 30,928,800	\$ 72,399,600
Program to Date Grant Awards			
Federal Grant	\$ 1,565,482,761	\$ 551,563,100	\$ 2,117,045,861
State Grant	286,485,092	99,869,420	386,354,512
Total Program to Date Grant Awards	\$ 1,851,967,853	\$ 651,432,520	\$ 2,503,400,373

In compliance with the Federal grant requirements and congressional appropriations, the Trust has committed additional subsidy in the form of principal forgiveness to communities that would not otherwise be able to afford projects. It is being provided as loan forgiveness, which reduces the total principal cost and interest costs paid over the life of the loan. The Trust chose to apply these subsidy funds to communities that were deemed affordability communities based upon requirements outlined in the Water Resources Reform and Development Act (WRRDA) of 2014, an amendment to the Clean Water Act.

Using the methodology outlined in WRRDA the Trust's formula considers the per capita income, population trend from 2000-2010 and the employment rate for each community to develop an adjusted per capita income. Each community is then ranked against the state average and communities below the state average are sorted into three tiers. Tier 3 is less than 60% of the state average, tier 2 is 60% - 79.99% and tier 1 is 80% - 99.99%. Tier 3 communities receive a share and a half of subsidy, tier 2 receives one share and tier 1 receives a half share. The Trust's formula provides the subsidy to communities that are most in need and provides all communities below the state average with an additional incentive to use the Trust. The table below details the most recent additional subsidization available provided by grant award year.

Available Funds for Additional Subsidy by Program	Clean Water SRF	Drinking Water SRF	Total Subsidy Available
Grant Award	Subsidy Amount	Subsidy Amount	Subsidy Amount
2018	\$5,449,500	\$5,154,800	\$10,604,300
2017	\$4,501,400	\$3,063,800	\$7,565,200

Long Term Financial Planning

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

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

Economic Factors Affecting the Trust

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

Demand for Trust loans is dependent on the Commonwealth's need for drinking water and wastewater infrastructure, which remains strong. For 2019, the MassDEP received applications for over \$525 million in Clean Water projects and approved approximately \$430 million. MassDEP also received applications for over \$325 million of Drinking Water projects and approved \$138 million. Demand is expected to remain strong as communities work to meet tightening environmental standards and maintain an aging infrastructure. The current record low interest rate environment has somewhat reduced the value of the subsidization resulting from the below market rate being provided to the Trust's borrowers. However, the Trust expects to continue to award additional subsidization in the form of principal forgiveness to its eligible borrowers.

Performance Indicator

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

Clean Water Revolving Fund Performance Indicators* Ranked by State for Fiscal Years 2017-2019

2017		2018		2019	
Total Loan Assistance Provided (Millions of dollars)					
1 New York	\$ 16,176	1 New York	\$ 16,895	1 New York	\$ 17,209
2 California	10,034	2 California	10,735	2 California	10,997
3 Ohio	8,383	3 Ohio	9,229	3 Ohio	9,828
4 Texas	7,125	4 Texas	7,385	4 Texas	7,748
5 Massachusetts	6,242	5 Massachusetts	6,340	5 Massachusetts	6,355
National average:	2,473	National average:	2,607	National average:	2,715
Assistance Provided as a Percent of Federal Capitalization Grants					
1 Rhode Island	600%	1 Rhode Island	627%	1 Rhode Island	610%
2 Arizona	529%	2 Arizona	522%	2 Arizona	506%
3 Connecticut	440%	3 Connecticut	443%	3 Connecticut	454%
4 Massachusetts	426%	4 Massachusetts	420%	4 Iowa	449%
5 Minnesota	413%	5 Minnesota	419%	5 Massachusetts	406%
National average:	300%	National average:	307%	National average:	306%
SRF Project Disbursements (Millions of dollars)					
1 New York	\$ 14,955	1 New York	\$ 15,708	1 New York	\$ 16,302
2 California	7,498	2 California	8,149	2 California	8,825
3 Texas	7,066	3 Texas	7,326	3 Ohio	7,957
4 Ohio	6,578	4 Ohio	7,242	4 Texas	7,683
5 Massachusetts	5,528	5 Massachusetts	5,682	5 Massachusetts	5,876
National average:	2,159	National average:	2,283	National average:	2,399
Total Loan Assistance Provided for Combined Sewer Overflow Projects (Millions of dollars)					
1 Ohio	\$ 2,148	1 Ohio	\$ 2,667	1 Ohio	\$ 2,918
2 Michigan	1,931	2 Michigan	1,941	2 Michigan	1,952
3 New York	1,805	3 New York	1,860	3 New York	1,865
4 Massachusetts	1,372	4 Massachusetts	1,375	4 Indiana	1,470
5 Illinois	1,090	5 Indiana	1,243	5 Massachusetts	1,424
National average:	261	National average:	283	National average:	298
Total Loan Assistance Provided for Secondary Treatment Projects (Millions of dollars)					
1 New York	\$ 9,887	1 New York	\$ 10,284	1 New York	\$ 10,502
2 California	3,972	2 California	4,049	2 California	4,168
3 Illinois	2,502	3 Illinois	2,518	3 Ohio	2,751
4 Ohio	2,477	4 Ohio	2,626	4 Illinois	2,582
5 Massachusetts	2,140	5 Massachusetts	2,150	5 Massachusetts	1,855
National average:	872	National average:	905	National average:	921
Total Loan Assistance Provided for New Collector System Projects (Millions of dollars)					
1 Massachusetts	\$ 948	1 Massachusetts	\$ 970	1 Florida	\$ 925
2 Florida	911	2 Florida	946	2 Massachusetts	765
3 Pennsylvania	723	3 Pennsylvania	745	3 Pennsylvania	763
4 New York	650	4 New York	663	4 New York	677
5 Arizona	429	5 Arizona	433	5 Arizona	437
National average:	158	National average:	162	National average:	164
Total Loan Assistance Provided for Storm Water Projects (Millions of dollars)					
1 New Jersey	\$ 249	1 New Jersey	\$ 266	1 New Jersey	\$ 317
2 New York	224	2 New York	261	2 New York	276
3 Florida	210	3 Florida	229	3 Florida	224
4 Massachusetts	157	4 Massachusetts	160	4 Illinois	217
5 California	137	5 California	148	5 Massachusetts	107
National average:	33	National average:	37	National average:	43

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

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

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

Independent Audit

The Trust's independent auditors, KPMG LLP, have performed an independent audit of the Trust for the fiscal year ended June 30, 2019. 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

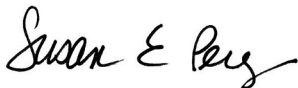
The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Trust for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. The award is the Trust's twenty-second consecutive citation. In order 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

GOVERNANCE & ADMINISTRATION

BOARD OF TRUSTEES

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

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

DEPUTY DIRECTOR Trust Treasurer Treasury Specialist Policy Analyst Program Associate Program Coordinator	CONTROLLER General Ledger Accountant Staff Accountant
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MASSACHUSETTS CLEAN WATER TRUST

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



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**Massachusetts Water Pollution
Abatement Trust**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO



II. FINANCIAL SECTION

Comprehensive Annual Financial Report as of and for the Years Ended
June 30, 2019 and June 30, 2018 and Independent Auditors' Report



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

Independent Auditors' Report

The Board of Trustees
Massachusetts Clean Water Trust:

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Massachusetts Clean Water Trust (the Trust), a component unit of the Commonwealth of Massachusetts, which comprise the statements of net position as of and for the years ended June 30, 2019 and 2018, and the statements of revenues, expenses and changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated October 11, 2019 on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Trust's internal control over financial reporting and compliance.

KPMG LLP

Boston, Massachusetts
October 11, 2019

MASSACHUSETTS CLEAN WATER TRUST
(A Component Unit of the Commonwealth of Massachusetts)
Management's Discussion and Analysis - Required Supplementary Information
(Unaudited)
June 30, 2019 and 2018

Introduction

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

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

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

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

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

(Continued)

MASSACHUSETTS CLEAN WATER TRUST
(A Component Unit of the Commonwealth of Massachusetts)
Management's Discussion and Analysis - Required Supplementary Information
(Unaudited)
June 30, 2019 and 2018

Overview of Financial Statements

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

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

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

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

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

(Continued)

MASSACHUSETTS CLEAN WATER TRUST
(A Component Unit of the Commonwealth of Massachusetts)
Management's Discussion and Analysis - Required Supplementary Information
(Unaudited)
June 30, 2019 and 2018

Condensed Financial Information and Financial Analysis

MASSACHUSETTS CLEAN WATER TRUST'S NET POSITION
(In thousands)

	June 30			Percentage change	
	2019	2018	2017	2019-2018	2018-2017
Cash and cash equivalents	\$ 489,850	478,627	586,633	2.3 %	(18.4)%
Investments	759,702	838,269	916,697	(9.4)	(8.6)
Project fund deposits	38,988	26,704	66,573	46.0	(59.9)
Grants receivable, EPA	46,926	40,536	28,814	15.8	40.7
Loans receivable	4,055,490	3,990,591	4,105,419	1.6	(2.8)
Accrued interest receivable and other assets	50,603	52,323	56,135	(3.3)	(6.8)
Total assets	5,441,559	5,427,050	5,760,271	0.3	(5.8)
Deferred outflows of resources	60,883	68,556	88,654	(11.2)	(22.7)
Total assets and deferred outflows of resources	\$ 5,502,442	5,495,606	5,848,925	0.1	(6.0)
Accrued expenses and interest payable	\$ 50,132	53,549	58,268	(6.4)	(8.1)
Unearned revenue	35,963	25,982	27,270	38.4	(4.7)
Loan commitments and project funds payable	37,844	26,739	67,023	41.5	(60.1)
Liability for derivative instruments	3,516	1,841	3,604	91.0	(48.9)
Long-term debt	2,762,192	2,932,678	3,316,209	(5.8)	(11.6)
Total liabilities	2,889,647	3,040,789	3,472,374	(5.0)	(12.4)
Deferred inflows of resources	34,499	8,679	—	297.5	100.0
Total liabilities and deferred inflows of resources	\$ 2,924,146	3,049,468	3,472,374	(4.1)	(12.2)
Net position:					
Restricted	\$ 2,040,327	1,964,713	1,906,475	3.8	3.1
Unrestricted	537,969	481,425	470,076	11.7	2.4
Total net position	\$ 2,578,296	2,446,138	2,376,551	5.4 %	2.9 %

The Trust's net position at June 30, 2019 and 2018 increased \$132,158, or 5.4%, to \$2.58 billion from \$2.45 billion, respectively. This increase was primarily attributable to a reduction in outstanding long-term debt of \$170,486 caused by a \$95,885 partial defeasance of outstanding bonds along with scheduled principal maturities in the amount of \$230,280 significantly exceeding the \$163,460 of new issuance of debt. This reflects the Trust's migration away from its use of its program funds to establish debt service reserve funds in 2012, to using its program funds to finance pledged loans, which resulted in significantly less loans being funded with bond proceeds. This also explains the steady reduction in the investment balances as the debt

(Continued)

MASSACHUSETTS CLEAN WATER TRUST
(A Component Unit of the Commonwealth of Massachusetts)
Management's Discussion and Analysis - Required Supplementary Information
(Unaudited)
June 30, 2019 and 2018

service reserve funds wind down. Offsetting the decrease in debt is a \$25,820 increase in deferred inflows which represent funds received from the Commonwealth that will be used to provide future additional subsidies. These funds demonstrate the Commonwealth's support of this valuable infrastructure program and the communities it serves.

The Trust's net position at June 30, 2018 and 2017 increased \$69,587, or 2.9%, to \$2.45 billion from \$2.38 billion, respectively. This increase was primarily attributable to a reduction in outstanding long-term debt of \$383,531 caused by a \$117,570 partial defeasance of outstanding bonds along with scheduled principal maturities in the amount of \$231,485 with no offsetting new debt issuance during the fiscal year. This reflects the Trust's migration away from its use of its program equity funds to establish debt service reserve funds in 2012, to using its program equity funds to finance pledged loans, which resulted in significantly less loans being funded with bond proceeds. Offsetting the reduction in debt was a significant decrease in cash and cash equivalents of \$108,006 related to the partial defeasance of debt. Additionally, loans receivable decreased \$114,828 as borrower payments made during the fiscal year. Typically, there is a new bond issuance during the fiscal year which would provide an offset of new financed loans; however, the annual bond issuance occurred in September 2018. The Trust's debt service reserve fund investments continue to decrease as scheduled maturities of investments revolve back into program equity (cash and cash equivalent).

Long-term Debt/Bonds Payable

The following is a summary of bonds payable at June 30, 2019, 2018 and 2017 (in thousands). More detailed information can be found in note 8 to the financial statements.

	Summary of Bonds Payable at June 30,		
	2019	2018	2017
Water Pollution Abatement Revenue Bonds:			
Master Trust Agreement	\$ 737,635	597,670	620,750
Pool Loan Program	668,690	836,630	892,585
Single Obligor Bonds – MWRA	6,430	7,280	8,170
Subtotal revenue bonds	1,412,755	1,441,580	1,521,505
Subordinated Revenue Refunding Bonds:			
Master Trust Agreement	96,280	96,280	96,280
Pool Loan Program	927,760	1,044,890	1,296,575
Single Obligor Bonds – MWRA	19,845	36,595	54,040
Subtotal revenue refunding bonds	1,043,885	1,177,765	1,446,895
Total bonds	2,456,640	2,619,345	2,968,400
Add unamortized bond premium	305,552	313,333	347,809
Total bonds payable, net	\$ 2,762,192	2,932,678	3,316,209

(Continued)

MASSACHUSETTS CLEAN WATER TRUST
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(Unaudited)
June 30, 2019 and 2018

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 Trust's assets that are pledged as a source of payment and security. Trust's pledged assets consist of either reserve funds or loans to borrowers, or a combination thereof, both of which are funded by the SRF program funds. The balance of the Trust's pledged assets as of June 30, 2019 is \$548,027 at fair market value in reserve funds and \$544,117 in loans to borrowers. The SRF Bonds are payable from borrower loan repayments, reserve fund earnings and payments made by the Commonwealth to the Trust on behalf of the borrowers.

The Trust issues its bonds under and secured by the Master Trust Agreement (MTA) dated as of January 1, 2015. The Trust entered into the MTA to replace the Program Resolution and to create a simpler security framework for the Trust's SRF Bonds. The Trust has been issuing its bonds under the MTA beginning with its Series 18 Bonds. The Trust's prior bonds were issued pursuant to the Program Resolution to finance or refinance loans to several Borrowers concurrently (Pool Loan Program Bonds) or to finance or refinance loans to a single Borrower (Prior Single Obligor Bonds). The Prior Single Obligor Bonds were issued to provide loans to the following three obligors: (1) the Massachusetts Water Resources Authority (MWRA); (2) the South Essex Sewerage District (SESD); and (3) the City of New Bedford. As of June 30, 2019, and 2018, there are no longer Single Obligor Bonds outstanding for SESD or the City of New Bedford. The City of New Bedford, MWRA and SESD are also borrowers under the Trust's Pool Loan Program Bonds and the MTA Bonds.

