

MASSACHUSETTS WATER RESOURCES AUTHORITY

Financial Statements and Supplemental Schedules
and Required Supplementary Information

June 30, 2025 and 2024

(With Independent Auditors' Report Thereon)



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MASSACHUSETTS WATER RESOURCES AUTHORITY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Massachusetts Water Resources Authority
Boston, Massachusetts

Report on the Audits of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the Massachusetts Water Resources Authority (Authority) as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Authority as of June 30, 2025 and 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

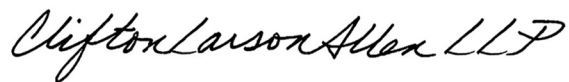
Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and certain pension and other postemployment benefits schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information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

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority’s basic financial statements. The Schedule of Accounts Established by the General Revenue Bond Resolution, Combining Statements of Net Position, Combining Statements of Revenues, Expenses, and Changes in Net Position, Combining Statements of Fiduciary Net Position, and Combining Statements of Changes in Fiduciary Net Position (Supplemental Schedules) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Supplemental Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2025, on our consideration of the Authority’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 Authority’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 Authority’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Boston, Massachusetts
November 7, 2025

MASSACHUSETTS WATER RESOURCES AUTHORITY

Management's Discussion and Analysis – Required Supplementary Information

June 30, 2025 and 2024

(Unaudited)

This section of the Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal years ended June 30, 2025 and 2024. Please read it in conjunction with the Authority's financial statements, which immediately follow this section.

Financial Highlights – Fiscal Year 2025

The fiscal year 2025 customer service revenues were approximately \$869.6 million. Of this amount, rate revenues represent approximately 98.4%, or \$855.5 million, and were \$21.2 million higher than fiscal year 2024. This was due to an increase in assessments.

Total operating expenses, excluding depreciation, were approximately \$386.8 million in fiscal year 2025. The 11% increase in total operating expenses over fiscal year 2024 is the result of increases in OPEB (\$15 million), maintenance (\$10 million), pension (\$6 million) personnel (\$5 million), and pollution (\$2 million) expenses.

Net non-operating expenses increased by \$55.9 million, or 54.4%, primarily due to a \$46 million reduction in interest expense and a \$3 million increase in investment income. Interest expense decreased due to a combination of principal repayments and refunding/defeasance of outstanding debt. Interest income increased due to an increase in the unrealized gain on investments (\$6 million) offset by decrease in debt services (\$2 million) and revenue (\$1 million).

Total assets on June 30, 2025, were approximately \$6.8 billion, a \$121 million, or 1.8%, decrease over total assets on June 30, 2024.

Total capital assets (net of depreciation) were approximately \$5.4 billion on June 30, 2025, a \$28.3 million, or 0.5%, decrease over June 30, 2024. The decrease was primarily due to the rate of depreciation being higher than the rate of capitalization.

Financial Highlights – Fiscal Year 2024

The fiscal year 2024 customer service revenues were approximately \$847.9 million. Of this amount, rate revenues represent approximately 98.4%, or \$834.3 million, and were \$19.6 million higher than fiscal year 2023. This was due to an increase in assessments.

Total operating expenses, excluding depreciation, were approximately \$348.8 million in fiscal year 2024. The 11.4% increase in total operating expenses over fiscal year 2023 is the result of increases in personnel (\$12 million), chemical (\$3 million), maintenance (\$3 million), sludge pelletization (\$3 million), watershed reimbursement (\$2.8 million) and OPEB (\$10 million) expenses. These increases were offset by a decrease in pension expense of \$8.7 million.

Net non-operating expenses decreased \$30.5 million, or 24.3%, primarily due to a \$9.4 million reduction in interest expense and a \$19.7 million increase in investment income. Interest expense decreased due to a combination of principal repayments and refunding/defeasance of outstanding debt. Interest income increased due to an increase in the unrealized gain on investments (\$12.3 million) and an increase in actual interest earned on investments (\$7.4 million).

Total assets at June 30, 2024 were approximately \$6.9 billion, a \$77.1 million, or 1.1%, increase over total assets at June 30, 2023.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Management's Discussion and Analysis – Required Supplementary Information

June 30, 2025 and 2024

(Unaudited)

On June 26, 2024, the Authority issued General Revenue Bonds, 2024 Series B for \$166,260 and General Revenue Refunding Bonds, 2024 Series C for \$279,275. The proceeds from the Series B bonds were used to permanently finance outstanding tax-exempt commercial paper of \$80,000 and 2015C revolving loan of \$100,000. The interest rate on these bonds are 5%.

The proceeds from the Series C bonds, as well as other available funds, were used to tender \$240 of General Revenue Bonds 2016 Series B, \$1,330 of General Revenue Bonds 2018 Series B, \$9,050 of General Revenue Bonds 2020 Series B and \$450 of General Revenue Refunding Bonds 2016 Series D and refund \$31,795 of General Revenue Bonds 2017 Series B, \$27,795 of General Revenue Bonds 2018 Series B, \$21,145 of General Revenue Refunding Bonds 2016 Series C, \$100,175 of General Revenue Refunding Bonds 2019 Series F and \$167,025 of General Revenue Refunding Bonds 2021 Series C.

The interest rates of these bonds are 5%. The cash flow required to make principal and interest payments on the funding bonds is approximately \$39,938 less than the debt service requirements of the refunded bonds. The economic gain (the difference between the present values of the debt service payments on the old and new debt) obtained from this refunding is \$26,576.

Total capital assets (net of depreciation) were approximately \$5.5 billion at June 30, 2024, a \$49.5 million, or 0.8%, decrease over June 30, 2023. The decrease was primarily due to the rate of depreciation being higher than the rate of capitalization.

Overview of the Financial Statements

The financial section of this annual report consists of four parts: management's discussion and analysis (this section), the financial statements and related notes to the financial statements, required supplementary information, and other supplementary information.

The financial statements provide both long-term and short-term information about the Authority's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information and other supplementary information that further explains and supports the information in the financial statements.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Management's Discussion and Analysis – Required Supplementary Information

June 30, 2025 and 2024

(Unaudited)

Financial Analysis of the Authority

Net Position

The Authority's total net position on June 30, 2025, was approximately \$2.2 billion, a \$207.3 million increase from June 30, 2024. Total assets decreased \$121 million, or 1.8%, to \$6.8 billion, and total liabilities decreased \$793 million, or 15.9%, to \$4.2 billion.

The Authority's total net position at June 30, 2024 was approximately \$1.96 billion, a \$170.4 million increase from June 30, 2023. Total assets increased \$77.1 million, or 1.1%, to \$6.9 billion, and total liabilities decreased \$100 million, or 1.9%, to \$5 billion.

	Net Position			Percentage change 2025–2024	Percentage change 2024–2023
	(Dollars in thousands)				
	2025	2024	2023		
Current assets	\$ 985,532	\$1,068,174	\$ 958,172	(7.7%)	11.5%
Capital assets	5,447,987	5,476,320	5,525,902	(0.5)	(0.9)
Other noncurrent assets	347,105	357,580	340,872	(2.9)	4.9
Total assets	<u>6,780,624</u>	<u>\$6,902,074</u>	<u>6,824,946</u>	<u>(1.8)</u>	<u>1.1</u>
Deferred outflows from pension	47,778	55,189	80,550	(13.4)	(31.5)
Deferred outflows from OPEB	34,877	45,749	3,933	(23.8)	(100.0)
Deferred outflows from derivative instruments	-	-	2,820	-	(100.0)
Deferred outflows from refunded debt	7,010	7,495	7,981	(6.5)	(6.1)
Current liabilities	572,587	506,094	440,091	13.1	15.0
Noncurrent liabilities	4,118,765	4,481,072	4,645,560	(8.1)	(3.5)
Total liabilities	<u>4,691,352</u>	<u>4,987,166</u>	<u>5,085,651</u>	<u>(5.9)</u>	<u>(1.9)</u>
Deferred inflows from pension	1,489	2,775	4,062	(46.3)	(31.7)
Deferred inflows from OPEB	8,830	15,581	31,392	(43.3)	(50.4)
Deferred inflows from refunded debt	-	43,691	7,912	100.0	-
Net position:					
Net investment in capital assets	1,437,569	1,128,827	1,184,617	27.4	(4.7)
Restricted					
Construction	143,632	156,606	145,029	(8.3)	8.0
Debt service	234,604	277,068	276,719	(15.3)	0.1
Operating	8,377	6,756	6,802	24.0	(0.7)
Revenue	42,677	64,575	41,356	(33.9)	56.1
Rate Stabilization	39,009	39,009	39,314	-	(0.8)
Unrestricted	262,750	288,453	97,376	(8.9)	196.2
Total net position	<u>\$ 2,168,618</u>	<u>\$ 1,961,294</u>	<u>\$ 1,791,213</u>	<u>10.6%</u>	<u>9.5%</u>

MASSACHUSETTS WATER RESOURCES AUTHORITY

Management's Discussion and Analysis – Required Supplementary Information

June 30, 2025 and 2024

(Unaudited)

Changes in Net Position

The increase in net position on June 30, 2025, was \$207.3 million, or 10.6%, as compared with June 30, 2024. The Authority's total operating revenues increased by 2.5% to \$873.3 million and total operating expenses increased 11% to \$387 million.

The increase in net position at June 30, 2024 was \$170.4 million, or 9.5%, as compared with June 30, 2023. The Authority's total operating revenues increased by 1.8% to \$851.7 million and total operating expenses increased 11.3% to \$348.8 million.