(Continued)

MASSACHUSETTS CLEAN WATER TRUST
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Management's Discussion and Analysis - Required Supplementary Information
(Unaudited)
June 30, 2019 and 2018

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

Summary of Changes in Net Position
(In thousands)

	June 30			Percentage change	
	2019	2018	2017	2019-2018	2018-2017
Loan servicing fees	\$ 5,479	5,615	5,608	(2.4)%	0.1 %
Loan origination fees	1,542	—	1,821	100.0	(100.0)
Interest income	119,554	114,850	102,510	4.1	12.0
Unrealized gain (loss) on investments	14,994	(6,822)	(11,937)	319.8	(42.8)
Contract assistance	24,401	26,003	26,572	(6.2)	(2.1)
Total operating revenues	165,970	139,646	124,574	18.9	12.1
DEP programmatic support costs	8,731	7,583	8,545	15.1	(11.3)
Principal forgiveness	7,698	7,372	5,672	4.4	30.0
General and administrative	2,693	2,331	5,210	15.5	(55.3)
Arbitrage rebate payments	1,468	—	12,328	100.0	(100.0)
Interest expense	104,561	125,293	126,551	(16.5)	(1.0)
Total operating expenses	125,151	142,579	158,306	(12.2)	(9.9)
Operating income (loss)	40,819	(2,933)	(33,732)	1,491.7	(91.3)
EPA capitalization grants	75,285	60,453	61,534	24.5	(1.8)
State matching grants	16,054	12,067	12,163	33.0	(0.8)
Total nonoperating revenues	91,339	72,520	73,697	26.0	(1.6)
Increase in net position	132,158	69,587	39,965	89.9	74.1
Net position, beginning of year	2,446,138	2,376,551	2,336,586	2.9	1.7
Net position, end of year	\$ 2,578,296	2,446,138	2,376,551	5.4 %	2.9 %

(a) Includes a reduction to reflect the \$10,000 payment of refunding savings to the Commonwealth.

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

(Continued)

MASSACHUSETTS CLEAN WATER TRUST
(A Component Unit of the Commonwealth of Massachusetts)
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(Unaudited)
June 30, 2019 and 2018

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

Summary of Interest Income
(In thousands)

	June 30			Percentage change	
	2019	2018	2017	2019-2018	2018-2017
Loan interest income	\$ 68,078	68,349	67,596	(0.4)%	1.1 %
Investment income	47,106	42,215	40,770	11.6	3.5
BAB subsidy income	4,304	4,286	4,144	0.4	3.4
Other income	66	—	—	100.0	—
Refunding savings paid to the Commonwealth	—	—	(10,000)	—	(100.0)
Total interest income	<u>\$ 119,554</u>	<u>114,850</u>	<u>102,510</u>	<u>4.1 %</u>	<u>12.0 %</u>

Results of Operations

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

For fiscal year 2018, the Trust recorded operating loss of \$2,933 as compared to an operating loss of \$33,732 in fiscal year 2017. Excluding the unrealized gain (loss) on investments fiscal year 2018 recorded operating income of \$3,889 and fiscal year 2017 recorded an operating loss of \$21,795. The fiscal year 2017 operating loss included two items that negatively impacted results that did not recur in fiscal year 2018. These items were a \$10,000 payment of refunding savings to the Commonwealth and \$12,328 in arbitrage rebate payments to the United States Treasury. Without these two items and excluding the change in fair market value of investments, fiscal year 2017 would have recorded \$533 in operating income. General and administrative expenses for fiscal year 2017 included \$1,613 in costs of issuance related to the Series 20 and 2017 Refunding bond issuances and \$1,360 of funding for a testing for lead in public schools' program.

The Trust's operating income is negatively impacted by the inclusion of expenses such as DEP programmatic support costs of \$8,731, \$7,583, and \$8,545 for fiscal years 2019, 2018 and 2017, respectively, and principal forgiveness, which are funded by the capitalization grant revenue that is classified as nonoperating revenue.

(Continued)

MASSACHUSETTS CLEAN WATER TRUST
(A Component Unit of the Commonwealth of Massachusetts)
Management's Discussion and Analysis - Required Supplementary Information
(Unaudited)
June 30, 2019 and 2018

Future Economic Factors

In August 2018, the Commonwealth enacted *An Act Promoting Climate Change Adaptation, Environmental and Natural Resource Protection, and Investment in Recreational Assets and Opportunity*, which provided for \$60,333 million in matching capitalization funds to the Clean Water SRF and Drinking Water SRF programs. This amount combined with the \$23,065 balance remaining as of June 30, 2019, the Trust estimates will be sufficient to meet its clean water and drinking water matching needs through FY 2022, assuming current federal funding levels are maintained.

Requests for Information

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

MASSACHUSETTS CLEAN WATER TRUST

(A Component Unit of the Commonwealth of Massachusetts)

Statements of Net Position

June 30, 2019 and 2018

(In thousands)

	<u>2019</u>	<u>2018</u>
Assets and deferred outflows:		
Current assets:		
Cash and cash equivalents (note 3)	\$ 489,850	478,627
Short-term investments (note 5)	204,741	223,467
Project fund deposits (note 4)	38,988	26,704
Grants receivable:		
U.S. Environmental Protection Agency (note 6)	46,926	40,536
Loans receivable, net (note 7)	621,568	561,902
Accrued interest receivable	50,603	52,323
Total current assets	<u>1,452,676</u>	<u>1,383,559</u>
Noncurrent assets:		
Loans receivable, long-term (note 7)	3,433,922	3,428,689
Long-term investments (note 5)	554,961	614,802
Total noncurrent assets	<u>3,988,883</u>	<u>4,043,491</u>
Total assets	<u>5,441,559</u>	<u>5,427,050</u>
Deferred outflows of resources (note 12)	60,883	68,556
Total assets and deferred outflows of resources	<u>5,502,442</u>	<u>5,495,606</u>
Liabilities and deferred inflows:		
Current liabilities:		
Accrued expenses and interest payable	50,132	53,549
Unearned revenue	35,963	25,982
Loan commitments and project funds payable	37,844	26,739
Long-term debt (note 8)	232,395	230,280
Total current liabilities	<u>356,334</u>	<u>336,550</u>
Noncurrent liabilities:		
Liability for derivative instruments (note 11)	3,516	1,841
Long-term debt, net (note 8)	2,529,797	2,702,398
Total noncurrent liabilities	<u>2,533,313</u>	<u>2,704,239</u>
Total liabilities	<u>2,889,647</u>	<u>3,040,789</u>
Deferred inflows of resources (note 2)	34,499	8,679
Total liabilities and deferred inflows of resources	<u>2,924,146</u>	<u>3,049,468</u>
Net position:		
Restricted for program purposes (note 9)	2,040,327	1,964,713
Unrestricted (note 9)	537,969	481,425
Commitments (note 10)		
Total net position	<u>\$ 2,578,296</u>	<u>2,446,138</u>

See accompanying notes to financial statements.

MASSACHUSETTS CLEAN WATER TRUST

(A Component Unit of the Commonwealth of Massachusetts)
 Statements of Revenues, Expenses, and Changes in Net Position
 Years ended June 30, 2019 and 2018
 (In thousands)

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Loan servicing fees	\$ 5,479	5,615
Loan origination fees	1,542	—
Interest income	119,554	114,850
Unrealized gain (loss) on investments	14,994	(6,822)
Contract assistance from Commonwealth of Massachusetts	24,401	26,003
Total operating revenues	<u>165,970</u>	<u>139,646</u>
Operating expenses:		
Commonwealth of Massachusetts:		
Department of Environmental Protection – programmatic support costs	8,731	7,583
Principal forgiveness	7,698	7,372
General and administrative	2,693	2,331
Arbitrage rebate payments	1,468	—
Interest expense	104,561	125,293
Total operating expenses	<u>125,151</u>	<u>142,579</u>
Operating income (loss)	<u>40,819</u>	<u>(2,933)</u>
Nonoperating revenue:		
Capitalization grant revenue:		
U.S. Environmental Protection Agency capitalization grants (note 6)	75,285	60,453
Commonwealth of Massachusetts matching grants (note 6)	16,054	12,067
Total nonoperating revenue	<u>91,339</u>	<u>72,520</u>
Increase in net position	132,158	69,587
Net position – beginning of year	<u>2,446,138</u>	<u>2,376,551</u>
Net position – end of year	<u>\$ 2,578,296</u>	<u>2,446,138</u>

See accompanying notes to financial statements.

MASSACHUSETTS CLEAN WATER TRUST

(A Component Unit of the Commonwealth of Massachusetts)

Statements of Cash Flows

Years ended June 30, 2019 and 2018

(In thousands)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Other cash received from borrowers	\$ 7,020	7,436
Cash paid to vendors	<u>(12,888)</u>	<u>(10,067)</u>
Net cash used in operating activities	<u>(5,868)</u>	<u>(2,631)</u>
Cash flows from noncapital financing activities:		
Bond proceeds	189,523	—
Cash used in debt refunding	(98,235)	(122,736)
Repayment of bonds	(230,280)	(231,485)
Interest paid	(126,609)	(137,460)
Proceeds from U.S. Environmental Protection Agency capitalization grants	73,879	48,611
Proceeds from Commonwealth matching capitalization grants	<u>21,051</u>	<u>10,899</u>
Net cash used in noncapital financing activities	<u>(170,671)</u>	<u>(432,171)</u>
Cash flows from investing activities:		
Loans disbursed to recipients	(353,380)	(168,918)
Cash received from borrowers	255,814	252,632
Contract assistance received – principal	47,475	20,385
Interest received	113,345	122,925
Contract assistance received – interest	25,908	26,388
Purchases of investments	(4,482)	(4,864)
Cash received from termination of guaranteed investment contracts	24,093	—
Sales/maturities of investments, net	<u>78,989</u>	<u>78,248</u>
Net cash provided by investing activities	<u>187,762</u>	<u>326,796</u>
Net increase (decrease) in cash and cash equivalents	11,223	(108,006)
Cash and cash equivalents, beginning of year	<u>478,627</u>	<u>586,633</u>
Cash and cash equivalents, end of year	<u>\$ 489,850</u>	<u>478,627</u>
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating income (loss)	\$ 40,819	(2,933)
Adjustments to reconcile operating income to net cash used in operating activities:		
Reclassification of:		
Interest income	(119,554)	(114,850)
Unrealized gain (loss) on investments	(14,994)	6,822
Contract assistance	(24,401)	(26,003)
Interest expense	104,561	125,293
Principal forgiveness	7,698	7,372
Changes in operating assets and liabilities:		
Other assets and liabilities, net	<u>3</u>	<u>1,668</u>
Net cash used in operating activities	<u>\$ (5,868)</u>	<u>(2,631)</u>

See accompanying notes to financial statements.

MASSACHUSETTS CLEAN WATER TRUST

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands, unless noted)

(1) General

(a) *Organization*

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

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

The Trust is governed by a three-member Board of Trustees chaired by the State Treasurer and composed of the Secretary for the Executive Office for Administration and Finance and the Commissioner of DEP.

(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 to 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 interim financing for its borrowers, the investment of program funds, the management and coordination of the programs, and the issuance of debt in the capital markets.

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 pledges such grants, state matching funds and other monies available to the Trust to secure its bonds which are issued to fund such water infrastructure projects. The Trust applies investment earnings on such pledged assets to pay a portion of the debt service on the related bonds thereby reducing financing costs to the communities.

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 pledged assets securing the related SRF bonds. These funds come back to the Trust and "revolve" or are available to be pledged as a source of payment and security, for new SRF bonds or for other eligible purposes.

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

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statements of net position, however, the use of these funds are governed by laws and regulations of the EPA and the Commonwealth.

(2) Summary of Significant Accounting Policies

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

(a) *Basis of Presentation*

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

(b) *Revenue Recognition*

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

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

The Trust's recent federal capitalization grants require a portion of the grant funds be provided as additional subsidization in the form of principal forgiveness, grants, or negative interest loans. The Trust provides the additional subsidization in the form of principal forgiveness, which has been recorded as an operating expense.

(c) *Cash and Cash Equivalents*

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

(d) *Investments*

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

The Trust categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. GASB 72, *Fair Value Measurement and Application* defines a certain

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hierarchy of inputs to valuation techniques used to measure fair value. All of the Trust's investments in U.S. Treasuries and Agencies are categorized as Level 2.

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

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

(e) Allowance for Uncollectible Amounts and Principal Forgiveness

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

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

(f) Loan Origination Fees and Costs of Issuance

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

(g) Risk Financing

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

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Commonwealth. As a result, no liabilities for employee-related activities have been recorded by the Trust.

(h) Bond Premium

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

(i) Deferred Inflows and Outflows of Resources

The Trust accounts for certain transactions that result in the consumption or acquisition in one period that are applicable to future periods as deferred outflows and deferred inflows of resources, respectively, to distinguish them from assets and liabilities. For fiscal year 2019, the Trust has reported deferred inflows of resources that represent the funds received from the Commonwealth in the amount of \$34,499 that will be used to provide future additional subsidies. For fiscal years 2019 and 2018, the Trust has reported deferred outflows of resources pertaining to its hedging derivative instruments and to the accounting losses on its debt refunding transactions. Refer to note 8 and note 11.

(j) Use of Estimates

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

(k) Reclassifications

Certain reclassifications have been made to the FY 2018 balances to conform to the presentation used in FY 2019.

(3) Cash and Cash Equivalents

Cash and cash equivalents for the years ended June 30, 2019 and 2018 are as follows:

	2019	2018
Program equity funds	\$ 336,272	360,789
Revenue funds	29,512	29,014
Administrative funds	31,711	28,542
State match funds	16,791	11,594
Rebate funds	9,578	10,602
Additional subsidy funds	63,812	36,603
Other cash funds	2,174	1,483
Total cash and cash equivalents	<u>\$ 489,850</u>	<u>478,627</u>

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

Revenue fund balances primarily represent proceeds collected from the Trust's specific revenue sources: borrower repayments, pledged assets earnings and contract assistance that are restricted or committed for specific purposes including debt service. Administrative funds are primarily funded with the annual loan servicing fee equal to 0.15% of outstanding loan principal charged pursuant to financing agreements, all origination fees payable to any loan, and any other amount received by the Trust for such purposes and applied to the payment of reimbursement of administrative costs of the Trust. Rebate funds represent amounts set aside to pay arbitrage rebate liabilities to the United States Treasury when due. State match funds represents the net balance of the Commonwealth matching grant and related interest earnings. Additional subsidy funds consist of additional contract assistance funds set aside by the Commonwealth to provide future subsidies, the amount and timing of which will be determined by the Board. During fiscal year 2019, the Board of Trustees approved an additional subsidy pursuant to Chapter 259 of the Acts of 2014 in the amount of \$25,820.

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

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

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Trust's deposits may not be returned to it. Cash balances represent amounts held in bank depository accounts that may be subject to custodial credit risk. The Trust had no significant amount of cash on deposit with banks at June 30, 2019 and 2018.

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(4) Project Fund Deposits

The project fund deposits are held by the Trustee and disbursed in accordance with executed loan agreements. Project fund deposits are disbursed to borrowers for eligible project costs as needed. These funds are restricted and are to be disbursed solely for the applicable project costs associated with the applicable loan financing agreement. When all costs have been paid, any amounts remaining unexpended in the project fund deposits will normally be applied to the repayment of the applicable borrower's principal. Project fund deposits are invested as part of the MMDT Cash Portfolio. As of June 30, 2019, and 2018, the Trust had \$38,988 and \$26,704, respectively, held in project fund deposits related to executed loan agreements for State Revolving Fund Bonds.

(5) Investments

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

Since 2012, the Trust has been pledging direct loans as security for its bonds rather than establishing debt service reserve funds. As a result, the debt service reserve fund investment balance continues to decline as scheduled maturities occur. The table below provides details of the Trust's debt service reserve funds as of June 30, 2019 and 2018.

Debt Service Reserve Funds				
Provider *	Bond Series		2019	2018
GICs:				
Mass Mutual Financial Group	Series 9, 1999A Ref	\$	119,329	123,061
FSA Capital Management Services, LLC.	Series 6, 11, 2004A Ref, 2014 Ref		108,905	138,565
Natixis Funding Corporation	Series 6, 7, 8, 2002A Ref		98,210	114,938
Citigroup Global Markets Inc.	Series 12, 2006 Ref		68,498	76,063
	Total GICs		394,942	452,627
U.S. Treasuries and Agencies	Series 12, 14, 15		153,085	263,757
	Total Debt Service Reserve Fund Investments	\$	548,027	716,384

*GIC Provider names abbreviated as follows:

Mass Mutual Financial Group, aka Mass Mutual Financial Group/Trinity Funding Company, LLC.

FSA Capital Management Services, LLC., aka Dexia Credit Local/FSA Capital Management Services, LLC.

Natixis Funding Corporation, aka Natixis Funding Corporation f/k/a IXIS Funding, CDC Funding Corporation

Citigroup Global Markets, Inc., aka Citigroup Global Markets Incorporated

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GICs are recorded at contract value and U.S. Treasuries and Agencies are reported at fair market value. Reductions in GIC balances year over year reflect the scheduled maturities that correspond to debt service principal payments. As the Trust pays principal on its debt, proportional amounts are released from the pledged assets securing the related debt. In fiscal year 2019, Series 14 bonds were partially defeased by the Trust. There was a debt service reserve fund pledged to the Series 14 bonds that was invested in U.S. Treasuries and Agencies. As this debt service reserve fund was no longer required to secure the bonds, these investments were transferred to the program equity fund.

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

Provider	2019			2018	
Mass Mutual Financial Group	\$	119,329	18 %	123,061	17 %
FSA Capital Management Services, LLC.		108,905	16	138,593	19
Natixis Funding Corp.		98,210	15	114,938	15
Citigroup Global Markets Inc.		69,107	10	76,731	10

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

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

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

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For the years ended June 30, 2019 and 2018 the investments mature as follows:

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

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

June 30, 2018				
	GICs	U.S. Treasuries and Agencies	MMDT short-term bond portfolio	Total investments
Less than 1 year	\$ 113,313	14,047	96,107	223,467
One to five years	196,572	74,635	—	271,207
Six to ten years	120,919	66,589	—	187,508
More than ten years	46,298	109,789	—	156,087
	<u>\$ 477,102</u>	<u>265,060</u>	<u>96,107</u>	<u>838,269</u>

(6) Capitalization Grants

The Trust is awarded clean water and drinking water grants from the EPA. These grants require that the Trust enter into binding commitments with local government units within one year of the receipt of each federal grant award 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, as well as certain required principal forgiveness.

The periodic grant draws by the Trust on its federal and state grants are based on the amount of incurred costs for certain eligible projects or activities. State matching grant revenue is recognized the year it is drawn from the Commonwealth. Federal grant revenue is recognized in accordance with the funding schedules contained within the individual grant agreements. The federal grant agreements begin October 1 and end September 30 in conformity with the federal fiscal year. Federal grant funds are made available in equal quarterly installments based on the federal fiscal year.

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The federal fiscal year 2018 Clean Water SRF grant increased to \$54,495 from \$45,014. This 21.1% increase reflects the increase in the federal appropriation level from \$1.37 billion in federal fiscal year 2017 to \$1.66 billion in 2018. The federal fiscal year 2018 Drinking Water SRF grant increased to \$25,774 from \$15,319. This 68.2% increase reflects not only the increase in the federal appropriation level from \$0.85 billion in federal fiscal year 2017 to \$1.14 billion in 2018, but also an increase in the state's allotment percentage from 1.86% in 2017 to 2.32% in 2018.

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

	Clean Water Program		Drinking Water Program		Total Program	
	Federal	State	Federal	State	Federal	State
Grants receivable at June 30, 2018	\$ 38,780	—	1,756	—	40,536	—
Project Grant Award/Match – FFY 2018	52,315	10,899	20,361	5,155	72,676	16,054
Admin/Set Asides Grant – FFY 2018	2,180	—	5,413	—	7,593	—
Total Grant Award/Match	54,495	10,899	25,774	5,155	80,269	16,054
Grant Funds Draw n	(49,521)	(10,899)	(24,358)	(5,155)	(73,879)	(16,054)
Grants receivable at June 30, 2019	\$ 43,754	—	3,172	—	46,926	—

	Clean Water Program		Drinking Water Program		Total Program	
	Federal	State	Federal	State	Federal	State
Grants receivable at June 30, 2017	\$ 27,092	—	1,722	—	28,814	—
Project Grant Award/Match – FFY 2017	42,853	9,003	10,570	3,064	53,423	12,067
Admin/Set Asides Grant – FFY 2017	2,161	—	4,749	—	6,910	—
Total Grant Award/Match	45,014	9,003	15,319	3,064	60,333	12,067
Grant Funds Draw n	(33,326)	(9,003)	(15,285)	(3,064)	(48,611)	(12,067)
Grants receivable at June 30, 2018	\$ 38,780	—	1,756	—	40,536	—

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

	Clean Water Program		Drinking Water Program		Total Programs	
	2019	2018	2019	2018	2019	2018
Federal FY 2018 grant	\$ 40,871	—	19,331	—	60,202	—
Federal FY 2017 grant	11,253	33,760	3,830	11,489	15,083	45,249
Federal FY 2016 grant	—	11,341	—	3,863	—	15,204
Total grant revenue – EPA	<u>\$ 52,124</u>	<u>45,101</u>	<u>23,161</u>	<u>15,352</u>	<u>75,285</u>	<u>60,453</u>
State match – FY 2018 grant	\$ 10,899	—	5,155	—	16,054	—
State match – FY 2017 grant	—	9,003	—	3,064	—	12,067
Total grant revenue – State Match	<u>\$ 10,899</u>	<u>9,003</u>	<u>5,155</u>	<u>3,064</u>	<u>16,054</u>	<u>12,067</u>

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

(7) Loans Receivable and Bonds Purchased

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

A summary of loan receivables as of June 30, 2019 and 2018 is as follows:

	2019	2018
Leveraged loans	\$ 3,174,838	3,251,964
Direct loans pledged for bond debt service	536,978	448,814
Other direct loans pledged for bond debt service	<u>7,139</u>	<u>7,774</u>
Total permanently financed loans receivable	3,718,955	3,708,552
Interim loans	371,833	337,370
Principal forgiveness	<u>(35,298)</u>	<u>(55,331)</u>
Total loans receivable	4,055,490	3,990,591
Less current portion loans receivable	<u>621,568</u>	<u>561,902</u>
Long-term portion – loans receivable	<u>\$ 3,433,922</u>	<u>3,428,689</u>

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

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

The Trust recognizes the need for construction funds to be available to communities throughout the year, not simply at the time of an annual Trust bond issue. This need is addressed by making funds available to eligible projects through the interim loan program. Interim loans are temporary loans provided by the Trust to eligible borrowers in accordance with a financing agreement for all or any part of the costs of a project in anticipation of a leveraged or direct loan. This interim construction financing is offered to communities as a zero percent interest rate. The interim loan receivable balances were \$371,833 and \$337,370 as of June 30, 2019 and 2018, respectively.

The Trust offers principal forgiveness to borrowers, based on eligibility criteria defined by the Trust's board. Principal forgiveness can assist borrowers in their efforts to comply with water quality standards by making projects even more affordable. Loans funded by principal forgiveness grants are advanced to local agencies on a cost reimbursement basis up to the amount of the awarded principal forgiveness. The amount of interim loan balances for which a subsidy was provided in the form of principal forgiveness was \$35,298 and \$55,331, at June 30, 2019 and 2018, respectively. The subsidized interim loan amounts will be legally forgiven as the applicable projects are completed. Loan agreements require repayment of the forgiven loan if all program requirements are not met.

Interim loans totaling \$185,386 were permanently financed as part of the Trust's Series 21 bond issuance in September 2018. In connection with the issuance of the Series 21 bonds, the Trust pledged \$113,618 of its loans to borrowers funded with SRF program equity funds. The interest collected on these loans will be applied to pay a portion of the debt service on the Series 21 bonds, thereby supplementing the loan repayment obligations of the local borrowers while the principal payments collected on the direct loans are pledged as further security for the Trust's bonds. The Series 21 bonds are the fifth Series of Trust SRF Bonds to use this approach. As of June 30, 2019, the Trust has \$544,117 in direct loans pledged for the purpose of paying debt service on Trust bonds.

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

	Leveraged loans	Direct loans used for bond debt service	Other direct loans used for bond debt service	Total permanently financed loans
Years ending June 30:				
2020	\$ 260,385	24,029	620	285,034
2021	254,916	24,521	628	280,065
2022	241,601	24,957	629	267,187
2023	247,303	25,477	629	273,409
2024	235,425	26,009	629	262,063
2025–2029	953,887	131,643	3,140	1,088,670
2030–2034	614,840	130,143	864	745,847
2035–2039	291,740	69,417	—	361,157
2040–2044	61,396	49,978	—	111,374
2045–2049	13,345	30,804	—	44,149
	<u>\$ 3,174,838</u>	<u>536,978</u>	<u>7,139</u>	<u>3,718,955</u>

The Trust's loans to its borrowers are subsidized by interest earnings on its pledged assets which include debt service reserve funds, direct loans and contract assistance provided to the Trust by the Commonwealth. Although borrowers are obligated to the Trust to make scheduled payments, these subsidies are expected to be available for the duration of the loan financing agreements. The Commonwealth has committed to provide contract assistance in the amount of \$241,531 over 30 years. This obligation of the Commonwealth to the Trust is a general obligation of the Commonwealth, for which its full faith and credit are pledged. Annual appropriations are made each year by the Commonwealth to fund the current year's obligation.

(8) Bonds Payable

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

The Trust issues its bonds under and secured by the Master Trust Agreement (MTA) dated as of January 1, 2015. The Trust entered into the MTA to replace the Program Resolution and to create a simpler security framework for the Trust's SRF Bonds. The Trust has been issuing bonds under the MTA beginning with its Series 18 Bonds and expects to continue to conduct its SRF program through the Master Trust Agreement. The Trust's prior bonds were issued pursuant to the Program Resolution to finance or

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refinance loans to several Borrowers concurrently (Pool Loan Program Bonds) or to finance or refinance loans to a single Borrower (Prior Single Obligor Bonds). The Prior Single Obligor Bonds were issued to provide loans to the following three obligors: (1) the Massachusetts Water Resources Authority (MWRA); (2) the South Essex Sewerage District (SESD); and (3) the City of New Bedford. As of June 30, 2019, and 2018, there are no longer Single Obligor Bonds outstanding for SESD or the City of New Bedford. The City of New Bedford, MWRA and SESD also are borrowers under the Trust's Pool Loan Program Bonds and the MTA Bonds.

The Series 21 Bonds, issued on September 12, 2018, was the fifth Series of the Trust's bonds to be issued under and secured by the Master Trust Agreement (MTA). MTA Bonds are payable solely from the funds pledged to the MTA which include repayments on all loans financed through the MTA Program, together with contract assistance payments, and earnings on certain funds held under the MTA. All other Series of Trust bonds are payable from amounts pledged pursuant to the individual Water Pollution Abatement and Drinking Water Project Bond Resolutions, which include payments by local governmental units of principal and interest on the loans, contract assistance, and earnings on amounts on deposit in the Debt Service Reserve Funds or interest received on certain direct loans made by the Trust.

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

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MASSACHUSETTS CLEAN WATER TRUST

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands, unless noted)

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

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

On September 12, 2018, the Trust issued State Revolving Fund Bonds Series 21 (Green Bonds) in the amount of \$163,460 with a premium of \$26,063. The Trust has designated the Series 21 bonds as “Green Bonds” based on the intended use of the bond proceeds for the financing of projects that adhere to the federal Clean Water Act and Safe Drinking Water Act, as determined by the EPA. Series 21 Bond proceeds were applied to fund \$189,513 in loans for clean water and drinking water projects under the SRF. The Trust anticipates expending all the proceeds within three years. In connection with the issuance of the Series 21 bonds, the Trust pledged \$113,618 of its loans to borrowers funded with SRF program equity funds. The interest collected on these loans will be applied to pay a portion of the debt service on the Series 21 bonds, thereby supplementing the loan repayment obligations of the local borrowers while the principal payments collected on the direct loans are pledged as further security for the Trust’s bonds.

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June 30, 2019 and 2018

(Dollars in thousands, unless noted)

On June 13, 2019, the Trust used \$98,235 of its program equity to defease a portion of the State Revolving Bonds, Series 14. 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 \$95,885, resulting in a cash flow savings of \$62,379.