Changes in Net Position					
(Dollars in thousands)					
	2025	2024	2023	Percentage change 2025–2024	Percentage change 2024–2023
Operating revenues:					
Customer service revenues	\$ 869,588	\$847,938	\$ 831,932	2.6%	1.9%
Other revenues	3,704	3,780	5,023	(2.0)	(24.7)
Total operating revenues	<u>873,292</u>	<u>851,718</u>	<u>836,955</u>	<u>2.5</u>	<u>1.8</u>
Operating expenses:					
Operations	144,094	144,165	133,377	(0.0)	8.1
Maintenance	47,160	37,678	34,318	25.2	9.8
Payments in lieu of taxes	8,486	8,489	8,479	(0.0)	0.1
Engineering, general, and administrative	187,081	157,926	136,797	18.5	15.4
Total operating expenses	<u>386,821</u>	<u>348,258</u>	<u>312,971</u>	<u>11.1</u>	<u>11.3</u>
Depreciation and amortization	244,521	236,818	230,810	3.3	2.6
Operating income	<u>241,950</u>	<u>266,642</u>	<u>293,174</u>	<u>(9.3)</u>	<u>(9.0)</u>
Nonoperating items:					
Regulatory accounting provisions	-	-	52,124	-	(100.0)
Net nonoperating expenses	(46,932)	(102,858)	(125,459)	(54.4)	(18.0)
Changes in derivative related accounts	-	-	2,940	-	(100.0%)
Total nonoperating items	<u>(46,932)</u>	<u>(102,858)</u>	<u>(70,395)</u>	<u>(54.4)</u>	<u>46.1</u>
Capital grants and contributions	12,306	6,297	3,397	95.4	85.4
Change in net position	207,324	170,081	226,176	21.9	(24.8)
Total net position – beginning of year	<u>1,961,294</u>	<u>1,791,213</u>	<u>1,565,037</u>	<u>9.5</u>	<u>14.5</u>
Total net position – end of year	<u>\$ 2,168,618</u>	<u>\$ 1,961,294</u>	<u>\$ 1,791,213</u>	<u>10.6%</u>	<u>9.5%</u>

During fiscal year 2025, the increases in customer service revenues were primarily due to the 2.60% increase in the rate revenue requirement (\$21.6 million).

During fiscal year 2024, the increases in customer service revenues were primarily due to the 2.40% increase in the rate revenue requirement (\$19.6 million).

MASSACHUSETTS WATER RESOURCES AUTHORITY

Management’s Discussion and Analysis – Required Supplementary Information

June 30, 2025 and 2024

(Unaudited)

Operating Costs by Functionality

(Dollars in thousands)

	2025	2024	2023	Percentage change 2025–2024	Percentage change 2024–2023
Wastewater treatment and transport	\$136,145	\$ 129,529	\$ 116,317	5.1%	11.4%
Water treatment and transport	52,191	48,993	45,527	6.5	7.6
Water and wastewater quality	11,494	11,031	10,348	4.2	6.6
Metering and monitoring	8,396	8,417	7,580	(0.2)	11.0
Facilities planning, design, and construction	13,455	13,239	11,674	1.6	13.4
Management information systems	15,605	14,080	13,057	10.8	7.8
Administration and support	63,068	59,977	48,375	5.2	24.0
Total direct operating costs	<u>300,354</u>	<u>285,266</u>	<u>252,878</u>	5.3	12.8
Indirect operating costs	<u>86,467</u>	<u>62,992</u>	<u>60,093</u>	37.3	4.8
 Total operating costs	 <u>\$ 386,821</u>	 <u>\$ 348,258</u>	 <u>\$ 312,971</u>	 11.1%	 11.3%

Increases in wastewater treatment and transport were mainly due to increased utility and maintenance costs and the increase in the contracted O & M costs at the pelletization plant. Water treatment and transport costs increased due to increases cost-of-living adjustment to salaries and wages. Administration and support costs increased due to cost-of-living salaries and wages adjustment and increase in health insurance.

Retirement Benefits

The Massachusetts Water Resources Authority Employees’ Retirement System (System) was established to provide pension benefits to Massachusetts Water Resources Authority (Authority) employees and their beneficiaries. The System is governed by a five-member board comprised of the Secretary of the Authority’s Board (ex-officio), two members elected by the System’s participants, one member appointed by the Authority’s Board and one member appointed by the System’s Board members.

The System has total plan assets of \$723.5 million and \$675.2 million at December 31, 2024, and 2023, respectively.

Other Post-Employment Benefits (OPEB) Irrevocable Trust

In April 2015, the Authority established the MWRA Other Post-Employment Benefits (OPEB) Irrevocable Trust. The Trust was established for the sole purpose of providing for the advance funding of future costs of retired employee health insurance and other benefits provided to retirees. It is intended that the Trust shall constitute a “Qualified OPEB Trust” according to the standards set forth in GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and the standards of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Authority’s Board of Directors appointed a five-member Board of Trustees, made up of Authority senior managers, to control and manage the trust.

An initial deposit of \$10.8 million was made to the trust upon establishment of the trust. The balance of the trust at June 30, 2025, and 2024 was \$95.2 million and \$82.1 million, respectively.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Management's Discussion and Analysis – Required Supplementary Information

June 30, 2025 and 2024

(Unaudited)

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2025, and 2024, the Authority had \$5.45 and \$5.48 billion of capital assets (net of depreciation), respectively. This includes land, construction in progress, plant and equipment for the water and sewer systems, lease asset - building, furniture and fixtures, leasehold improvements, and motor vehicles and equipment. The Authority's net capital assets decreased approximately \$28.3 million, or 0.5%, during fiscal year 2025, primarily due to the rate of depreciation being higher than the rate of capitalization.

Capital Assets					
(Net of depreciation, dollars in thousands)					
	2025	2024	2023	Percentage change 2025–2024	Percentage change 2024–2023
Land	\$ 30,279	\$ 30,214	\$ 30,060	0.2%	0.5%
Construction in progress	411,072	279,826	298,535	46.9	(6.3)
Plant and equipment, water, and sewer systems	4,981,448	5,140,501	5,172,729	(3.1)	(0.6)
Lease asset - building	14,533	16,634	18,735	(12.6)	(11.2)
Subscription asset	855	-	-	-	-
Furniture and fixtures	3,882	4,177	24	(7.1)	17,304.2
Leasehold improvements	195	207	219	(5.8)	(5.5)
Motor vehicles and equipment	5,723	4,761	5,600	20.2	(15.0)
Total	<u>\$ 5,447,987</u>	<u>\$ 5,476,320</u>	<u>\$ 5,525,902</u>	<u>(0.5%)</u>	<u>(0.9%)</u>

Additional information on the Authority's capital assets can be found in Note 7 of this financial report.

Debt Administration

The Authority's bond sales must be approved by its board of directors (the Board) and must comply with rules and regulations of the United States Treasury Department. Neither the Commonwealth of Massachusetts (the Commonwealth) nor any political subdivision thereof shall be obligated to pay the principal of, or premium or interest on, any debt outstanding and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to such payment.

Bond Resolutions

Pursuant to its general bond resolution, the Authority must comply with a rate covenant that requires it to set rates to maintain revenues sufficient to pay current expenses; debt service on indebtedness; required deposits to reserves; costs of maintenance, replacement, and/or improvements to the wastewater and water systems that are considered current expenses and any additional amounts the Authority may be required to pay by any law or contract.

In addition to the rate covenant, the Authority is required to meet two covenants with respect to debt service coverage. The primary debt service coverage requires that the Authority fix and adjust rates and charges to provide revenues available for bond debt service in an amount equal to 1.2 times that is required for debt service on all outstanding bonds, not including subordinated bonds. The subordinated debt service coverage requires that the Authority fix and adjust rates and charges to provide revenues available for bond debt service in an amount equal to 1.1 times that is required for debt service on all outstanding bonds, including subordinated bonds.

Additional information on the Authority's long-term debt can be found in Note 5 of this financial report.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Management's Discussion and Analysis – Required Supplementary Information

June 30, 2025 and 2024

(Unaudited)

Credit Rating

The Authority's \$2.7 billion Senior Lien General Revenue Bonds are rated Aa1 from Moody's Investors Service, AA+ by S&P Global Ratings and AA+ from Fitch Ratings. The \$292.7 million Subordinate Lien General Revenue Bonds are rated Aa2 from Moody's Investors Service, AA by S&P Global Ratings and AA from Fitch Ratings. Some of the Authority's revenue bonds are enhanced by bond insurance. The credit ratings of these bond series will be the higher rating of either the Authority or the firm providing the enhancement. In the case of bonds enhanced by a letter of credit, the rating will be the highest of the Authority's, the provider or, if available, a joint rating. The subordinated debt of \$811.2 million with the Massachusetts Clean Water Trust is not rated as the Authority's debt.

Economic Factors and Next Year's Budget

In June 2025, the Board approved the fiscal year 2026 Current Expense Budget (CEB), which totals \$919.7 million in expenses.

The \$919.7 million expense total is comprised of \$508.7 million (55%) in capital financing costs and \$411 million (45%) in operating expenses, of which \$328 million (80%) is for direct expenses and \$83 million (20%) is for indirect expenses. The total represents an increase of \$39.6 million from fiscal year 2025 spending, which is comprised of \$39.6 million and \$1.4 million in higher operating costs and debt service costs.

The fiscal year 2026 Rate revenue requirement approved by the Board is \$878.8 million; an increase of 2.7% compared with the fiscal year 2025 budget.

Fiscal year 2026 budgeted non-rate revenue totals \$40.9 million, a decrease of \$6.9 million from actual fiscal year 2025 non-rate revenue. The non-rate revenue budget is comprised of \$23.3 million in investment income, \$17.7 million in other user charges and other revenue.