The following is a summary of bonds payable at June 30, 2018 and 2017:

Bond issue	Program	Issue date	Final maturity	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due within one year
Senior revenue bonds:								
Series 6	Pool Loan	11/8/2000	8/1/2023	\$ 3,165	—	—	3,165	—
Series 7	Pool Loan	7/26/2001	2/1/2023	1,530	—	—	1,530	245
Series 2002A	MWRA	10/31/2002	8/1/2032	8,170	—	890	7,280	850
Series 8	Pool Loan	11/26/2002	8/1/2026	8,730	—	1,450	7,280	1,255
Series 9	Pool Loan	11/6/2003	8/1/2027	13,950	—	1,535	12,415	3,620
Series 11	Pool Loan	11/16/2005	8/1/2025	41,725	—	235	41,490	12,425
Series 12	Pool Loan	12/14/2006	8/1/2026	22,830	—	—	22,830	—
Series 14	Pool Loan	3/18/2009	8/1/2038	146,495	—	17,080	129,415	17,565
Series 15	Pool Loan	6/8/2010	8/1/2040	329,905	—	18,215	311,690	18,900
Series 16 A and B	Pool Loan	6/13/2012	8/1/2042	152,260	—	9,760	142,500	10,070
Series 17 A and B	Pool Loan	5/22/2013	2/1/2043	171,995	—	7,680	164,315	7,975
Series 18	MTA	1/7/2015	2/1/2045	213,140	—	7,990	205,150	8,205
Series 19	MTA	2/11/2016	2/1/2046	200,260	—	8,050	192,210	8,320
Series 20	MTA	4/13/2017	2/1/2047	207,350	—	7,040	200,310	6,970
Subordinated revenue refunding bonds:								
Series 1999A	MWRA	11/3/1999	8/1/2029	54,040	—	17,445	36,595	16,750
Series 2004A	Pool Loan	9/9/2004	8/1/2027	210,120	—	48,800	161,320	41,430
Series 2006	Pool Loan	12/14/2006	8/1/2034	397,530	—	35,295	362,235	22,880
Series 2009A	Pool Loan	8/11/2009	8/1/2019	135,025	—	100,255	34,770	16,495
Series 2010A	Pool Loan	6/8/2010	2/1/2020	25,075	—	20,160	4,915	2,395
Series 2012A	Pool Loan	6/13/2012	8/1/2032	46,840	—	500	46,340	2,485
Series 2014	Pool Loan	6/12/2014	8/1/2028	481,985	—	46,675	435,310	31,445
Series 2017	MTA	4/13/2017	8/1/2029	96,280	—	—	96,280	—
Subtotal				2,968,400	—	349,055	2,619,345	230,280
Add unamortized bond premiums				347,809	—	34,476	313,333	—
Total bonds payable				\$ 3,316,209	—	383,531	2,932,678	230,280

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MASSACHUSETTS CLEAN WATER TRUST

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands, unless noted)

At June 30, 2019, debt service requirements to maturity for principal and interest are as follows:

	Total debt service	Principal	Interest
Year ending June 30:			
2020	\$ 347,705	232,395	115,310
2021	310,452	206,235	104,217
2022	285,797	191,720	94,077
2023	285,625	201,235	84,390
2024	260,547	185,305	75,242
2025–2029	995,038	739,310	255,728
2030–2034	555,540	439,635	115,905
2035–2039	224,693	186,425	38,268
2040–2044	70,832	60,450	10,382
2045–2049	15,046	13,930	1,116
Total debt service requirements	\$ 3,351,275	2,456,640	894,635

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, 2019 are as follows:

Description	Redemption date	Final escrow payment date	Outstanding principal amount	
			2019	2018
MWRA Series 1998A	11/03/1999	08/01/2018	\$ —	8,415
Series 13	06/12/2014	08/01/2018	—	13,950
Series 14	06/12/2014	08/01/2019	137,595	137,595
Series 15	04/13/2017	08/01/2020	18,320	18,320
Series 16	04/13/2017	08/01/2020	54,285	54,285
Series 2012	04/13/2017	08/01/2022	29,660	29,660
Series 2009A	06/13/2018	08/01/2019	99,695	99,695
Series 2010A	06/13/2018	02/01/2020	17,875	17,875
Series 14	06/06/2019	08/01/2019	95,885	—

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

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MASSACHUSETTS CLEAN WATER TRUST

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands, unless noted)

Net Position. When the Trust refunds or advance refunds a refunding series of bonds, there would be an acceleration of the amortization of the balance of the corresponding excess of reacquisition price over net carrying value of defeased bonds. This was the case in fiscal year 2018 when the Trust defeased Refunding Series 2009A and 2010A.

Excess of reacquisition price over net carrying value of defeased bonds (deferred outflows of resources – see note 12):

	2019	2018
Beginning balance	\$ 66,715	85,050
Additions	—	—
Reductions	(9,348)	(18,335)
Ending balance	\$ 57,367	66,715

(9) Net Position

As of June 30, 2019, and 2018, the Trust has a restricted net position in the amount of \$2,040,327 and \$1,964,713, respectively, and an unrestricted net position in the amount of \$537,969 and \$481,425, respectively. Restricted net position represents capitalization grants received cumulative to date from the EPA and corresponding matching amounts received from the Commonwealth, required to revolve back to the program. The capitalization grants are restricted to provide financial assistance, but not grants, to local communities and interstate agencies for the construction of wastewater treatment works, drinking water infrastructure improvements, and other related projects as described in note 1.

(10) Commitment

As of June 30, 2019, and 2018, the Trust has agreed to provide interim financing loans to eligible borrowers amounting to approximately \$267,330 and \$253,049, respectively, excluding loan amounts already disbursed, which will be funded or collateralized with grant awards received by the Trust.

(11) 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).

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Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands, unless noted)

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

	2022	2023
	Termination	Termination
Trade date	November 21, 2006	November 21, 2006
Effective date	December 14, 2006	December 14, 2006
Termination date	August 1, 2022	August 1, 2023
	2022	2023
	Termination	Termination
Notional amount	\$ 30,650	46,605
Fair value at June 30, 2019	(1,212)	(2,304)
Fair value at June 30, 2018	(651)	(1,190)
Variable rate bond coupon payments	Muni-CPI* rate + 0.99%	Muni-CPI* rate + 0.99%
Variable rate payment from counterparty	Muni-CPI* rate + 0.99%	Muni-CPI* rate + 0.99%
Fixed-rate payment to counterparty	3.88 %	3.90 %
Synthetic fixed rate on bonds	3.88 %	3.90 %

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

Fair Value – The swaps had an aggregate negative fair value as of June 30, 2019 and 2018, which means on the August 1, 2019 debt service payment date the Trust will make a payment to the swap counterparty. At June 30, 2019 and 2018, the fair value of these swaps is reflected as a liability for derivative instruments and deferred outflows in the accompanying financial statements. GASB defines certain hierarchy of inputs to valuation techniques used to measure fair value. Derivative instruments are classified as Level 2 of the fair value hierarchy using the zero coupon method. This method calculates the future net settlement payments/receipts required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates

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MASSACHUSETTS CLEAN WATER TRUST

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Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands, unless noted)

implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement of the swap. Because all of the interest rate swaps were deemed effective hedges, changes in fair value of the interest rate swaps during the fiscal year ended June 30, 2019 and 2018 were recognized as deferred outflows resulting in no impact on the Statement of Revenues, Expenses, and Changes in Net Position.

Credit Risk – As of June 30, 2019 and 2018, the Trust is not exposed to credit risk because the swaps had a negative fair value. The swap counterparty is JP Morgan Chase & Co. JP Morgan Chase Bank, N.A. and is rated AA-/Aa1/AA-by S&P Global Ratings, Moody's Investors Service, and Fitch Ratings, respectively. To mitigate credit risk, the Trust has the right to terminate the swap upon a ratings downgrade by the counterparty's credit support provider below BBB-/Baa3 by S&P Global Ratings, and Moody's Investors Service, respectively.

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

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, 2019, the variable rate was calculated using the May 31, 2019 Muni-CPI rate. Assuming this rate remains the same, the debt service requirements of the variable rate debt and the net swap payments are presented in the table on the following page. As the Muni-CPI rate varies, the variable rate payments on the bonds and the variable rate receipts from the swap are equal, the net debt service will remain fixed.

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MASSACHUSETTS CLEAN WATER TRUST

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Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands, unless noted)

	Variable rate bonds¹		Net swap payments²	Total debt service
	Principal	Interest		
Fiscal year ending June 30:				
2020	\$ —	2,130	877	3,007
2021	—	2,130	877	3,007
2022	—	2,130	877	3,007
2023	30,650	1,707	705	33,062
2024	46,605	643	266	47,514

¹ Calculated rate uses May 31, 2019 Muni-CPI rate to reflect debt service payment for August 1, 2019.

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

(12) Deferred Outflows of Resources

The following is a summary of deferred outflows of resources at June 30, 2019 and 2018:

	2019	2018
Deferred outflows of resources:		
Derivative instruments (note 11)	\$ 3,516	1,841
Excess of reacquisition price over net carrying value of defeased bonds (note 8)	57,367	66,715
	<u>\$ 60,883</u>	<u>68,556</u>

MASSACHUSETTS CLEAN WATER TRUST
Combining Financial Statements and Schedules
For the Year Ended June 30, 2019 (With Comparative Amounts as of June 30, 2018)

Contents

Narrative

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

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

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

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

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

Supplemental Schedules

Combining Schedule of Net Position	35
Combining Schedule of Revenues, Expenses, and Changes in Net Position	36
Five Year Schedule of Fifteen Largest Borrowers	37
Schedule of Loans Outstanding by Borrower	38-43

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

Massachusetts Clean Water Trust
Combining Schedule of Net Position
June 30, 2019 (With Comparative Amounts as of June 30, 2018)
(in thousands)

	Federally Capitalized State Revolving Fund Loan Program	Federally Capitalized Safe Drinking Water Revolving Fund Loan Program	Commonwealth of Massachusetts Capitalized State Revolving Fund Loan Program	Program for General Operations	Combined Totals 6/30/2019	6/30/2018
Assets and deferred outflows:						
Current assets:						
Cash and cash equivalents	\$ 302,471	\$ 90,232	\$ 65,436	\$ 31,711	\$ 489,850	\$ 478,627
Short-term investments	164,370	18,065	-	22,306	204,741	223,467
Project fund deposits	32,500	6,488	-	-	38,988	26,704
Grants receivable:						
U.S. Environmental Protection Agency	43,755	3,171	-	-	46,926	40,536
Loans receivable, net	432,533	188,980	-	55	621,568	561,902
Accrued interest receivable	40,088	10,378	137	-	50,603	52,323
Total current assets	1,015,717	317,314	65,573	54,072	1,452,676	1,383,559
Noncurrent assets:						
Loans receivable, long-term	2,592,345	841,192	-	385	3,433,922	3,428,689
Long-term investments	452,150	102,811	-	-	554,961	614,802
Total noncurrent assets	3,044,495	944,003	-	385	3,988,883	4,043,491
Total assets	4,060,212	1,261,317	65,573	54,457	5,441,559	5,427,050
Deferred outflows of resources	46,787	14,096	-	-	60,883	68,556
Total assets and deferred outflows of resources	4,106,999	1,275,413	65,573	54,457	5,502,442	5,495,606
Liabilities:						
Current liabilities:						
Accrued expenses and interest payable	36,353	13,696	-	83	50,132	53,549
Unearned revenue	24,413	11,550	-	-	35,963	25,982
Loan commitments and project funds payable	30,163	5,756	1,925	-	37,844	26,739
Long-term debt	168,051	64,344	-	-	232,395	230,280
Total current liabilities	258,980	95,346	1,925	83	356,334	336,550
Noncurrent liabilities:						
Liability for derivative instruments	2,335	1,181	-	-	3,516	1,841
Long-term debt, net	1,835,597	694,200	-	-	2,529,797	2,702,398
Total noncurrent liabilities	1,837,932	695,381	-	-	2,533,313	2,704,239
Total liabilities	2,096,912	790,727	1,925	83	2,889,647	3,040,789
Deferred inflows of resources	-	-	34,499	-	34,499	8,679
Total liabilities and deferred inflows of resources	2,096,912	790,727	36,424	83	2,924,146	3,049,468
Net position:						
Restricted for program purposes	1,566,149	474,178	-	-	2,040,327	1,964,713
Unrestricted	443,938	10,508	29,149	54,374	537,969	481,425
Commitments	-	-	-	-	-	-
Total net position	2,010,087	484,686	29,149	54,374	2,578,296	2,446,138

See Independent Auditors' Report

Massachusetts Clean Water Trust
Combining Schedule of Revenues, Expenses and Changes in Net Position
June 30, 2019 (With Comparative Amounts as of June 30, 2018)
(in thousands)

	Federally Capitalized State Revolving Fund Loan Program	Federally Capitalized Safe Drinking Water Revolving Fund Loan Program	Commonwealth of Massachusetts Capitalized State Revolving Fund Loan Program	Program for General Operations	Combined Totals 6/30/2019	Combined Totals 6/30/2018
OPERATING REVENUES:						
Loan servicing fees	\$ -	\$ -	\$ -	\$ 5,479	\$ 5,479	\$ 5,615
Loan origination fees	-	-	-	1,542	1,542	-
Interest income	91,954	25,130	1,235	1,235	119,554	114,850
Unrealized gain (loss) of investments	12,739	2,255	-	-	14,994	(6,822)
Contract assistance from Commonwealth of Massachusetts	20,749	3,652	-	-	24,401	26,003
Total operating revenues	125,442	31,037	1,235	8,256	165,970	139,646
OPERATING EXPENSES:						
Commonwealth of Massachusetts:						
Department of Environmental Protection -						
programmatic support costs	2,739	3,997	-	1,995	8,731	7,583
Principal forgiveness	4,634	3,064	-	-	7,698	7,372
General and administrative	-	-	-	2,693	2,693	2,331
InterFund transfers	(3,548)	3,911	(344)	(19)	-	-
Arbitrage rebate payments	1,468	-	-	-	1,468	-
Interest expense	78,133	26,428	-	-	104,561	125,293
Total operating expenses	83,426	37,400	(344)	4,669	125,151	142,579
OPERATING (LOSS) INCOME	42,016	(6,363)	1,579	3,587	40,819	(2,933)
NONOPERATING REVENUE:						
Capitalization Grant Revenue:						
U.S. Environmental Protection Agency	52,125	23,160	-	-	75,285	60,453
capitalization grants	10,899	5,155	-	-	16,054	12,067
Commonwealth of Massachusetts matching grants	63,024	28,315	-	-	91,339	72,520
Total nonoperating revenues						
INCREASE IN NET POSITION	105,040	21,952	1,579	3,587	132,158	69,587
NET POSITION - BEGINNING OF YEAR	1,905,047	462,734	27,570	50,787	2,446,138	2,376,551
NET POSITION - END OF YEAR	\$ 2,010,087	\$ 484,686	\$ 29,149	\$ 54,374	\$ 2,578,296	\$ 2,446,138

See Independent Auditors' Report

MASSACHUSETTS CLEAN WATER TRUST

Five Year Schedule of Fifteen Largest Borrowers

For fiscal years ending June 30, 2015 through June 30, 2019
(in thousands)

BORROWER NAME	June 30, 2019		June 30, 2018		June 30, 2017		June 30, 2016		June 30, 2015	
	Outstanding Loan Amount	% of Loans	Outstanding Loan Amount	% of Loans	Outstanding Loan Amount	% of Loans	Outstanding Loan Amount	% of Loans	Outstanding Loan Amount	% of Loans
Massachusetts Water Resources Authority	\$ 927,393	24.94%	\$ 942,880	25.42%	\$ 1,007,016	25.24%	\$ 1,035,797	26.34%	\$ 1,042,931	27.16%
City of Fall River	141,271	3.80%	140,057	3.78%	147,324	3.69%	148,002	3.76%	147,160	3.83%
City of Chicopee	126,481	3.40%	108,302	2.92%	113,126	2.84%	90,196	2.29%	94,011	2.45%
Upper Blackstone Water Pollution Abatement District	125,066	3.36%	121,769	3.28%	126,813	3.18%	132,646	3.37%	138,321	3.60%
City of New Bedford	102,875	2.77%	111,075	3.00%	119,934	3.01%	114,701	2.92%	114,390	2.98%
Springfield Water & Sewer Commission	96,673	2.60%	102,307	2.76%	107,523	2.70%	88,758	2.26%	70,346	1.83%
City of Taunton	85,034	2.29%	86,743	2.34%	93,237	2.34%	94,776	2.41%	79,998	2.08%
Town of Falmouth	73,458	1.98%	75,128	2.03%	78,844	1.98%	45,024	1.15%	14,657	0.38%
City of Lowell	70,253	1.89%	77,707	2.10%	83,396	2.09%	74,632	1.90%	73,851	1.92%
City of Marlborough	69,636	1.87%	72,212	1.95%	75,097	1.88%	77,608	1.97%	59,638	1.55%
City of Brockton	68,776	1.85%	73,527	1.98%	80,255	2.01%	81,643	2.08%	86,108	2.24%
Town of Nantucket	67,420	1.81%	47,680	1.29%	50,454	1.26%	52,883	1.35%	55,511	1.45%
City of Revere	62,806	1.69%	61,335	1.65%	63,419	1.59%	28,667	0.73%	19,845	0.52%
City of Gloucester	52,459	1.41%	56,121	1.51%	60,689	1.52%	65,607	1.67%	69,931	1.82%
City of Fitchburg	51,205	1.38%	44,299	1.19%	48,363	1.21%	51,045	1.30%	40,366	1.05%
Total all others	1,598,149	42.96%	1,587,410	42.80%	1,733,962	43.46%	1,749,774	44.50%	1,732,761	45.14%
TOTALS AS OF FISCAL YEAR END	\$ 3,718,955	100%	\$ 3,708,552	100%	\$ 3,989,452	100%	\$ 3,931,759	100%	\$ 3,839,825	100%