CIP 10 Year Plan

The Authority's planned spending for capital improvements in future years reflects the Authority's ongoing efforts to upgrade and maintain the system and to align its project prioritization process with the Master Plan.

Major planned and ongoing projects include:

- Commitment to long-term redundancy plan for the metropolitan water tunnel system.
- Improvement and replacement of equipment on Deer Island and at major headworks facilities to ensure continued efficient and effective operations.
- Continued asset protection projects for both wastewater and water systems (pump stations and pipelines)
- Dedication to using resources efficiently, responding to climate change and reducing the environmental impacts of the Authority's daily operations by installing alternative energy sources and promotion of improved self-generation.
- Enhanced commitment to the community assistance programs for both the sewer and water systems to improve local infrastructure, including an initiative to provide interest-free loans to assist communities in replacing lead service lines.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Management's Discussion and Analysis – Required Supplementary Information

June 30, 2025 and 2024

(Unaudited)

- Continued investment for the upgrade of Management Information Systems to ensure availability, integrity and security of data.
- Continue the Residuals Asset Protection program for maintaining and improving the operations and infrastructure of the biosolids processing in the long term.
- Improvement and replacement of equipment at CWTP to ensure continued efficient and effective operations.

Contacting the Authority's Financial Management

This report is designed to provide our bondholders, member communities and other interested parties with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the revenue it receives. If you have questions about this report or need additional information, contact the Massachusetts Water Resources Authority, Finance Division, 33 Tafts Avenue, Boston, MA 02128.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Statements of Net Position

June 30, 2025 and 2024

(Dollars in thousands)

	Assets	2025	2024
Current assets:			
Cash and cash equivalents (note 3)		\$ 93,598	\$ 84,200
Investments (note 3)		-	5,397
Restricted investments (note 3)		845,357	934,688
Intergovernmental loans (note 6)		43,927	41,323
Accounts receivable		1,606	1,797
Interest receivable		1,044	769
Total current assets		<u>985,532</u>	<u>1,068,174</u>
Noncurrent assets:			
Capital assets:			
Capital assets – not being depreciated (note 7)		441,351	310,040
Capital assets – being depreciated – net (note 7)		4,991,248	5,149,646
Lease asset - building (note 7)		14,533	16,634
Subscription asset (note 7)		855	-
Other assets, net (note 6)		347,105	357,580
Total noncurrent assets		<u>5,795,092</u>	<u>5,833,900</u>
Total assets		<u>6,780,624</u>	<u>6,902,074</u>
Deferred Outflows of Resources			
Deferred outflows from pension (note 10)		47,778	55,189
Deferred outflows from OPEB (note 11)		34,877	45,749
Deferred outflows from refunding debt		7,010	7,495
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses		47,434	39,849
Accounts payable for construction		33,531	29,687
Commercial paper (note 5)		139,195	80,000
Current portion of compensated absences		300	280
Current portion of long-term debt (note 5)		293,162	284,890
Current portion of lease liability (note 8)		1,944	1,798
Current portion of SBITA (note 9)		164	-
Accrued interest on bonds payable		56,857	53,007
Total current liabilities		<u>572,587</u>	<u>489,511</u>
Noncurrent liabilities:			
Reserves (note 4)		77,464	75,557
Retainage on construction in progress		15,529	12,585
Long-term compensated absences		16,564	16,583
Long-term debt – less current portion (note 5)		3,757,024	4,143,367
Lease liability (note 8)		15,195	17,138
Subscription liability (note 9)		521	-
Net pension liability (note 10)		141,571	137,935
Net OPEB liability (note 11)		94,897	94,490
Total noncurrent liabilities		<u>4,118,765</u>	<u>4,497,655</u>
Total liabilities		<u>4,691,352</u>	<u>4,987,166</u>
Deferred Inflows of Resources			
Deferred inflows from pension (note 10)		1,489	2,775
Deferred inflows from OPEB (note 11)		8,830	15,581
Deferred inflows from refunding debt		-	43,691
Net Position			
Net investment in capital assets		1,437,569	1,128,827
Restricted			
Construction		143,632	156,606
Debt service		234,604	277,068
Operating		8,377	6,756
Revenue		42,677	64,575
Rate Stabilization		39,009	39,009
Unrestricted		262,750	288,453
Total net position		<u>\$ 2,168,618</u>	<u>\$ 1,961,294</u>
Commitments and contingencies (notes 8, 9,10,11,12 and 13)			

See accompanying Notes to Financial Statements

MASSACHUSETTS WATER RESOURCES AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2025 and 2024

(Dollars in thousands)

	<u>2025</u>	<u>2024</u>
Operating revenues (note 2):		
Customer services	\$ 869,588	\$ 847,938
Other	3,704	3,780
Total operating revenues	<u>873,292</u>	<u>851,718</u>
Operating expenses:		
Operations	144,094	144,165
Maintenance	47,160	37,678
Payments in lieu of taxes	8,486	8,489
Engineering, general, and administrative	187,081	157,926
Total operating expenses	<u>386,821</u>	<u>348,258</u>
Income from operations before depreciation	486,471	503,460
Depreciation and amortization	<u>244,521</u>	<u>236,818</u>
Operating income	241,950	266,642
Nonoperating revenues (expenses):		
Investment income	42,292	39,002
Interest expense	(87,318)	(133,999)
Change in reserves (note 4)	(1,906)	(7,861)
Total nonoperating expenses	<u>(46,932)</u>	<u>(102,858)</u>
Net gain before capital grants and contributions	195,018	163,784
Capital grants and contributions	<u>12,306</u>	<u>6,297</u>
Increase in net position	207,324	170,081
Total net position - beginning of year	<u>1,961,294</u>	<u>1,791,213</u>
Total net position - end of year	<u>\$ 2,168,618</u>	<u>\$ 1,961,294</u>

See accompanying Notes to Financial Statements

MASSACHUSETTS WATER RESOURCES AUTHORITY

Statements of Cash Flows

Years ended June 30, 2025 and 2024

(Dollars in thousands)

	2025	2024
Cash flows from operating activities:		
Cash received from customers	\$ 869,776	\$ 847,475
Cash paid to suppliers for goods and services	(164,193)	(168,432)
Cash paid to employees for services	(191,732)	(164,948)
Cash paid in lieu of taxes	(8,486)	(8,489)
Other operating receipts	3,352	3,888
Net cash provided by operating activities	508,717	509,494
Cash flows from capital and related financing activities:		
Proceeds from sale of revenue bonds, loans, notes and commercial paper	197,168	380,801
Capital grants for construction	12,306	6,297
Principal paid on leases payable	(1,798)	(1,663)
Interest paid on leases payable	(1,419)	(1,554)
Repayment of debt	(496,425)	(429,363)
Interest paid on debt	(144,476)	(188,183)
Plant expenditures	(201,421)	(206,468)
Net cash used for capital and related financing activities	(636,065)	(440,133)
Cash flows from investing activities:		
Purchases of short-term investments	(55,840)	-
Sales and maturities of short-term investments	38,602	18,700
Transfers from (to) restricted money market investments	123,964	(115,994)
Interest received	30,020	33,077
Net cash provided (used) for investing activities	136,746	(64,217)
Net increase in cash and cash equivalents	9,398	5,144
Cash and cash equivalents - beginning of year	84,200	79,056
Cash and cash equivalents - end of year	\$ 93,598	\$ 84,200
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	241,951	266,642
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	244,521	236,818
Change in net pension liability	3,636	(15,039)
Change in deferred outflows from pension	7,410	25,361
Change in deferred inflows from pension	(1,286)	(1,286)
Change in net OPEB liability	407	49,110
Change in deferred outflows from OPEB	10,871	(41,816)
Change in deferred inflows from OPEB	(6,751)	(15,811)
Change in other accounts	191	464
Change in accounts payable and accruals	7,767	5,051
Net cash provided by operating activities	\$ 508,717	\$ 509,494

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

In fiscal 2024, general revenue refunding bonds in the aggregate principal amount of \$279,275 were issued to refund \$359,005 of bonds outstanding.

See accompanying Notes to Financial Statements

MASSACHUSETTS WATER RESOURCES AUTHORITY

Statements of Changes in Fiduciary Net Position

Years ended June 30, 2025 and 2024

(Dollars in thousands)

	<u>2025</u>	<u>2024</u>
	Pension (and Other Employee Benefit) Trust Funds	Pension (and Other Employee Benefit) Trust Funds
Additions		
Contributions:		
Employer	\$ 34,434	\$ 26,610
Plan members	11,446	10,576
Total contributions	<u>45,880</u>	<u>37,186</u>
Investment income:		
Interest and dividends	7,707	10,483
Net realized and unrealized gains	63,465	57,068
Less: investment fees	<u>(6,510)</u>	<u>(3,648)</u>
Net investment income	<u>64,662</u>	<u>63,903</u>
Reimbursements and transfers from other systems	<u>2,791</u>	<u>2,409</u>
Total additions	113,333	103,498
Deductions		
Benefits paid to participants or beneficiaries	50,526	46,428
Reimbursements and transfers to other systems	895	1,137
Administrative expenses	<u>514</u>	<u>505</u>
Total deductions	<u>51,935</u>	<u>48,070</u>
Change in fiduciary net position	61,398	55,428
Total fiduciary net position - beginning of year	<u>757,046</u>	<u>701,618</u>
Total fiduciary net position - end of year	<u>\$ 818,444</u>	<u>\$ 757,046</u>

See accompanying Notes to Financial Statements

MASSACHUSETTS WATER RESOURCES AUTHORITY

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

(1) Organization

The Massachusetts Water Resources Authority (the Authority) was established in January 1985 pursuant to Chapter 372 (the Enabling Act) of the Act of 1984 of the Commonwealth of Massachusetts (the Commonwealth). The Authority, a successor agency to certain functions of the Metropolitan District Commission (the MDC) (which became part of the Department of Conservation and Recreation (the DCR) in July 2003), is a public instrumentality and, effective July 1, 1985, provides water supply services and sewage collection, treatment, and disposal services to areas of the Commonwealth.