See Independent Auditors' Report

MASSACHUSETTS CLEAN WATER TRUST

Schedule of Loans Outstanding by Borrower

June 30, 2019

Borrower Name	Loans Securing		Loans Outstanding	
	Prior Bonds	MTA Bonds	as of June 30, 2019	% of Total Loans Outstanding
Abington	\$ 2,924,226	\$ -	\$ 2,924,226	0.08%
Acton	12,493,957	-	12,493,957	0.34
Acushnet	1,878,276	343,073	2,221,349	0.06
Adams	1,112,032	-	1,112,032	0.03
Adams Fire District	1,283,510	538,518	1,822,028	0.05
Agawam	612,771	-	612,771	0.02
Amesbury	12,841,192	-	12,841,192	0.35
Amherst	5,210	-	5,210	0.00
Andover	2,444,268	591,294	3,035,562	0.08
Aquarion Water Company of Massachusetts	1,040,000	-	1,040,000	0.03
Ashburnham	304,587	-	304,587	0.01
Ashfield Water District	45,000	-	45,000	0.00
Ashland	1,283,376	-	1,283,376	0.03
Athol	3,711,049	-	3,711,049	0.10
Attleboro	14,373,353	-	14,373,353	0.39
Auburn	189,702	-	189,702	0.01
Auburn Water District	1,101,572	2,355,496	3,457,068	0.09
Avon	368,949	-	368,949	0.01
Ayer	22,429	-	22,429	0.00
Barnstable	15,929,662	4,763,677	20,693,339	0.56
Barnstable County	11,550,000	7,636,312	19,186,312	0.52
Barre	15,965	53,135	69,100	0.00
Belchertown	3,110,314	-	3,110,314	0.08
Bellingham	506,401	12,221,078	12,727,479	0.34
Belmont	5,855,094	1,915,543	7,770,637	0.21
Berlin	15,936	-	15,936	0.00
Bernardston	9,936	-	9,936	0.00
Beverly	225,396	-	225,396	0.01
Billerica	15,459,080	30,588,715	46,047,795	1.24
Blackstone	4,147	-	4,147	0.00
Boston	855,000	13,093,310	13,948,310	0.38
Bourne	137,685	-	137,685	0.00
Boxford	5,442	-	5,442	0.00
Boylston	8,623	-	8,623	0.00
Brewster	70,600	-	70,600	0.00
Bridgewater	1,377,328	2,805,483	4,182,811	0.11
Bristol County	813,727	-	813,727	0.02
Brockton	58,967,582	9,808,621	68,776,203	1.85
Brockton Sewer Enterprise System	60,458	-	60,458	0.00
Brookfield	15,611	-	15,611	0.00
Burlington	3,653,145	-	3,653,145	0.10
Cambridge	4,051,588	18,326,181	22,377,769	0.60
Canton	2,424,255	-	2,424,255	0.07
Centerville-Osterville-Marstons Mills	1,542,531	-	1,542,531	0.04
Charles River Pollution Control District	3,104,722	19,977,979	23,082,701	0.62
Charlton	3,596,551	-	3,596,551	0.10
Chatham	9,293,490	14,749,313	24,042,803	0.65
Chelmsford	20,857,515	-	20,857,515	0.56
Chelmsford Water District	1,725,084	-	1,725,084	0.05
Chelsea	158,566	-	158,566	0.00
Cherry Valley & Rochdale Water District	314,217	462,702	776,919	0.02

(Continued)

Borrower Name	Loans Securing Prior Bonds	Loans Securing MTA Bonds	Loans Outstanding as of June 30, 2019	% of Total Loans Outstanding
Chesterfield	\$ 71,878	\$ -	\$ 71,878	0.00%
Chicopee	63,336,886	63,144,018	126,480,904	3.40
Clinton	2,444,095	75,071	2,519,166	0.07
Cohasset	16,827,051	-	16,827,051	0.45
Concord	6,813,166	118,474	6,931,640	0.19
Conway	3,997	-	3,997	0.00
Danvers	15,145,398	-	15,145,398	0.41
Dartmouth	11,259,214	8,693,324	19,952,538	0.54
Dedham	50,000	-	50,000	0.00
Deerfield Fire District	387,241	-	387,241	0.01
Dennis	120,000	-	120,000	0.00
Dennis Water District	3,908,661	-	3,908,661	0.11
Dighton	53,624	-	53,624	0.00
Dighton Rehoboth Regional School District	371,380	-	371,380	0.01
Dighton Water District	3,049,011	-	3,049,011	0.08
Douglas	2,429,534	-	2,429,534	0.07
Dover	20,600	-	20,600	0.00
Dracut	18,190,562	11,960,927	30,151,489	0.81
Dracut Water Supply District	124,239	-	124,239	0.00
Dudley	45,000	-	45,000	0.00
Duxbury	1,747,577	-	1,747,577	0.05
East Bridgewater	9,548,737	-	9,548,737	0.26
East Longmeadow	252,783	-	252,783	0.01
Eastham	90,600	39,385,246	39,475,846	1.06
Easthampton	2,667,848	1,010,042	3,677,890	0.10
Easton	4,048,433	1,759,110	5,807,543	0.16
Erving	2,471,944	-	2,471,944	0.07
Essex	8,203,040	-	8,203,040	0.22
Everett	2,366,084	1,063,181	3,429,265	0.09
Fairhaven	546,061	615,524	1,161,585	0.03
Fall River	108,072,742	33,198,566	141,271,308	3.80
Falmouth	9,737,301	63,720,982	73,458,283	1.98
Fitchburg	16,191,831	35,012,897	51,204,728	1.38
Foxborough	3,009,910	-	3,009,910	0.08
Framingham	36,988,066	6,937,909	43,925,975	1.18
Franklin	2,119,035	-	2,119,035	0.06
Gardner	2,104,145	4,070,687	6,174,832	0.17
Georgetown	337,139	-	337,139	0.01
Gill	2,266	-	2,266	0.00
Gloucester	35,772,440	16,686,337	52,458,777	1.41
Grafton	4,165	36,503,655	36,507,820	0.98
Great Barrington	20,000	7,876,082	7,896,082	0.21
Greater Lawrence Sanitary District	15,528,408	2,089,646	17,618,054	0.47
Greenfield	22,023	-	22,023	0.00
Greens Condominium Trust	-	83,575	83,575	0.00
Groton	2,350,171	-	2,350,171	0.06
Hadley	2,424,812	172,998	2,597,810	0.07
Halifax	90,600	-	90,600	0.00
Hanover	45,000	235,200	280,200	0.01
Hanson	745,000	600,000	1,345,000	0.04
Harvard	1,888,023	184,456	2,072,479	0.06
Harwich	52,483	1,642,746	1,695,229	0.05
Hatfield	2,557	-	2,557	0.00
Haverhill	18,915,188	25,052,906	43,968,094	1.18
Hillcrest Sewer District	1,051,154	-	1,051,154	0.03
Hingham	179,700	-	179,700	0.00
Hinsdale	1,380,000	-	1,380,000	0.04
Holbrook	6,703,326	-	6,703,326	0.18

(Continued)

Borrower Name	Loans Securing Prior Bonds	Loans Securing MTA Bonds	Loans Outstanding as of June 30, 2019	% of Total Loans Outstanding
Holden	\$ 4,681,558.00	\$ 459,895.00	\$ 5,141,453.00	0.14%
Holland	10,000	-	10,000	0.00
Holliston	15,000	2,082,111	2,097,111	0.06
Holyoke	12,888,684	-	12,888,684	0.35
Hoosac Water Quality District	2,936,477	-	2,936,477	0.08
Hopedale	416,280	-	416,280	0.01
Hopkinton	7,267,660	120,000	7,387,660	0.20
Hudson	12,147,742	-	12,147,742	0.33
Hull	989,182	-	989,182	0.03
Ipswich	2,303,960	3,466,712	5,770,672	0.16
Kingston	20,873,494	3,832,206	24,705,700	0.66
Lakeville	69,033	-	69,033	0.00
Lancaster	32,398	-	32,398	0.00
Lanesborough Village Fire & Water District	490,000	-	490,000	0.01
Lawrence	15,800,329	28,256,026	44,056,355	1.18
Lee	9,395,006	-	9,395,006	0.25
Leicester	76,516	-	76,516	0.00
Leicester Water Supply District	156,378	-	156,378	0.00
Leominster	22,709,704	10,567,290	33,276,994	0.89
Lexington	4,986	-	4,986	0.00
Lincoln	1,015,000	-	1,015,000	0.03
Littleton	22,776	259,557	282,333	0.01
Longmeadow	1,761,929	-	1,761,929	0.05
Lowell	56,383,672	13,869,038	70,252,710	1.89
Lowell Regional Wastewater Utility	16,777,711	-	16,777,711	0.45
Ludlow	2,937,725	441,216	3,378,941	0.09
Lunenburg	2,746,881	1,041,668	3,788,549	0.10
Lunenburg Water District	2,433,370	-	2,433,370	0.07
Lynn Water and Sewer Commission	34,597,161	6,208,986	40,806,147	1.10
Lynnfield	317,616	-	317,616	0.01
Malden	7,312,144	10,056,227	17,368,371	0.47
Manchester by the Sea	65,000	1,465,920	1,530,920	0.04
Mansfield	10,879,407	-	10,879,407	0.29
Mansfield Foxborough Norton Regional	7,123,251	27,957,724	35,080,975	0.94
Marion	13,367,054	2,168,384	15,535,438	0.42
Marlborough	34,866,065	34,770,290	69,636,355	1.87
Marshfield	6,969,663	160,000	7,129,663	0.19
Mashpee	189,173	24,765	213,938	0.01
Massachusetts Development Finance Agency	7,975,177	-	7,975,177	0.21
Massachusetts Water Resources Authority	743,877,267	183,516,115	927,393,382	24.94
Mattapoisett	7,024,489	-	7,024,489	0.19
Mattapoisett River Valley Water District	6,941,724	-	6,941,724	0.19
Maynard	7,767,340	-	7,767,340	0.21
Medfield	854,465	-	854,465	0.02
Medway	17,995	2,983,266	3,001,261	0.08
Melrose	1,642,278	-	1,642,278	0.04
Merrimac	10,000	2,353,352	2,363,352	0.06
Methuen	13,381,744	-	13,381,744	0.36
Middleborough	878,173	22,827,733	23,705,906	0.64
Middleton	30,298	-	30,298	0.00
Millbury	15,382,188	-	15,382,188	0.41
Millville	212,396	208,472	420,868	0.01
Milton	63,444	-	63,444	0.00
Monroe	-	131,385	131,385	0.00
Monson	965,379	-	965,379	0.03
Montague	1,796,904	1,583,047	3,379,951	0.09
Monterey	4,898	-	4,898	0.00
Nantucket	40,237,511	27,182,448	67,419,959	1.81

(Continued)

Borrower Name	Loans Securing Prior Bonds	Loans Securing MTA Bonds	Loans Outstanding as of June 30, 2019	% of Total Loans Outstanding
Natick	\$ 2,086,743	\$ -	\$ 2,086,743	0.06%
Needham	5,036,731	-	5,036,731	0.14
New Bedford	82,078,631	20,796,416	102,875,047	2.77
Newbury	5,838,131	-	5,838,131	0.16
Newburyport	34,878,325	246,838	35,125,163	0.94
Newton	1,442,000	-	1,442,000	0.04
Norfolk	233,807	-	233,807	0.01
North Adams	127,623	-	127,623	0.00
North Andover	3,323,410	-	3,323,410	0.09
North Attleboro	16,599,825	9,461,038	26,060,863	0.70
North Brookfield	365,000	-	365,000	0.01
North Raynham Water District	2,342,303	-	2,342,303	0.06
North Reading	140,000	-	140,000	0.00
North Sagamore Water District	719,930	-	719,930	0.02
Northampton	12,957,198	86,222	13,043,420	0.35
Northborough	63,703	-	63,703	0.00
Northbridge	1,129,387	-	1,129,387	0.03
Norton	981,570	3,029,793	4,011,363	0.11
Norwell	56,189	-	56,189	0.00
Norwood	2,877,538	4,853,869	7,731,407	0.21
Oak Bluffs	3,254,662	-	3,254,662	0.09
Orange	260,231	-	260,231	0.01
Orleans	35,000	-	35,000	0.00
Palmer	4,801,299	5,075,919	9,877,218	0.27
Paxton	15,247	1,200,107	1,215,354	0.03
Pembroke	2,532,369	669,934	3,202,303	0.09
Pepperell	1,785,000	-	1,785,000	0.05
Phillipston	15,244	-	15,244	0.00
Pittsfield	4,001,710	3,414,662	7,416,372	0.20
Plainville	2,315,164	513,878	2,829,042	0.08
Plymouth	7,371,505	12,021,310	19,392,815	0.52
Plympton	6,400	-	6,400	0.00
Provincetown	8,169,983	-	8,169,983	0.22
Quincy	6,923,621	6,279,762	13,203,383	0.36
Randolph	9,127,482	1,599,597	10,727,079	0.29
Raynham	2,074,123	-	2,074,123	0.06
Reading	2,308	-	2,308	0.00
Revere	9,064,546	53,741,622	62,806,168	1.69
Richmond	1,875,661	-	1,875,661	0.05
Rockland	2,419,171	-	2,419,171	0.07
Rowley	8,620,777	333,688	8,954,465	0.24
Royalston	3,432	-	3,432	0.00
Russell	160,000	-	160,000	0.00
Rutland	15,418	-	15,418	0.00
Salem	1,047,049	-	1,047,049	0.03
Salisbury	1,630,412	-	1,630,412	0.04
Sandwich	71,878	-	71,878	0.00
Saugus	7,532,474	7,597,237	15,129,711	0.41
Scituate	8,604,927	-	8,604,927	0.23
Seekonk	896,323	-	896,323	0.02
Seekonk Water District	1,062,084	-	1,062,084	0.03
Sharon	21,878	-	21,878	0.00
Shirley	2,049,856	-	2,049,856	0.06
Shrewsbury	788,314	15,245,638	16,033,952	0.43
Shutesbury	105,149	-	105,149	0.00
Somerset	3,672,899	-	3,672,899	0.10
South Deerfield Water Supply District	280,000	-	280,000	0.01

(Continued)

Borrower Name	Loans Securing Prior Bonds	Loans Securing MTA Bonds	Loans Outstanding as of June 30, 2019	% of Total Loans Outstanding
South Essex Sewerage District	\$ 3,229,761	\$ 6,680,669	\$ 9,910,430	0.27%
South Grafton Water District	1,147,299	-	1,147,299	0.03
South Hadley	2,668,668	-	2,668,668	0.07
South Hadley Fire District #1	424,488	-	424,488	0.01
Southampton	470,600	-	470,600	0.01
Southborough	372,282	-	372,282	0.01
Southbridge	8,142,571	-	8,142,571	0.22
Southwick	6,325	-	6,325	0.00
Spencer	4,383,338	-	4,383,338	0.12
Springfield Water & Sewer Commission	40,557,867	56,114,776	96,672,643	2.60
Sterling	473,701	-	473,701	0.01
Stockbridge	3,543,266	1,652,795	5,196,061	0.14
Stoughton	1,140,421	327,500	1,467,921	0.04
Stow	280,633	-	280,633	0.01
Sturbridge	10,742,984	-	10,742,984	0.29
Sunderland	5,063	-	5,063	0.00
Sutton	3,025,511	-	3,025,511	0.08
Swampscott	187,562	-	187,562	0.00
Swansea	131,278	-	131,278	0.00
Swansea Water District	11,051,795	-	11,051,795	0.30
Taunton	55,554,273	29,480,154	85,034,427	2.29
Templeton	2,647,546	-	2,647,546	0.07
Tewksbury	3,230,386	-	3,230,386	0.09
Tisbury	2,204,517	75,823	2,280,340	0.06
Townsend	857,850	-	857,850	0.02
Truro	20,600	-	20,600	0.00
Turners Falls Fire District	-	682,819	682,819	0.02
Tyngsborough	402,205	-	402,205	0.00
Upper Blackstone Water Pollution Abatement District	116,581,820	8,484,408	125,066,228	3.36
Uxbridge	-	45,725,446	45,725,446	1.23
Wakefield	703,290	-	703,290	0.02
Walpole	2,550,038	-	2,550,038	0.07
Waltham	1,457,524	-	1,457,524	0.04
Wareham	16,662,748	275,792	16,938,540	0.46
Warren Water District	80,000	-	80,000	0.00
Water Supply District of Acton	-	11,219,051	11,219,051	0.30
Wayland	120,539	-	120,539	0.00
Webster	6,730,709	3,939,713	10,670,422	0.29
Wellfleet	345,000	166,569	511,569	0.00
West Boylston	5,028,164	-	5,028,164	0.14
West Boylston Water District	577,273	-	577,273	0.02
West Bridgewater	376,174	113,711	489,885	0.00
West Groton Water Supply District	665,766	-	665,766	0.02
West Newbury	84,059	-	84,059	0.00
West Springfield	6,375,440	471,709	6,847,149	0.18
West Stockbridge	60,000	-	60,000	0.00
Westborough	33,600,380	337,137	33,937,517	0.91
Westfield	6,191,177	1,957,927	8,149,104	0.22
Westford	4,612,176	-	4,612,176	0.12
Westminster	-	300,000	300,000	0.00
Westport	-	450,000	450,000	0.00
Weymouth	23,820,862	-	23,820,862	0.64
Whitman	1,984,723	-	1,984,723	0.05
Wilbraham	2,456,688	-	2,456,688	0.07
Wilmington	125,765	-	125,765	0.00
Winchendon	3,799,110	-	3,799,110	0.10
Windbrook Acres	60,000	-	60,000	0.00
Woburn	8,812,936	-	8,812,936	0.24

(Continued)

Borrower Name	Loans Securing Prior Bonds	Loans Securing MTA Bonds	Loans Outstanding as of June 30, 2019	% of Total Loans Outstanding
Woodvale Condominium Trust	\$ -	\$ 107,528	\$ 107,528	0.00%
Worcester	4,300,314	3,759,519	8,059,833	0.22
Wrentham	1,213,399	-	1,213,399	0.03
Total	<u>\$ 2,510,347,398</u>	<u>\$ 1,208,608,398</u>	<u>\$ 3,718,955,796</u>	100%
Clean Water Program			\$ 2,795,324,977	
Drinking Water Program			\$ 923,630,819	

See Independent Auditors' Report

III. STATISTICAL SECTION

Comprehensive Annual Financial Report as of and for the Years Ended
June 30, 2019 and June 30, 2018 and Independent Auditors' Report

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MASSACHUSETTS CLEAN WATER TRUST
*Comprehensive Annual Financial Report as of and for the Years Ended
June 30, 2019 and June 30, 2018 and Independent Auditors' Report*

Statistical Section - Table of Contents *(Unaudited)*

Financial Trends

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

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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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Demographic Information

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

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Ten Year Schedule of Changes in Net Position
For fiscal years ending June 30, 2010 through June 30, 2019
(in thousands)

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)	Nonoperating Revenue	Changes in Net Position
2019	\$ 165,970 ⁽¹⁾	\$ 125,151 ⁽²⁾	\$ 40,819	\$ 91,339 ⁽³⁾	\$ 132,158
2018	139,646	142,579	(2,933)	72,520	69,587
2017	124,574 ⁽⁴⁾	158,306	(33,732)	73,697	39,965
2016	170,273	149,662	20,611	76,519	97,130
2015	184,909	148,939	35,970	76,099	112,069
2014	164,121	181,782 ⁽⁵⁾	(17,661)	74,155	56,494
2013	176,399 ⁽⁶⁾	188,074 ⁽⁷⁾	(11,675)	78,670	66,995
2012	260,252 ⁽⁶⁾	237,858 ⁽⁷⁾	22,394	83,077	105,471
2011	201,146 ⁽⁶⁾	273,500 ⁽⁷⁾	(72,354)	88,050	15,696
2010	175,720	278,199 ⁽⁷⁾	(102,479)	178,096	75,617

(1) Includes \$21.8 million unrealized gain on investments year over year, as a result of the treatment of GASB 72, Fair Value Measurement and Application.

(2) Includes \$20.7 million decrease in interest expense as a result from the steady decrease in outstanding debt driven by cash defeasances, and consistent reduction of new debt issuances as a consequence of using program funds to finance pledged loans.

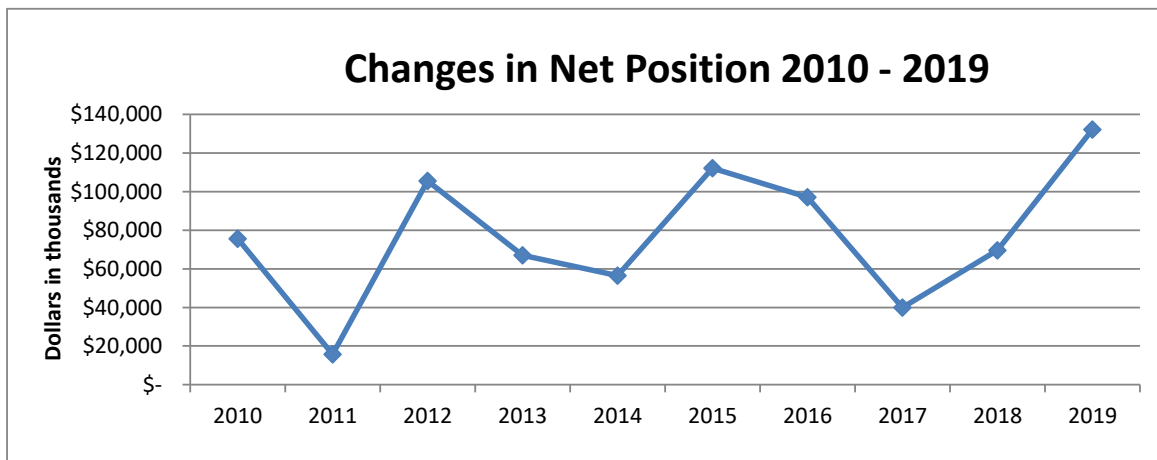
(3) Includes \$18.8 million increase in federal grants and state matching grants as a result of the increase in the federal appropriation levels for both the Clean Water and Drinking Water SRF Grants.

(4) Includes \$32.2 million unrealized loss on investments year over year, a \$10.0 million payment of refunding savings to the Commonwealth and \$12.3 million in arbitrage rebate payments to the United States Treasury.

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

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

(7) 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.

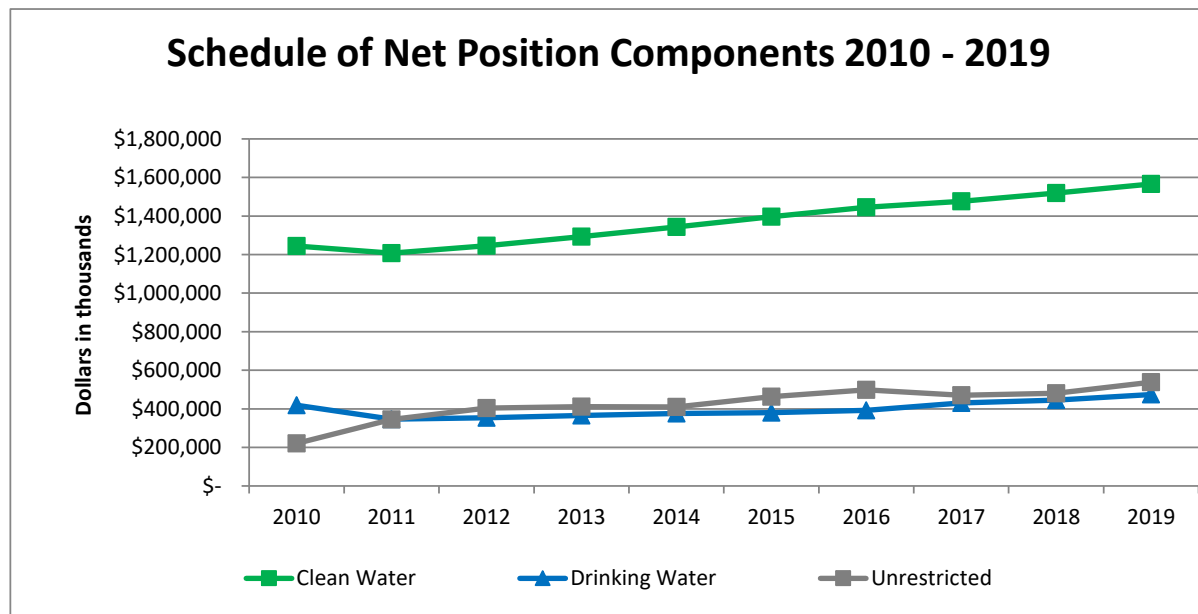


MASSACHUSETTS CLEAN WATER TRUST

Ten Year Schedule of Net Position Components
For fiscal years ending June 30, 2010 through June 30, 2019
(in thousands)

Year	Restricted Clean Water	Restricted Drinking Water	Total Restricted	Unrestricted	Total
2019	\$ 1,566,149	\$ 474,178	\$ 2,040,327	\$ 537,969	\$ 2,578,296
2018	1,518,880	445,833	1,964,713	481,425	2,446,138
2017	1,476,274	430,201	1,906,475	470,076	2,376,551
2016	1,445,703	392,748	1,838,451	498,135	2,336,586
2015	1,396,156	380,671	1,776,826	462,629	2,239,456
2014	1,342,846	375,206	1,718,052	409,335	2,127,387
2013	1,293,838	365,050	1,658,888	412,005	2,070,893
2012 ⁽¹⁾	1,245,659	354,383	1,600,042	403,856	2,003,898
2011 ⁽¹⁾	1,207,423	346,412	1,553,835	344,592	1,898,427
2010	1,243,728	418,378	1,662,106	220,624	1,882,730

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



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Ten Year Combined Schedule of Operating Revenues by Source
For fiscal years ending June 30, 2010 through June 30, 2019
(in thousands)

OPERATING REVENUES

Fiscal Year	Loan Servicing Fees	Loan Origination Fees	Interest Income ⁽¹⁾	Unrealized Gain (Loss) on Investments ⁽²⁾	Total Operating Revenues
2019	\$ 5,479	\$ 1,542	\$ 143,955	\$ 14,994	\$ 165,970
2018	5,615	-	140,853	(6,822)	139,646
2017	5,608	1,821	129,082 ⁽³⁾	(11,937)	124,574
2016	5,515	1,926	142,529	20,303	170,273
2015	5,315	2,150	143,295 ⁽⁴⁾	34,149	184,909
2014	5,137	19	158,965	-	164,121
2013	5,288	1,698	169,413	-	176,399
2012	5,270	2,243	252,739 ⁽⁵⁾	-	260,252
2011	5,209	129	195,808	-	201,146
2010	5,092	89	170,539	-	175,720

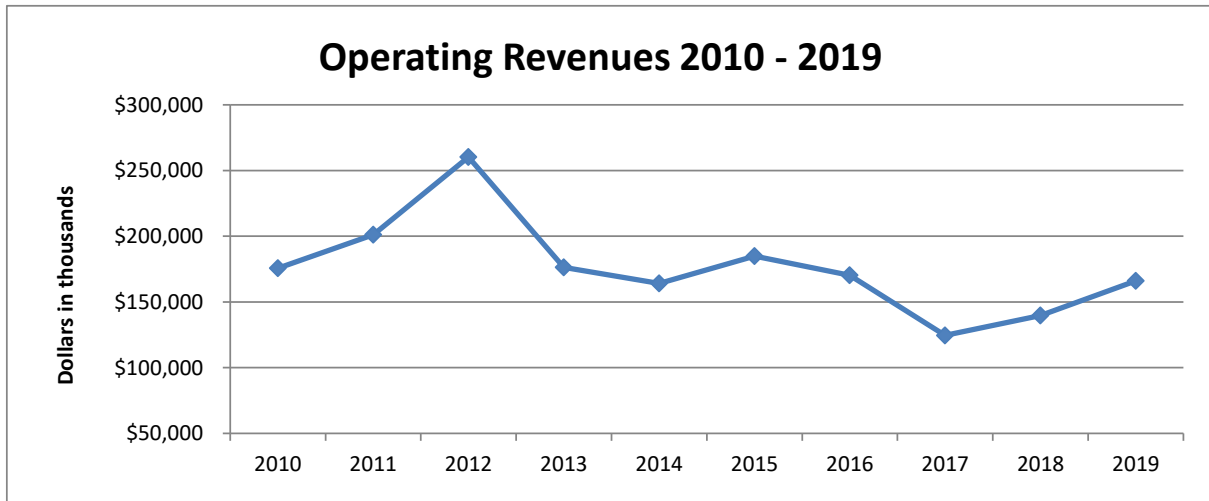
⁽¹⁾ Includes contract assistance received from the Commonwealth of Massachusetts.

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

⁽³⁾ Includes a \$10.0 million payment of refunding savings to the Commonwealth and \$12.3 million in arbitrage rebate payments to the U.S. Treasury.