The Authority is governed by an 11-member board of directors (the Board) chaired by the Secretary of Energy and Environmental Affairs for the Commonwealth. The Secretary and two other members are appointed by the Governor. Three members of the Board are appointed by the Mayor of Boston and three are appointed by the Authority's Advisory Board. One member is appointed by the Mayor of Quincy and one by the Winthrop Council President.

The Authority has also considered all component units for which it is financially accountable as well as other organizations for which the nature and /or significance of their relationship with the Authority are such that exclusion would cause the Authority's basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Authority (primary government) and its component units.

The Authority has included entities as fiduciary fund component units in the reporting entity because of the significance of their operational and financial relationship with the Authority. Component units are entities that are legally separate from the Authority, but are so closely related that they are, in substance, the same as the Authority or entities providing services entirely or almost entirely for the benefit of the Authority.

Fiduciary Fund Component Units

The Massachusetts Water Resources Authority Employees' Retirement System (Pension Trust) was established to provide pension benefits to Authority employees and their beneficiaries. The Pension Trust is governed by a five-member board comprised of the Secretary of the Authority's Board (ex-officio), two members elected by the Pension Trust's participants, one member appointed by the Authority's Board and one member appointed by the Pension Trust's Board members. The Pension Trust is presented using the accrual basis of accounting and is reported in the Pension (and Other Employee Benefit) Trust Funds in the fiduciary funds financial statement. The Pension Trust's year end is December 31st.

The Massachusetts Water Resources Authority Irrevocable OPEB Trust (OPEB Trust) is a single-employer other post-employment benefits (OPEB) plan, for the purpose of accumulating and investing assets to fund certain post-retirement medical and life insurance for retirees of the Authority. The Board of Trustees is composed of five members including the following Authority employees: Executive Director, Director of Finance, Treasurer, Budget Director and Director of Human Resources. The OPEB Trust is presented using the accrual basis of accounting and is reported in the Pension (and Other Employee Benefit) Trust Funds in the fiduciary funds financial statement. The OPEB Trust's year end is June 30th.

Complete financial statements for the Trusts can be obtained from the Authority's administrative offices at 33 Tafts Avenue, Boston, MA 02129.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

(2) Summary of Significant Accounting Policies

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

(a) Basis of Presentation

The Authority is required by the Enabling Act to establish user rates for its water and sewer services which provide sufficient funds to recover the costs of operations (excluding depreciation), debt service, maintenance, replacements, improvements to its facilities, and appropriate reserves. The Authority's financial statements are reported on the accrual basis of accounting and the economic measurement focus as specified by the Governmental Accounting Standards Board's (GASB) requirements for an enterprise fund.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing water and sewer services to its member communities. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, with the exception of regulatory provisions as discussed below. All operating revenues are pledged for repayment of outstanding debt service.

In fiscal year 2024, the Authority implemented GASB Statement No. 100, *Accounting Changes and Error Corrections*. This statement did not have an impact on the Authority.

In fiscal year 2025, the Authority implemented GASB Statement No. 101, *Compensated Absences* and GASB Statement No. 102, *Certain Risk Disclosures*. These statements did not have an impact on the Authority.

(b) Capital Assets

On July 1, 1985, ownership of the MDC's sewer and waterworks personal property was transferred to the Authority. Pursuant to the Enabling Act, ownership of the real property of the MDC sewer and waterworks systems was not transferred from the Commonwealth to the Authority; however, the Authority has the right to use, improve, maintain, and manage that property. In addition, ownership of the real and personal property of the watershed system remains with the Commonwealth; however, the Authority has the right to utilize the water therefrom for water supply purposes.

The personal property, together with the rights to the real property and watershed system, was recorded at its estimated fair value of \$2,331,465 (including certain construction projects which were in progress as of July 1, 1985), based upon an appraisal performed by valuation specialists. Property, plant, and equipment acquired or constructed since July 1, 1985, is stated at acquisition cost, and includes the expenditure of capital grants in aid of construction.

Betterments and major renewals are capitalized and included in capital asset accounts, while expenditures for maintenance and repairs are charged to expense when incurred. The cost of depreciable assets and related accumulated depreciation is eliminated from the accounts when such items are disposed of or otherwise retired.

The Authority's capitalization threshold is \$100.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

(c) Depreciation

The Authority provides for depreciation by use of the straight-line method. Depreciation is intended to distribute the cost of depreciable properties, including those financed by capital grants in aid of construction, over the following estimated average useful lives:

	<u>Years</u>
Plant and Equipment, Water and Sewerage Systems	5–100
Motor Vehicles and Equipment	5
Furniture and Fixtures	7
Leasehold Improvements	Shorter of useful life or lease term

(d) Revenue Recognition

The Authority recognizes revenue as amounts become due from its customers for water and sewer services provided. The majority of the Authority’s billings to cities and towns are subject to, in the event of nonpayment, the local aid intercept allowed by the Enabling Act.

(e) Net Position

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use the restricted resources first, then unrestricted as they are needed.

(f) Cash and Cash Equivalents

Authority:

The Authority’s policy is to treat unrestricted investments with a maturity date of three months or less when purchased as cash equivalents for purposes of the statements of cash flows. Restricted cash and cash equivalents are combined with investments on the statements of net position and shown separately on the statements of cash flows as an investing activity.

Pension and OPEB Trust:

Cash and cash equivalents is considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

(g) Payments in Lieu of Taxes

The Enabling Act authorizes and directs the Authority to pay to the DCR (formerly the MDC) Division of Watershed Management, who in turn remits payment to each city or town in which land of the Quabbin watershed and Ware River watershed is located. Each such payment is equal to the amount which the respective city or town would receive in property taxes, based upon the fair value of such land if such land were not tax exempt.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

(h) Investments

Authority:

Investments are recorded at fair value, other than certain investments that are recorded at net asset value (NAV). The Authority uses an independent pricing source to determine the fair value of investments at quoted market prices. Changes in fair value are included in non-operating investment income in the Statements of Revenues, Expenses, and Changes in Net Position. Investments that are measured at NAV are the investments in the Massachusetts Municipal Depository Trust (MMDT) which is a 2a7-like external investment pool that is overseen by the Massachusetts State Treasurer and whose fair value of each share is equal to the number of shares; thus NAV is equal to \$1.00 per share.

Pension and OPEB Trusts:

Investments are reported at fair value. Fair values of investments are based on quotations from a national securities exchange, except for the Systems' investment in the Pension Reserves Investment Trust (PRIT), hedge funds, private equity and real estate investments, for which fair values are estimated as detailed below.

External Investment Pool (PRIT)

PRIT is an external investment pool comprised of securities measured at various fair value measurements. The investment pool is managed by the Pension Reserves Investment Management (PRIM) Board and the System's share of the pool is reported at fair value in the System's financial statements. A complete copy of PRIT's separately issued financial statements can be obtained from PRIM Board at 84 State Street, Boston, MA 02109, or by visiting the PRIM Board's website at <http://www.mapension.com/public-records/records-of-interest/>.

Hedge Funds, Private Equity, and Real Estate Investments

The fair values of these types of investments have been determined by third party investment managers using Net Asset Value (NAV) per share (or its equivalent) on the System's ownership interest in the pool or partner's capital.

(i) Compensated Absences

Employees of the Authority may accumulate unused sick time of which 30% will be paid in cash upon retirement from the Authority. The liability for vacation leave is based on the amount earned but not used; for sick leave, it is based on a percentage of the amount accumulated at the statement of net position dates. The liability for both amounts is calculated based on the pay or salary rates in effect at the statements of net position dates.

(j) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Authority. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

(k) Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trust and additions to/deductions from the OPEB Trust's fiduciary net position have been determined on the same basis as they are reported by the Authority. For this purpose, the Authority recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

(l) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

(m) Reclassifications

Certain reclassifications were made to the fiscal year 2024 financial statements to conform to the fiscal year 2025 presentation.

(3) Deposits and Investments

(1) Authority (Excluding the Pension and OPEB Trusts):

The following represents essential risk information about the Authority's deposits and investments:

(a) Custodial Credit Risk – Deposits

The custodial credit risk for deposits and certificates of deposit is the risk that, in the event of a bank failure, the Authority's deposits may not be recovered. Per the Authority's policy, credit risk is minimized by diversifying portfolio of funds and ensuring the amounts held in deposits is adequate to accommodate the reasonable cash needs of the Authority.

The bank deposits on June 30, 2025, and 2024 were \$72,215 and \$75,812, respectively. Of these amounts, \$71,965 and \$75,562 were exposed to custodial credit risks as uninsured and uncollateralized.

(b) Investments

The Authority is authorized by its general bond resolution to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, bonds, or notes of public agencies or municipalities, bank time deposits, guaranteed interest contracts, Massachusetts Municipal Depository Trust (MMDT) accounts, interest rate swap agreements, and repurchase agreements. All investments are held by a third-party in the Authority's name. These investments are recorded at fair value.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

(c) Credit Ratings

All debt securities purchased, such as FNMA, FHLMC, and FHLB issues have credit ratings of AA+.

The Massachusetts Municipal Depository Trust funds are not rated.

The general bond resolution limits the Authority to investing in securities that are rated in the three highest rating categories as defined by S&P and Moody's or other rating agencies.

(d) Concentration Risk

At June 30, 2025, and 2024, the Authority had investments with the issuer, Federal Farm Credit Banks (FFCB), which totaled 10.7% and 7.7%, respectively, of the total investments.

At June 30, 2025, and 2024, the Authority had investments with the issuer, Federal National Mortgage Association (FNMA), which totaled 9.3% and 7.9%, respectively of total investments.

(e) Interest Rate Risk

The following is a listing of the Authority's fixed income investments and related maturity schedule as of June 30, 2025 and 2024:

June 30, 2025					
Investment maturities (in years)					
Investment Type	Fair Value	<1	1-3	4-8	>9
Mass Municipal Depository Trust	\$ 590,605	\$ 590,605	\$ -	\$ -	\$ -
U.S. Agency Obligations	249,283	59,563	113,478	76,242	-
U.S. Treasury Bills	5,469	-	5,469	-	-
Total	<u>\$ 845,357</u>	<u>\$ 650,168</u>	<u>\$ 118,947</u>	<u>\$ 76,242</u>	<u>\$ -</u>

June 30, 2024					
Investment maturities (in years)					
Investment Type	Fair Value	<1	1-3	4-8	>9
Mass Municipal Depository Trust	\$ 714,602	\$ 714,602	\$ -	\$ -	\$ -
U.S. Agency Obligations	225,483	8,380	128,591	88,512	-
Total	<u>\$ 940,085</u>	<u>\$ 722,982</u>	<u>\$ 128,591</u>	<u>\$ 88,512</u>	<u>\$ -</u>

The majority of the Authority's investments are held in short-term money market funds and long-term investments in U.S. agency obligations that are held in the debt service reserve funds where the intent is to hold until maturity.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

(f) Investment Values

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Authority has no securities classified in Level 3. The investment in MMDT, an external investment pool, is measured at \$1.00 per share – the net asset value determined by the pool.

The Authority has the following recurring fair value measurements as of June 30, 2025, and 2024: U.S. Government agency obligations \$254,752 and \$255,483 (Level 2), respectively, and MMDT \$590,604 and \$714,602 (NAV), respectively. There are no withdrawal restrictions or unfunded commitments related to the MMDT investment.

(g) Restricted Investments by Fund

The following summarizes restricted investments as of June 30, 2025 and 2024 by various funds and accounts established by the Authority for debt covenants and other purposes:

	<u>2025</u>	<u>2024</u>
Restricted Investments:		
Construction	\$ 143,633	\$ 156,604
Debt Service Reserves	158,364	150,786
Debt Service Principal and Interest	348,032	414,851
Debt Service - Revenue Redemption	23,902	22,609
Operating Reserve	59,763	58,022
Rate Stabilization Reserve	39,009	39,009
Revenue	42,677	64,575
Combined Reserves - Renewal and Replacement Reserve	10,014	10,045
Combined Reserves - Insurance Reserve	12,629	12,200
Insurance Related Escrow Deposits	7,334	5,987
Total Restricted Investments	<u>\$ 845,357</u>	<u>\$ 934,688</u>

No funds were withdrawn from the Operating Reserve, Renewal and Replacement Reserve or Insurance Reserve during the fiscal year. Changes in investment balances reflect changes in fair value.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

(2) Pension Trust:

(a) Deposits – Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Pension Trust’s deposits may not be recovered. The Pension Trust’s policy for custodial credit risk of deposits is to rely on FDIC insurance. As of December 31, 2024, and 2023, the Pension Trust was not exposed to custodial credit risk. The carrying value of the Pension Trust’s deposits totaled \$10 and \$10 at December 31, 2024, and 2023, respectively.

(b) Investment Summary

The Pension Trust’s investments at December 31, 2024 and 2023 are presented below. All investments are presented by investment type, with debt securities presented by maturity (using segmented time distribution).

December 31, 2024					
Investment maturities (in years)					
Investment Type	Fair Value	<1	1–5	6-10	>10
<u>Debt Securities:</u>					
Money market mutual funds	\$ 22,336	\$ 22,336	\$ -	\$ -	\$ -
Fixed income securities	119,411	119,411	-	-	-
Total Debt Securities	141,747	\$ 141,747	\$ -	\$ -	\$ -
<u>Other Investments:</u>					
Equity Securities	378,515				
External Investment Pools (PRIT)	43,397				
Hedge Funds	25,957				
Real Estate	58,973				
Private Equity	74,098				
Total Other Investments	580,940				
Total Investments	\$ 722,687				

December 31, 2023					
Investment maturities (in years)					
Investment Type	Fair Value	<1	1–5	6-10	>10
<u>Debt Securities:</u>					
Money market mutual funds	\$ 20,799	\$ 20,799	\$ -	\$ -	\$ -
Fixed income securities	137,357	106,830	-	12,019	18,508
Total Debt Securities	158,156	\$ 127,629	\$ -	\$ 12,019	\$ 18,508
<u>Other Investments:</u>					
Equity Securities	316,015				
External Investment Pools (PRIT)	35,575				
Hedge Funds	27,512				
Real Estate	61,296				
Private Equity	75,630				
Total Other Investments	516,028				
Total Investments	\$ 674,184				

(c) Investments – Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Pension Trust’s policy for interest rate risk is the duration of the portfolio should be consistent with the appropriate indices. Unless otherwise agreed to, the duration of the portfolio must be within 25% of the appropriate benchmark.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

(d) Investments – Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Pension Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Pension Trust's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the Pension Trust. As of December 31, 2024 and 2023, the Pension Trust was not exposed to custodial credit risk.

(e) Investments – Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Pension Trust's policies for credit risk of debt securities include the minimum quality rating at the time of purchase cannot be below a rating of CCC. Non-rated securities may comprise 10% of the portfolio, provided that the applicable manager determines that, if such an issue was rated, it would be allowed under the above limitation and that the non-rated issue is deemed to be below BAA (investment grade). Compliance with credit ratings provided by Moody's, Standard & Poor's and Fitch is not sufficient for an issue to be deemed an appropriate investment. The managers are responsible for making an independent analysis of the credit-worthiness of securities

As of December 31, 2024 and 2023, the credit quality ratings of the Pension Trust's money market mutual funds and pooled fixed income funds are unrated by any nationally recognized statistical rating organization.

(f) Deposits and Investments – Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or a deposit. The Pension Trust does not have a policy regarding foreign currency risk. As of December 31, 2024 and 2023, the Pension Trust was not exposed to foreign currency risk.

(g) Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Pension Trust's investment in a single issuer. The Pension Trust's policy for concentration of credit risk is that not more than 5% of the fair value of the Pension Trust's portfolio can be invested in the debt obligations of any one issuer, except for securities issued by the U.S. Government, or its agencies, which may be held without limitation. As of December 31, 2024, and 2023, the Pension Trust was not exposed to concentration of credit risk.

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Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

(h) Fair Value Measurements

The Pension Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Pension Trust has the following recurring fair value measurements as of December 31, 2024 and 2023:

		December 31, 2024	
Investments by Fair Value Level	Fair Value	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<u>Debt Securities:</u>			
Money market mutual funds	\$ 22,336	\$ 22,336	\$ -
Fixed income securities	-	-	-
Total Debt Securities	<u>22,336</u>	<u>22,336</u>	<u>-</u>
Equity Securities	23,601	23,601	-
Total Investments by Fair Value Level	<u>45,937</u>	<u>\$ 45,937</u>	<u>\$ -</u>
<u>Investments measured at Net Asset Value (NAV)</u>			
Pooled Equity Funds	354,914		
Pooled Fixed Income Funds	119,411		
Private Equity	74,098		
Real Estate	58,973		
Hedge Funds	25,957		
Investments measured at NAV	<u>633,353</u>		
<u>Other investments measured at fair value</u>			
External Investment Pool (PRIT)	43,397		
Total Investments	<u>\$ 722,687</u>		

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Notes to Financial Statements

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(Dollars in thousands)

December 31, 2023

Investments by Fair Value Level	Fair Value	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<u>Debt Securities:</u>			
Money market mutual funds	\$ 20,799	\$ 20,799	\$ -
Fixed income securities	30,527	27,080	3,447
Total Debt Securities	<u>51,326</u>	<u>47,879</u>	<u>3,447</u>
Equity Securities	113,505	113,505	-
Total Investments by Fair Value Level	<u>164,831</u>	<u>\$ 161,384</u>	<u>\$ 3,447</u>
<u>Investments measured at Net Asset Value (NAV)</u>			
Pooled Equity Funds	202,510		
Pooled Fixed Income Funds	106,830		
Private Equity	75,630		
Real Estate	61,296		
Hedge Funds	27,512		
Investments measured at NAV	<u>473,778</u>		
<u>Other investments measured at fair value</u>			
External Investment Pool (PRIT)	<u>35,575</u>		
Total Investments	<u>\$ 674,184</u>		

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Equity securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table.