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

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



MASSACHUSETTS CLEAN WATER TRUST

Ten Year Debt Schedule
For fiscal years ending June 30, 2010 through June 30, 2019
(in thousands)

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010
Water Pollution Abatement Revenue Bonds:										
Massachusetts Water Resources Authority Loan Program	\$ 6,430	\$ 7,280	\$ 8,170	\$ 9,100	\$ 10,060	\$ 11,365	\$ 16,410	\$ 22,370	\$ 48,200	\$ 54,545
South Essex Sewerage District Loan Program	-	-	-	285	890	1,855	2,765	3,780	5,015	6,440
New Bedford Loan Program	-	-	-	-	270	785	1,515	2,405	3,440	4,605
Pool Loan Program	668,690	836,630	892,585	1,037,980	1,134,240	1,328,845	2,078,738	1,989,878	2,125,200	1,812,331
Master Trust Agreement	737,635	597,670	620,750	428,720	228,155	-	-	-	-	-
Subtotal Revenue Bonds	1,412,755	1,441,580	1,521,505	1,476,085	1,373,615	1,342,850	2,099,428	2,018,433	2,181,855	1,877,921
Subordinated Revenue Refunding Bonds:										
Massachusetts Water Resources Authority Loan Program	19,845	36,595	54,040	54,040	54,040	63,620	63,775	63,775	63,775	63,775
New Bedford Loan Program	-	-	-	-	-	-	36,460	40,850	44,935	94,935
Pool Loan Program	927,760	1,044,890	1,296,575	1,462,805	1,583,935	1,678,245	1,311,580	1,358,240	1,264,190	1,246,130
Master Trust Agreement	96,280	96,280	96,280	-	-	-	-	-	-	-
Subtotal Revenue Refunding Bonds	1,043,885	1,177,765	1,446,895	1,516,845	1,637,975	1,741,865	1,411,815	1,462,865	1,372,900	1,404,840
Total Bonds Payable	2,456,640	2,619,345	2,968,400	2,992,930	3,011,590	3,084,715	3,511,243	3,481,298	3,554,755	3,282,761
Add (deduct) unamortized amounts:										
Bond premium	305,552	313,333	347,809	335,272	320,762	304,295	259,765	233,905	211,862	194,122
(1) Net unamortized excess of reacquisition price over net carrying value of defeased bonds	-	-	-	-	-	-	-	-	-	(82,837)
Total Bonds Payable, net	\$ 2,762,192	\$ 2,932,678	\$ 3,316,209	\$ 3,328,202	\$ 3,332,352	\$ 3,389,010	\$ 3,771,008	\$ 3,715,203	\$ 3,766,617	\$ 3,394,046

(1) 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.

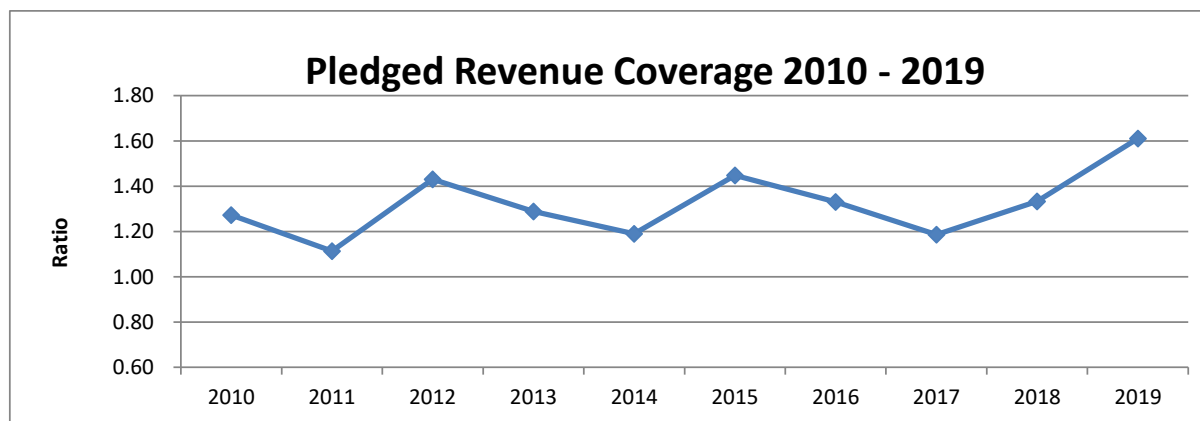
MASSACHUSETTS CLEAN WATER TRUST

Ten Year Schedule of Pledged Revenue Coverage
For fiscal years ending June 30, 2010 through June 30, 2019
(in thousands)

Fiscal Year	Changes in Net Position	Comm of MA Contract Assistance	Principal and Interest Received from Borrowers ⁽¹⁾	Total Receivable and Revenue	Debt Service Requirements			Coverage ratio
					Principal	Interest	Total Debt Service	
2019	\$ 132,158	\$ 73,383	\$ 369,159	\$ 574,700	\$ 230,280	\$ 126,609	\$ 356,889	1.61
2018	69,587	46,773	375,557	491,917	231,485	137,460	368,945	1.33
2017	39,965	51,179	343,632	434,776	225,895	140,716	366,611	1.19
2016	97,130	57,379	334,873	489,382	226,465	141,504	367,969	1.33
2015	112,069	61,802	318,080	491,951	205,540	134,400	339,940	1.45
2014	56,494	62,491	332,531	451,516	215,753	163,928	379,681	1.19
2013	66,995	62,811	305,125	434,931	172,306	165,171	337,477	1.29
2012 ⁽²⁾	105,471	64,986	338,173	508,630	183,102	172,561	355,663	1.43
2011 ⁽²⁾	15,696	66,093	296,303	378,092	168,319	171,296	339,615	1.11
2010	75,617	67,262	295,797	438,676	175,090	169,777	344,867	1.27

⁽¹⁾ Includes interest received from earnings on Debt Service Reserve Funds.

⁽²⁾ Fiscal Years 2011 and 2012 were restated to reflect the implementation of GASB 65, Items Previously Reported as Assets and Liabilities, in Fiscal Year 2013.



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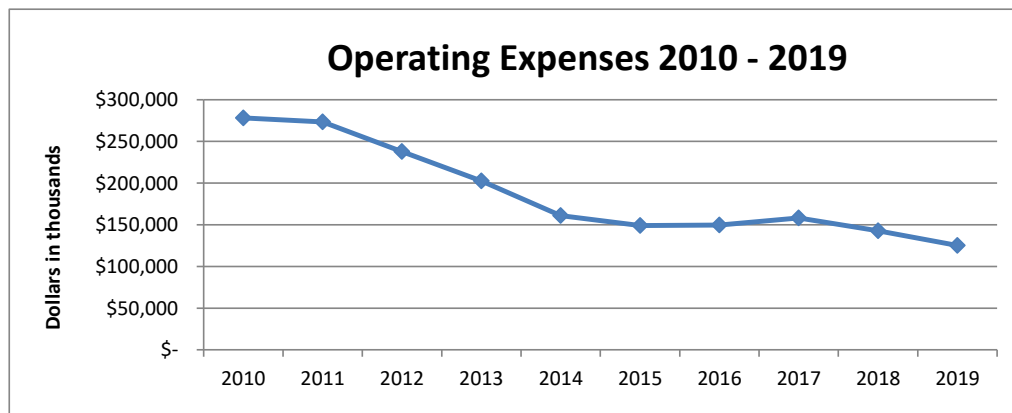
Ten Year Combined Schedule of Operating Expenses
For fiscal years ending June 30, 2010 through June 30, 2019
(in thousands)

OPERATING EXPENSES

Fiscal Year	DEP Programmatic Support Costs	General and Administrative	Arbitrage Rebate Payments	Interest Expense	Grant Disbursement ⁽¹⁾	Total Operating Expenses
2019	\$ 8,731	\$ 2,693	\$ 1,468	\$ 104,561	\$ 7,698	\$ 125,151
2018	7,583	2,331	-	125,293	7,372	142,579
2017	8,545	5,210	12,328	126,551	5,672	158,306
2016	8,421	4,092	3,785	127,247	6,117	149,662
2015	5,793	5,923	1,538	130,888	4,797	148,939
2014	7,418	7,860	166	137,959	7,567	160,970
2013	8,921	5,046 ⁽²⁾	6,725	169,595	12,335	202,622
2012	11,369	8,440 ⁽²⁾	10,487	173,869	33,693	237,858
2011	10,482	8,843 ⁽²⁾	1,122	182,035	71,018	273,500
2010	12,168	4,754	972	170,724	89,581	278,199

(1) 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.

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



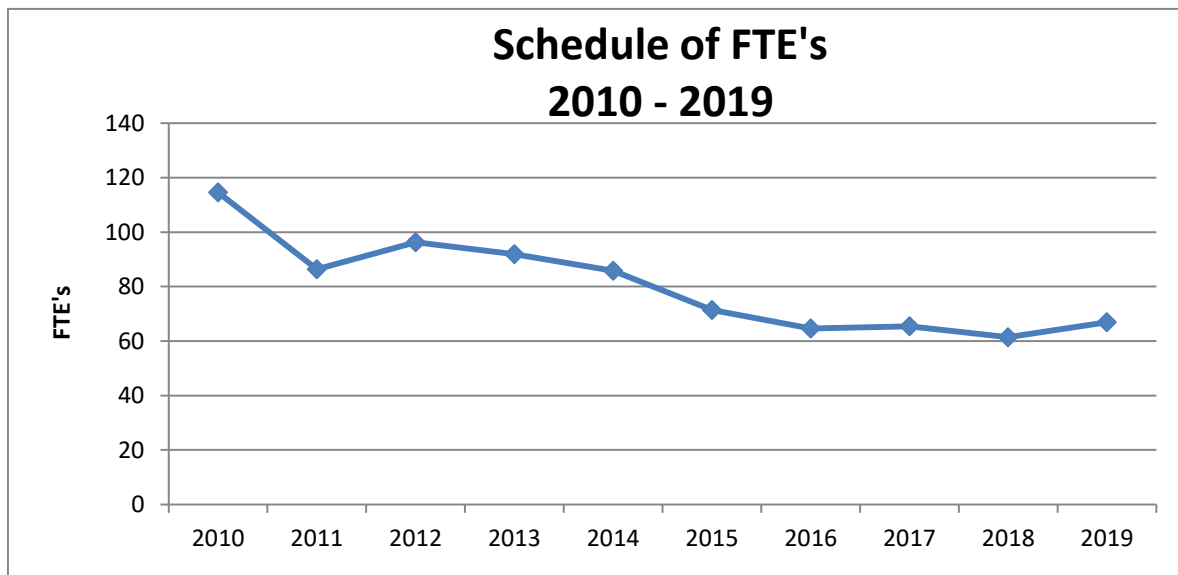
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Ten Year Schedule of Full Time Equivalent Employees by Program and Agency
For fiscal years ending June 30, 2010 through June 30, 2019

<u>Year</u>	<u>MCWT - Administrative</u>	<u>DEP - Clean Water Program</u>	<u>DEP - Drinking Water Program</u>	<u>DEP - Admin Expendable Trust</u>	<u>Total</u>
2019	11.17	13.25	35.75	6.75	66.92
2018	10.13	19.05	29.35	2.90	61.43
2017	8.76	19.15	33.30	4.20	65.41
2016	9.00	19.60	31.85	4.20	64.65
2015	8.83	17.50	32.08	12.98	71.39
2014	9.25	21.66	45.01	9.92	85.84
2013	9.75	21.49	50.17	10.50	91.91
2012	9.78	22.00	50.19	14.27	96.24
2011	9.27	21.50	51.77	3.79	86.33
2010	9.70	29.43	68.02	7.42	114.57

MCWT - Massachusetts Clean Water Trust

DEP - Department of Environmental Protection



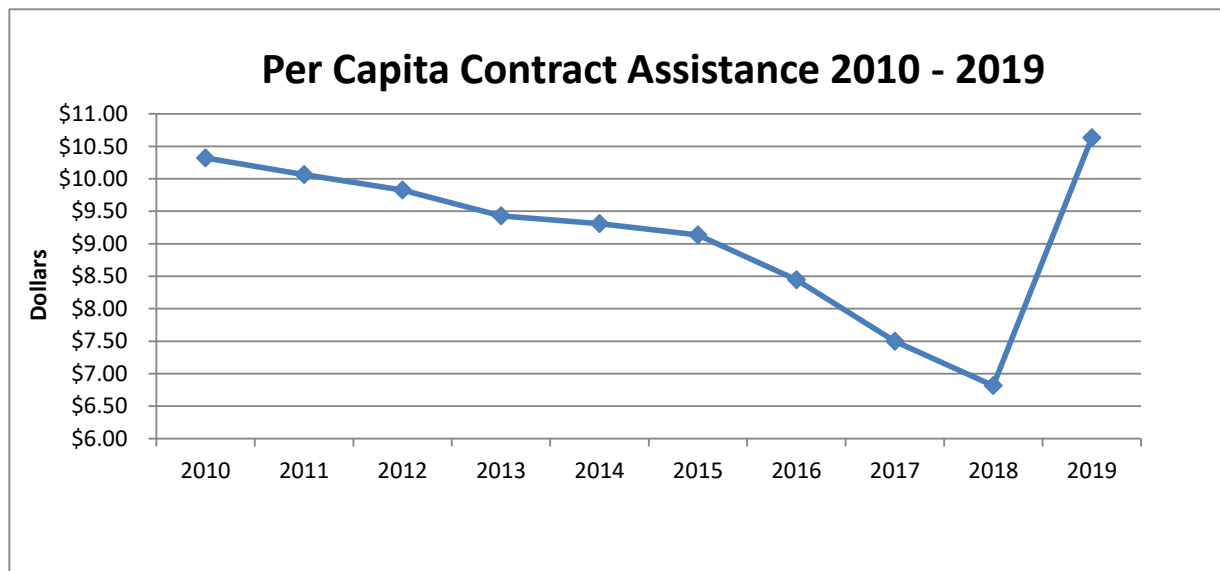
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Ten Year Schedule of Contract Assistance Provided by the Commonwealth of Massachusetts,
Massachusetts Population, and Per Capita Contract Assistance
For fiscal years ending June 30, 2010 through June 30, 2019
(in thousands)

Fiscal Year ending June 30	Contract Assistance provided	Population estimates ⁽¹⁾	Per Capita Contract Assistance
2019	\$ 73,383 ⁽²⁾	6,902	\$ 10.63
2018	46,773	6,863	6.82
2017	51,179	6,826	7.50
2016	57,379	6,796	8.44
2015	61,802	6,764	9.14
2014	62,491	6,714	9.31
2013	62,811	6,663	9.43
2012	64,986	6,613	9.83
2011	66,093	6,566	10.07
2010	67,262	6,518	10.32

(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.