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Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

December 31, 2024				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity (1)	\$ 74,098	17,098	N/A ⁽¹⁾	N/A ⁽¹⁾
Real estate (2)	58,973	5,592	N/A ⁽²⁾	N/A ⁽²⁾
Hedge funds	25,957	-	Quarterly	90-100 days
Pooled Equity Funds	354,914	-	1-30 days	1 - 60 days
Pooled Fixed Income Funds	119,411	-	1-30 days	1 - 15 days
Total Investments Measured at the NAV	\$ 633,353			
December 31, 2023				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity (1)	\$ 75,630	23,615	N/A ⁽¹⁾	N/A ⁽¹⁾
Real estate (2)	61,296	8,922	N/A ⁽²⁾	N/A ⁽²⁾
Hedge funds	27,512	-	Quarterly	90-100 days
Pooled Equity Funds	202,510	-	1-30 days	1 - 60 days
Pooled Fixed Income Funds	106,830	114,794	1-30 days	1 - 15 days
Total Investments Measured at the NAV	\$ 473,778			

- (1) Private Equity Funds: This type includes 21 private equity funds that consist primarily of limited partnership interests in corporate finance and venture capital funds. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Pension Trust's ownership interest in partners' capital. The investments can never be redeemed with the funds. Distributions from each of these funds will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 12 years.
- (2) Real Estate Funds: This type includes 11 real estate funds that invest primarily in U.S. commercial real estate and value added opportunities. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Pension Trust's ownership interest in partners' capital. There are two investments with approximate values of \$21,100 and \$22,600 at December 31, 2024, and \$23,700 and \$23,400 at December 31, 2023, for which the investments can be redeemed quarterly, with a redemption notice period of 90 days. The remaining investments can never be redeemed with the funds. Distributions from each of these funds will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 12 years.

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Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

(3) OPEB Trust:

(a) Deposits – Custodial Credit Risk

The custodial credit risk for deposits and certificates of deposit is the risk that, in the event of a bank failure, the OPEB Trust’s deposits may not be recovered.

The bank deposits at June 30, 2025, and 2024 were \$5,545 and \$3,034 respectively. Of these amounts, \$5,295 and \$2,784 were exposed to custodial credit risks as uninsured and uncollateralized.

(b) Investments Summary

The Trustees have adopted a formal cash and investment policy. All funds will be invested with the Commonwealth of Massachusetts Pension Reserves Investment Trust (PRIT) fund through the State Retiree Benefits Trust Fund.

The investment in the PRIT fund is not subject to custodial or concentration risk and the Trust does not have policies to address such risks. The investment in PRIT is subject to foreign currency risk to the extent exchange rates will adversely affect the fair value of PRIT’s international investments. The Trust does not have a policy to address this risk. The PRIT fund is unrated. PRIT does not place any limitations or restrictions on withdrawals.

Investments are recorded at fair value. The Trust categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices. The Trust has no debt securities classified in Level 3.

The OPEB Trust’s investment in the PRIT fund, totaling \$89,697 and \$79,080 at June 30, 2025 and 2024, respectively, is classified as Level 2.

(4) **Bond Resolution Reserves**

The components of the reserves funded from revenues and required by the general and supplemental bond resolutions at June 30, 2025 and 2024 are as follows:

Reserves	Sewer	Water	Total	
			2025	2024
Renewal and Replacement	\$ 2,544	\$ 1,457	\$ 4,001	\$ 4,001
Insurance	7,000	7,000	14,000	14,000
Operating	38,934	20,529	59,463	57,556
Total	\$ 48,478	\$ 28,986	\$ 77,464	\$ 75,557

A renewal and replacement reserve of \$6,000 was established through grant receipts transferred from the Commonwealth in 1985 and is included in restricted net position at June 30, 2025, and 2024.

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Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

(5) Notes Payable and Long-Term Debt

Long-term debt at June 30, 2025 and 2024 consisted of the following:

	<u>2025</u>	<u>2024</u>
General Revenue Bonds:		
2016 Series B, 4% to 5%, issued May 12, 2016, due 2025 to 2030	\$ 1,590	\$ 7,630
2017 Series B, 5%, issued May 18, 2017, due 2028 to 2042	16,155	21,720
2018 Series B, 5%, issued May 16, 2018, due 2025 to 2043	47,210	57,340
2019 Series B, 5%, issued May 22, 2019, due 2025 to 2044	99,855	115,895
2019 Series E, 1 9/10% to 3 1/5%, issued November 1, 2019, due 2025 to 2044	48,160	50,000
2020 Series B, 5% issued August 20, 2020, due 2025 to 2045	135,955	141,155
2021 Series B, 5%, issued December 22, 2021, due 2025 to 2041	45,240	53,305
2023 Series B, 5% to 5.25%, issued April 27, 2023, due 2025 to 2048	127,145	133,975
2024 Series B, 5%, issued June 26, 2024, due 2025 to 2049	166,260	166,260
	<u>687,570</u>	<u>747,280</u>
Total		
General Revenue Refunding Bonds:		
2007 Series B, 5 1/4%, issued February 1, 2007, due 2025 to 2038	554,135	602,275
2014 Series F, 5%, issued November 19, 2014, due 2025	-	4,350
2016 Series C, 4% to 5%, issued May 12, 2016, due 2025 to 2040	226,070	276,560
2016 Series D, 3% to 5%, issued August 24, 2016, due 2029 to 2042	41,770	43,075
2017 Series C, 5%, issued May 18, 2017, due 2025 to 2032	100,890	135,875
2018 Series C, 5%, issued May 16, 2018, due 2025 to 2026	7,100	8,030
2019 Series F, 1 7/10% to 3 1/10%, issued November 1, 2019, due 2025 to 2039	247,485	290,880
2021 Series C, 1/2% to 2 9/10%, issued December 22, 2021, due 2025 to 2044	489,140	496,870
2023 Series C, 5%, issued April 27, 2023, due 2026 to 2033	100,340	100,340
2024 Series C, 5%, issued June 26, 2024, due 2027 to 2042	279,275	279,275
	<u>2,046,205</u>	<u>2,237,530</u>
Total		

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June 30, 2025 and 2024

(Dollars in thousands)

	<u>2025</u>	<u>2024</u>
General Revenue Bonds with the Massachusetts		
Clean Water Trust - Direct Borrowings:		
1999 Series E Sewer, 4 3/4%, issued		
October 6, 1999, due 2025 to 2029	\$ 2,602	\$ 3,072
1999 Series F Sewer, 5 3/4% to 6%, issued		
November 3, 1999, due 2025 to 2029	47,265	62,970
2000 Series E Sewer, 5 1/2%, issued		
November 1, 2000, due 2025 to 2030	22,847	26,244
2001 Series D Sewer, 5 3/8% to 5 1/2%, issued		
July 26, 2001, due 2025 to 2029	264	313
2002 Series H Sewer, 5%, issued		
October 31, 2002, due 2025 to 2032	33,975	37,630
2002 Series I Sewer, 5 1/2%, issued		
October 31, 2002, due 2025 to 2030	798	916
2003 Series C Sewer, 5% to 5 1/4%, issued		
November 6, 2003, due 2025 to 2033	13,303	14,526
2004 Series C Sewer, 5% to 5 1/4%, issued		
October 26, 2004, due 2025 to 2033	4,503	4,914
2004 Series D Sewer, 5%, issued		
November 29, 2004, due 2025 to 2034	25,805	27,850
2004 Series D Water, 5%, issued		
November 29, 2004, due 2025	-	970
2005 Series C Sewer, 5% to 5 1/4%, issued		
November 3, 2005, due 2025 to 2033	2,258	2,464
2005 Series D Sewer, 2 3/10%, issued		
November 16, 2005, due 2025 to 2035	28,707	30,973
2005 Series D Water, 0% to 2%, issued		
November 16, 2005, due 2025 to 2025	787	1,569
2005 Series E Sewer, 2%, issued		
November 16, 2005, due 2025	23	47
2005 Series E Water, 2%, issued		
November 16, 2005, due 2025	7	12
2006 Series C Sewer, 5%, issued		
October 26, 2006, due 2025 to 2034	2,832	3,283
2006 Series D Sewer, 2 3/10%, issued		
December 14, 2006, due 2025 to 2036	28,479	30,510
2006 Series D Water, 0% to 2%, issued		
December 14, 2006, due 2025 to 2026	3,143	4,700
2006 Series E Sewer, 2%, issued		
December 14, 2006, due 2025 to 2026	44	66
2006 Series E Water, 2%, issued		
December 14, 2006, due 2025 to 2026	20	30

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June 30, 2025 and 2024

(Dollars in thousands)

	<u>2025</u>	<u>2024</u>
General Revenue Bonds with the Massachusetts		
Clean Water Trust - Direct Borrowings (Continued):		
2007 Series C Sewer, 2% to 2 3/10%, issued		
November 9, 2007, due 2025 to 2035	\$ 814	\$ 986
2007 Series C Water, 2%, issued		
November 9, 2007, due 2025	156	310
2007 Series D Sewer, 2 3/10%, issued		
November 9, 2007, due 2025 to 2036	11,674	12,509
2007 Series E Sewer, 2 2/5%, issued		
December 18, 2007, due 2025 to 2037	29,234	31,125
2007 Series E Water, 2%, issued		
December 18, 2007, due 2025 to 2027	3,534	4,665
2008 Series G Sewer, 2%, issued		
December 9, 2008, due 2025 to 2026	698	1,036
2008 Series G Water, 2%, issued		
December 9, 2008, due 2025 to 2026	153	227
2009 Series C Sewer, 2% to 2 2/5%, issued		
March 18, 2009, due 2025 to 2038	37,454	39,674
2009 Series C Water, 2%, issued		
March 18, 2009, due 2025 to 2028	7,078	8,761
2009 Series D Sewer, 2% to 2 2/5%, issued		
December 15, 2009, due 2025 to 2037	4,186	4,708
2009 Series D Water, 2%, issued		
December 15, 2009, due 2025 to 2027	243	322
2010 Series D Sewer, 2% to 2 2/5%, issued		
July 8, 2010, due 2025 to 2040	13,711	14,751
2010 Series D Water, 2%, issued		
July 8, 2010, due 2025 to 2030	7,919	9,149
2011 Series A Sewer, 2% to 2 2/5%, issued		
March 15, 2011, due 2025 to 2038	2,356	2,598
2011 Series A Water, 2%, issued		
March 15, 2011, due 2025 to 2028	1,353	1,677
2012 Series C Sewer, 2% to 2 2/5%, issued		
June 6, 2012, due 2025 to 2040	2,885	3,329
2012 Series C Water, 2%, issued		
June 6, 2012, due 2025 to 2030	1,422	1,642
2012 Series D Sewer, 2% to 2 2/5%, issued		
June 13, 2012, due 2025 to 2042	19,464	21,684
2012 Series D Water, 2%, issued		
June 13, 2012, due 2025 to 2032	3,883	4,323
2013 Series B Sewer, 2% to 2 2/5%, issued		
May 22, 2013, due 2025 to 2043	12,274	13,982
2013 Series B Water, 2%, issued		
May 22, 2013, due 2025 to 2033	3,893	4,334