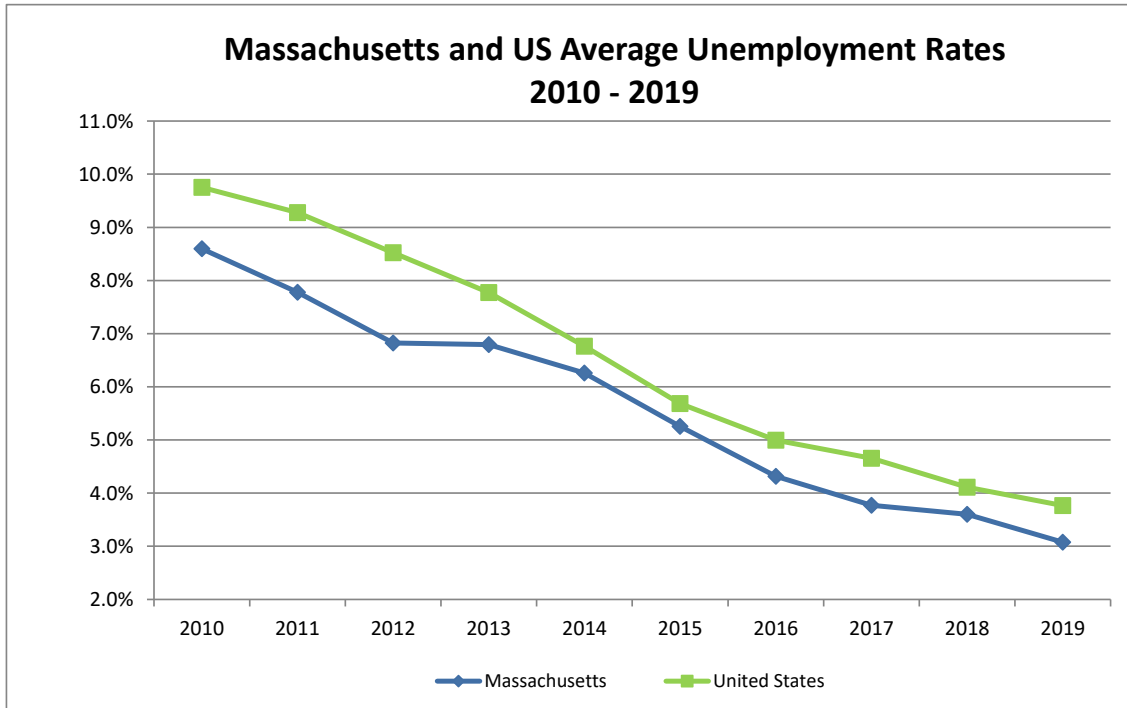
(2) Includes \$25.8 million in additional contract assistance subsidy provided to the Trust by the Commonwealth pursuant to Chapter 259 of the Acts of 2014



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

Fiscal Year	<u>Massachusetts</u>			<u>United States</u>			Massachusetts Rate as % of U.S. Rate
	Labor Force	Unemployment	Unemployment Rate %	Labor Force	Unemployment	Unemployment Rate %	
2019	3,835	118	3.1%	162,691	6,127	3.8%	81.7%
2018	3,748	135	3.6%	161,166	6,624	4.1%	87.6%
2017	3,657	138	3.8%	159,792	7,441	4.7%	81.0%
2016	3,592	155	4.3%	158,028	7,892	5.0%	86.4%
2015	3,596	189	5.3%	156,617	8,906	5.7%	92.4%
2014	3,531	221	6.3%	155,470	10,514	6.8%	92.5%
2013	3,504	238	6.8%	155,346	12,079	7.8%	87.4%
2012	3,472	237	6.8%	154,297	13,153	8.5%	80.1%
2011	3,472	270	7.8%	153,615	14,252	9.3%	83.8%
2010	3,478	299	8.6%	153,906	15,009	9.8%	88.2%

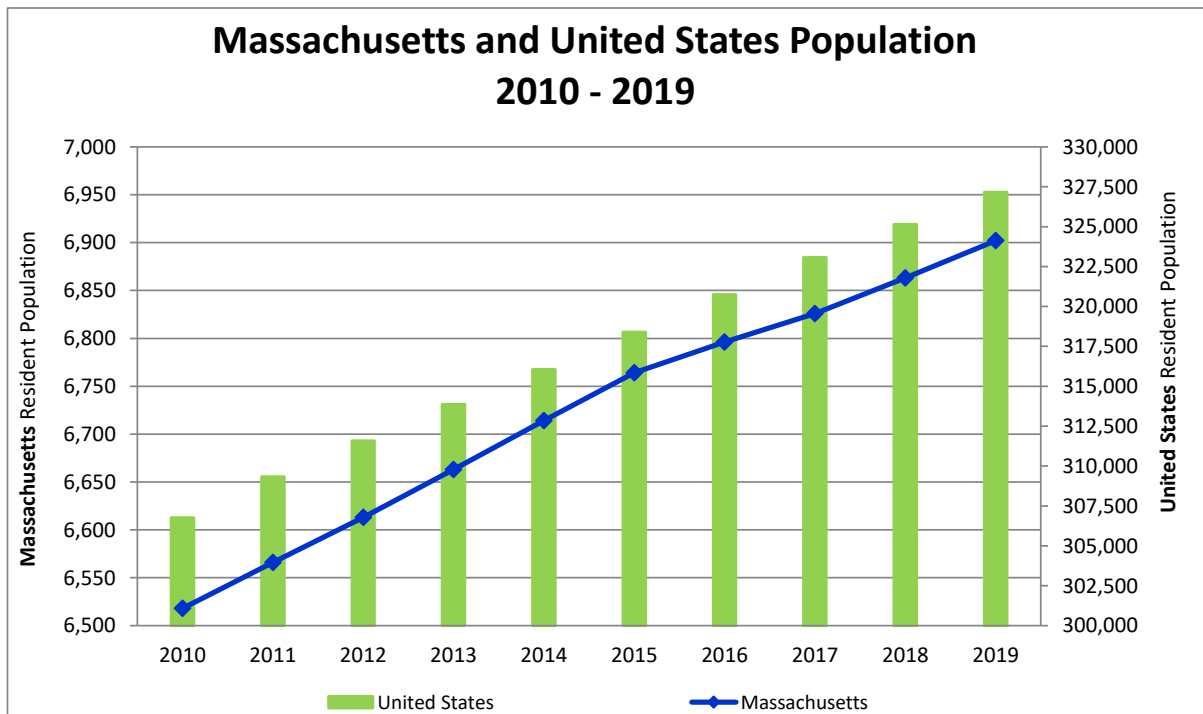
Source-Federal Bureau of Labor Statistics, August 2019. Seasonally adjusted. Previous data has been updated by the Federal Bureau of Labor Statistics.



MASSACHUSETTS CLEAN WATER TRUST
 Ten Year Schedule of Massachusetts and United States Resident Population
 (in thousands)

Beginning of Fiscal Year	Massachusetts Resident Population ⁽¹⁾	% Change	United States Resident Population ⁽¹⁾	% Change	Massachusetts as % of U.S.
2019	6,902	0.6%	327,167	0.6%	2.1%
2018	6,863	0.5%	325,147	0.6%	2.1%
2017	6,826	0.4%	323,071	0.7%	2.1%
2016	6,796	0.5%	320,743	0.7%	2.1%
2015	6,764	0.7%	318,386	0.7%	2.1%
2014	6,714	0.8%	316,058	0.7%	2.1%
2013	6,663	0.8%	313,874	0.7%	2.1%
2012	6,613	0.7%	311,580	0.7%	2.1%
2011	6,566	0.7%	309,326	0.8%	2.1%
2010	6,518	0.8%	306,772	0.9%	2.1%

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

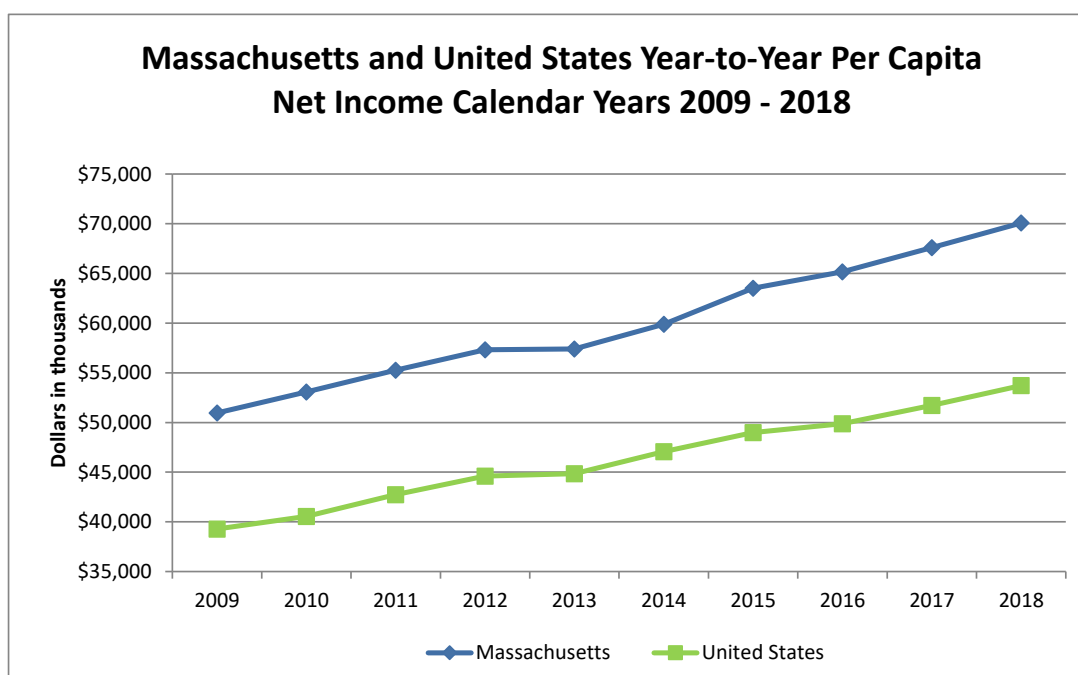


MASSACHUSETTS CLEAN WATER TRUST

Ten Year Schedule of Massachusetts and United States Resident Per Capita Net Income
Calendar Years 2009 – 2018
(in thousands)

Calendar Year	Massachusetts ⁽¹⁾	% Change	United States ⁽¹⁾	% Change	Massachusetts as % of U.S.
2018	\$ 70,073	3.7%	\$ 53,712	3.8%	130.5%
2017	67,596	3.7%	51,731	3.7%	130.7%
2016	65,164	2.6%	49,883	1.8%	130.6%
2015	63,505	6.0%	48,985	4.1%	129.6%
2014	59,892	4.4%	47,060	4.9%	127.3%
2013	57,394	0.1%	44,851	0.6%	128.0%
2012	57,323	3.7%	44,599	4.4%	128.5%
2011	55,273	4.2%	42,735	5.4%	129.3%
2010	53,061	4.1%	40,546	3.2%	130.9%
2009	50,962	(1.7)%	39,284	(4.0)%	129.7%

⁽¹⁾ Source: Bureau of Economic Analysis, US Department of Commerce. Prior years restated due to revised estimates released on March 26, 2019.



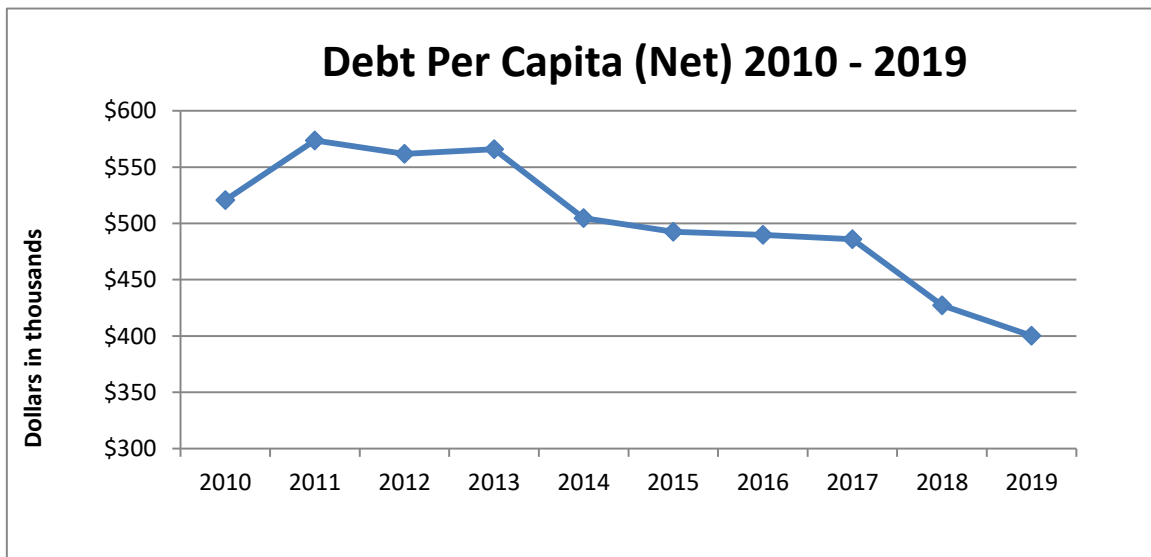
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Ten Year Schedule of Total Net Debt, Massachusetts Resident Population, and Debt Per Capita
For fiscal years ending June 30, 2010 through June 30, 2019
(in thousands)

Fiscal Year ending June 30	Total Debt (Net)	Massachusetts Resident Population ⁽¹⁾	Debt Per Capita (Net)
2019	\$2,762,192	6,902	\$400
2018	2,932,678	6,863	427
2017	3,316,209	6,826	486
2016	3,328,202	6,796	490
2015	3,332,352	6,764	493
2014	3,389,010	6,714	505
2013	3,771,008	6,663	566
2012	3,715,203 ⁽²⁾	6,613	562
2011	3,766,617	6,566	574
2010	3,394,046	6,518	521

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

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



MASSACHUSETTS CLEAN WATER TRUST
Largest Private Sector Massachusetts Employers 2019 and 2010
(Alphabetical Order)

2019			2010		
Employer	Headquarters	Product or Service	Employer	Headquarters	Product or Service
Bay State Medical Center, Inc.	Springfield	Hospital	Bay State Medical Center, Inc.	Springfield	Hospital
Beth Israel Deaconess Medical Center	Boston	Hospital	Beth Israel Deaconess Medical Center	Boston	Hospital
Boston Medical Center Corporation	Boston	Hospital	Boston Medical Center Corporation	Boston	Hospital
Boston University	Boston	University	Boston University	Boston	University
Brigham and Women's Hospital, Inc.	Boston	Hospital	Brigham and Women's Hospital, Inc.	Boston	Hospital
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	General Hospital Corporation	Boston	Hospital
Harvard University	Cambridge	University	Harvard University	Cambridge	University
Massachusetts Institute of Technology	Cambridge	University	Massachusetts Institute of Technology	Cambridge	University
Northeastern University	Boston	University	Raytheon Company	Lexington	Electronics / Defense
Partners Healthcare Systems, Inc.	Boston	Hospital	S & S Credit Company, Inc.	Quincy	Supermarket
Raytheon Company	Lexington	Electronics / Defense	Shaw's Supermarkets, Inc.	West Bridgewater	Supermarket
The Stop & Shop Supermarkets, Co	Quincy	Supermarket	Southcoast Hospitals Group	New Bedford	Hospital
Shaw's Supermarkets, Inc.	West Bridgewater	Supermarket	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	Tufts University	Boston	University
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 2019 survey. In addition, CVS Pharmacy, Inc., Home Depot U.S.A., Inc., Target Corp., United Parcel Services, Inc., Wal-Mart Associates, Inc. and Whole Foods Market Group, Inc. are all large Massachusetts employers, but are headquartered outside of Massachusetts. Verizon New England is a subsidiary of Verizon Communications, headquartered in New York. The information is based on employers registered for unemployment insurance. The list may not include those employers who do business in Massachusetts under multiple legal corporations and those who register each store, facility or franchisee as a separate employer.

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