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June 30, 2025 and 2024

(Dollars in thousands)

	<u>2025</u>	<u>2024</u>
General Revenue Bonds with the Massachusetts		
Clean Water Trust - Direct Borrowings (Continued):		
2014 Series C Sewer, 2% to 2 2/5%, issued		
May 30, 2014, due 2025 to 2042	\$ 2,832	\$ 3,044
2014 Series C Water, 2%, issued		
May 30, 2014, due 2025 to 2032	2,554	2,878
2015 Series A Sewer, 2% to 2 2/5%, issued		
January 7, 2015, due 2025 to 2045	31,490	33,315
2015 Series A Water, 2%, issued		
January 7, 2015, due 2025 to 2035	8,750	9,526
2015 Series B Sewer, 2% to 2 2/5%, issued		
May 14, 2015, due 2023 to 2043	1,530	1,705
2015 Series B Water, 2%, issued		
May 14, 2015, due 2023 to 2033	996	1,123
2016 Series A Sewer, 2% to 2 2/5%, issued		
March 11, 2016, due 2025 to 2046	27,815	29,215
2016 Series A Water, 2%, issued		
March 11, 2016, due 2025 to 2036	8,247	8,904
2017 Series A Sewer, 2%, issued		
April 13, 2017, due 2025 to 2036	5,689	6,100
2017 Series A Water, 2%, issued		
April 13, 2017, due 2025 to 2037	16,147	17,314
2018 Series E Sewer, 2%, issued		
September 12, 2018, due 2023 to 2038	12,930	13,713
2018 Series E Water, 2%, issued		
September 12, 2018, due 2023 to 2038	24,256	25,725
2019 Series D Sewer, 2%, issued		
October 24, 2019, due 2023 to 2039	25,847	27,292
2019 Series D Water, 2%, issued		
October 24, 2019, due 2023 to 2039	15,555	16,424
2021 Series A Sewer, 2%, issued		
May 11, 2021, due 2025 to 2041	20,945	22,030
2021 Series A Water, 2%, issued		
May 11, 2021, due 2025 to 2041	21,063	22,154
2022 Series A Sewer, 2%, issued		
December 14, 2022, due 2025 to 2043	8,252	8,623
2022 Series A Water, 2%, issued		
December 14, 2022, due 2025 to 2043	8,997	9,402
2023 Series D Sewer, 2%, issued		
November 1, 2023, due 2025 to 2044	28,458	29,658
2023 Series D Water, 2%, issued		
November 1, 2023, due 2025 to 2044	8,526	8,885
2024 Series A Sewer, interim loans, issued		
June 12, 2024	-	36,915
2024 Series A Water, interim loans, issued		
June 12, 2024	-	30,000
2025 Series A Sewer, 2% issued		
February 1, 2025, due 2026 to 2045	46,850	-
2025 Series A Water, 2% issued		
February 1, 2025, due 2026 to 2045	26,700	-
2025 Series B Sewer, interim loans, issued		
February 1, 2025	33,484	-
2025 Series B Water, interim loans, issued		
February 1, 2025	15,000	-
	<u>784,959</u>	<u>798,796</u>
Total		

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(Dollars in thousands)

	<u>2025</u>	<u>2024</u>
General Revenue Bonds (Variable Rates):		
1999 Series B, 1.14% to 4.04%, issued January 29, 1999, due 2025 to 2028	\$ 22,800	\$ 27,900
Total	<u>22,800</u>	<u>27,900</u>
General Revenue Refunding Bonds (Variable Rates):		
2008 Series A, 1.40% to 4.65%, issued May 29, 2008, due 2025 to 2037	86,595	97,165
2008 Series C, 1.40% to 4.15%, issued May 29, 2008, due 2025 to 2026	19,055	28,035
2008 Series E, 1.34% to 3.85%, issued May 29, 2008, due 2025 to 2037	58,445	62,070
2012 Series E, 2.28% to 4.86%, issued November 15, 2012, due 2025 to 2031 (Direct Borrowing)	44,587	47,357
2014 Series A, 2.02% to 4.75%, issued May 20, 2014, due 2025 (Direct Borrowing)	11,260	25,050
2018 Series A, 2.87% to 4.77%, issued March 26, 2018, due 2025 to 2031 (Direct Borrowing)	-	44,827
2018 Series D, 2.08% to 4.81%, issued May 31, 2018, due 2025 to 2029 (Direct Borrowing)	50,000	50,000
Total	<u>269,942</u>	<u>354,504</u>
Total Long-Term debt Before Adjustments	<u>3,811,476</u>	<u>4,166,010</u>
Less:		
Unamortized Bond Premiums and Discounts	238,710	262,247
Current Portion of Long-Term Debt	<u>(293,162)</u>	<u>(284,890)</u>
Total	<u>(54,452)</u>	<u>(22,643)</u>
Long-Term Debt, Net	<u>\$ 3,757,024</u>	<u>\$ 4,143,367</u>

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June 30, 2025 and 2024

(Dollars in thousands)

Long-term obligations at June 30, 2025 and 2024 consisted of the following:

	2025			2025	Due
	Beginning	Additions	Reductions	Ending	Within
	Balance			Balance	One Year
General Revenue Bonds	\$ 775,180	\$ -	\$ 64,810	\$ 710,370	\$ 45,770
General Revenue Refunding Bonds	2,424,800	-	214,500	2,210,300	162,291
Refunding from Direct Borrowings	167,234	-	61,387	105,847	16,415
General Revenue Bonds with the Massachusetts Clean Water Trust					
- Direct Borrowings	798,796	130,373	144,210	784,959	68,686
Lease liability	18,936	-	1,798	17,138	1,944
SBITA liability	-	863	178	685	164
Compensated Absences*	16,863	1	-	16,864	300
Total	\$ 4,201,809	\$ 131,237	\$ 486,883	\$ 3,846,163	\$ 295,570
	2024			2024	Due
	Beginning	Additions	Reductions	Ending	Within
	Balance			Balance	One Year
General Revenue Bonds	\$ 692,270	\$ 166,260	\$ 83,350	\$ 775,180	\$ 29,435
General Revenue Refunding Bonds	2,629,440	279,275	483,915	2,424,800	167,170
Refunding from Direct Borrowings	194,220	-	26,986	167,234	19,330
General Revenue Bonds with the Massachusetts Clean Water Trust					
- Direct Borrowings	805,966	108,850	116,020	798,796	68,955
Borrowings Associated with Derivative Instruments	22,194	-	22,194	-	-
Revolving Loan	55,000	45,000	100,000	-	-
Lease liability	20,600	-	1,664	18,936	1,798
Compensated Absences*	16,453	410	-	16,863	280
Total	\$ 4,436,143	\$ 599,795	\$ 834,129	\$ 4,201,809	\$ 286,968

*Compensated absences changes are reported at the net change.

The Authority is required to establish water and sewer rates and charges at a level sufficient to provide, among other things, primary and subordinated debt service coverage ratios of 120% and 110%, respectively. For the year ended June 30, 2025, the Authority had primary and subordinated debt service coverage ratios of 187% and 127%, respectively.

Under the Authority's General Revenue Bond Resolution, all revenues, together with the investment earnings thereon, except to the extent that such earnings are required to be deposited in the Rebate Fund pursuant to a Supplemental Resolution, are pledged for payment of the Bonds.

The Act of 1984 imposes a limitation of \$600,000 on the total amount of bonds and notes which may be outstanding at any one time. The Authority has requested increases in its debt limit as necessary to allow for issuances of bonds in amounts required to finance the capital program. The state legislature increased the debt limit to \$6,450,000.

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(Dollars in thousands)

On June 26, 2024, the Authority issued General Revenue Bonds, 2024 Series B for \$166,260 and General Revenue Refunding Bonds, 2024 Series C for \$279,275.

The proceeds from the Series B bonds were used to permanently finance outstanding tax-exempt commercial paper of \$80,000 and 2015C revolving loan of \$100,000. The interest rate on these bonds are 5%.

The proceeds from the Series C bonds were used to refund \$240 of General Revenue Bonds 2016 Series B, \$31,795 of General Revenue Bonds 2017 Series B, \$29,125 of General Revenue Bonds 2018 Series B, \$9,050 of General Revenue Bonds 2020 Series B, \$21,595 of General Revenue Refunding Bonds 2016 Series C, \$100,175 of General Revenue Refunding Bonds 2019 Series F and \$167,025 of General Revenue Refunding Bonds 2021 Series C.

The interest rate of these bonds are 5%. The cash flow required to make principal and interest payments on the funding bonds is approximately \$39,938 less than the debt service requirements of the refunded bonds. The economic gain (the difference between the present values of the debt service payments on the old and new debt) obtained from this refunding is \$26,576.

On November 1, 2015, the Authority entered into a revolving credit agreement with a bank. The Authority shall repay the loan at the Commitment Termination Date, December 29, 2045. The revolving loan automatically converts into a term loan if the Authority does not extend or refund the agreement by this date. Interest is payable at the Securities Industry and Financial Markets Association (SIFMA) index rate, beginning January 19, 2021 and, prior to this date, at 80% of the 1 month LIBOR rate, as of December 15, 2023 80% of daily Secured Overnight Financing Rate (SOFR). These rates were 4.45% and 5.33% at June 30, 2025 and 2024, respectively. Initial drawdown was \$100,000, which was reduced to \$79,000 at June 30, 2016. The balance was further reduced in fiscal year 2018 to \$53,000 using the proceeds from the General Revenue Bonds, 2018 Series B. During fiscal year 2022, the balance increased to \$73,000. During fiscal year 2023, the balance was increased to \$90,000 before the total balance was paid off in April 2023. In May 2023 an additional \$55,000 was issued. In fiscal year 2024 an additional \$45,000 was borrowed, bringing the total to \$100,000; which was subsequently paid off in June 2024 with proceeds from the General Revenue Bonds, 2024 Series B.

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Demand Bonds

Included in variable rate long-term debt of \$292,742 is \$186,895 of subordinated variable rate demand obligations (VRDOs). The bonds were issued on various dates from 1999 through 2008. Subordinated VRDOs are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest. The ability of the Authority to purchase such bonds, if not remarketed, is secured through letters of credit and standby bond purchase agreements with various nationally recognized financial institutions that expire between November 2025 and August 2028. The VRDOs are classified as long-term debt because the liquidity agreement for each series contains term out provisions that, if demand is made to repurchase the bonds, calls for a two-to-three-year amortization to repay the bonds.

In 2014, \$114,755 of 2014 Series A and B General Revenue Refunding Bonds were issued as direct-purchase bonds, to be held by the purchaser for a specific period of time and are not subject to purchase or remarketing at the demand of the holder and therefore do not require a letter of credit or standby bond purchase agreement. The \$11,260 Series A has been purchased through August 2025. In addition, the 2012 Series E General Revenue Refunding Bonds, totaling \$47,357, has a three-year term out provision beginning at the expiration date and the 2018 Series A & D General Revenue Refunding Bonds, totaling \$50,000, have three-year term out provisions beginning at the expiration dates. The 2018 Series A bonds were refunded on February 20, 2025.

Defeased Debt

At June 30, 2025, the following bonds outstanding are considered defeased in-substance:

<u>Description</u>	<u>Redemption date</u>	<u>Redemption price</u>	<u>Outstanding Principal amount</u>
2016 Series B	2025 - 2026	100	\$ 56,060
2016 Series C	2025 - 2026	100	394,605
2016 Series D	2025 - 2026	100	61,205
2017 Series B	2025-2027	100	46,660
2017 Series C	2025-2027	100	28,330
2018 Series B	2026-2028	100	54,675
2018 Series C	2026	100	4,400
2019 Series B	2025 - 2027 and 2029	100	10,660
2019 Series F	2026 - 2029	100	189,095
2020 Series B	2026 - 2030	100	6,950
2021 Series B	2026	100	2,735
2021 Series C	2027-2031	100	167,025
2023 Series B	2027	100	1,135

The proceeds and available funds were deposited in irrevocable trusts with escrow agents in an amount which will provide for payment of interest due to the redemption date and redemption of the defeased bonds outstanding on such date. The defeased portion of such debt, accrued interest thereon, and related unamortized issuance and discount costs were removed from the statements of net position in an in-substance defeasance transaction.

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In February 2024, the Authority used funds on hand to defease \$11,350 of the 2016 Series C General Revenue Refunding Bonds.

In August 2024, the Authority used funds on hand to defease \$1,750 of the 2016 Series B, \$2,850 of the 2017 Series B, \$3,040 of the 2019 Series B General Revenue Bonds and \$15,025 of the 2016 Series C General Revenue Refunding Bonds outstanding.

In October 2024, the Authority used funds on hand to defease \$5,200 of the 2020 Series B, \$2,735 of the 2021 Series B, \$1,135 of the 2023 Series B General Revenue Bonds and \$18,950 of the 2016 Series C General Revenue Refunding Bonds outstanding.

In June 2025, the Authority used funds on hand to defease \$2,820 of the 2016 Series B, \$2,715 of the 2017 Series B, \$10,130 of the 2018 Series B, \$3,000 of the 2019 Series B General Revenue Bonds and \$7,000 of the 2016 Series C, \$1,305 of the 2016 Series D, \$5,050 of the 2017 Series C General Revenue Refunding Bonds outstanding.

At June 30, 2025, outstanding bonds that are redeemable before their scheduled due dates are as follows:

<u>Description</u>	<u>Redemption date</u>	<u>Redemption price</u>	<u>Outstanding Principal amount</u>
2016 Series C	August 2026	100	\$ 215,100
2016 Series D	August 2026	100	41,770
2017 Series B	August 2027	100	16,155
2017 Series C	August 2027	100	100,890
2019 Series B	August 2029	100	66,855
2019 Series E	August 2029	100	10,985
2019 Series E	August 2039	100	12,640
2019 Series E	August 2044	100	14,770
2019 Series F	August 2029	100	55,260
2019 Series F	August 2039	100	63,290
2020 Series B	August 2030	100	118,325
2021 Series B	August 2031	100	21,500
2021 Series C	August 2041	100	231,215
2021 Series C	August 2044	100	10,605
2023 Series B	August 2033	100	76,340
2024 Series B	August 2034	100	59,120
2024 Series B	August 2034	100	42,305
2024 Series C	August 2034	100	155,020

The variable rate General Revenue Bonds are subject to redemption prior to maturity at the option of the Authority in whole or in part, on any interest payment date for bond Series 1999B and on any business day for bond Series 2008A, 2008C, 2008E, 2012E, 2014A, 2018A and 2018D, respectively.

During fiscal 2025, the Authority executed loan agreements with Massachusetts Clean Water Trust providing for 2025 Series A Sewer and Water loans in the principal amounts of \$51,890 and \$30,000

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less loan forgiveness amount \$2,405 and \$5,040, respectively, replaced 2024 Series A interim loans executed in fiscal year 2024 and 2025 Series B Sewer and Water interim loans in the principal amounts of \$50,000 and \$15,000, respectively. All proceeds for these loans were received by June 30, 2025, except \$16,175 2025 B Sewer loans received in fiscal year 2026.

During fiscal 2024, the Authority executed interim loan agreements with Massachusetts Clean Water Trust providing for 2024 Series A Sewer and Water loans in the principal amounts of \$52,000 and \$30,000, respectively. All proceeds for these loans were received by June 30, 2024.

During fiscal 2024, the Authority executed loan agreements with Massachusetts Clean Water Trust providing for 2023 Series D Sewer and Water loans in the principal amounts of \$32,063 less loan forgiveness amount \$2,405 and \$9,872 less loan forgiveness amount \$987, respectively, replacing interim loans executed in fiscal year 2023. All proceeds for these loans were received by June 30, 2024.

Federal and Commonwealth subsidies for purposes of offsetting principal payments aggregating \$11,068 will be recognized as capital grants in aid of construction over the term of the loans.

Interest is payable semiannually on all debt, except on the commercial paper, on which interest is payable upon maturity and the General Revenue Bonds and General Revenue Refunding Bonds with variable interest rates on which interest is payable monthly. The Senior General Revenue Bonds and the Senior General Revenue Refunding Bonds are collateralized equally and ratably by a lien and pledge on substantially all of the Authority's cash and revenues, except the operating fund.

The subordinated debt series, including the commercial paper interest are collateralized equally and ratably by a subordinated pledge on substantially all of the Authority's revenues and cash and investments, except the operating, senior debt service, and debt service reserve funds. Premiums, discounts, issuance costs, and the excess of reacquisition price over the carrying amount of the defeased debt are being amortized over the lives of the respective issues.

The amounts of long-term debt, principal, and interest payable in future fiscal years are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 293,162	\$ 141,149	\$ 434,311
2027	327,895	132,938	460,833
2028	257,298	119,469	376,767
2029	256,272	109,387	365,659
2030	244,670	99,723	344,393
2031–2035	1,080,342	361,065	1,441,407
2036–2040	927,735	177,434	1,105,169
2041–2045	345,302	47,854	393,156
2046–2050	78,800	8,648	87,448
Total	<u>\$ 3,811,476</u>	<u>\$ 1,197,667</u>	<u>\$ 5,009,143</u>

Commercial paper activity during fiscal years 2025 and 2024 consisted of the following:

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	2025			2025
	Beginning	Additions	Reductions	Ending
	balance			balance
3.55% Commercial Paper	\$ 80,000	\$ -	\$ 80,000	\$ -
2.87% Commercial Paper	-	39,195	-	39,195
3.20% Commercial Paper	-	50,000	-	50,000
3.05% Commercial Paper	-	50,000	-	50,000
	<u>\$ 80,000</u>	<u>\$ 139,195</u>	<u>\$ 80,000</u>	<u>\$ 139,195</u>
Total				
	2024			2024
	Beginning	Additions	Reductions	Ending
	balance			balance
3.35% Commercial Paper	\$ -	\$ 80,000	\$ -	\$ 80,000
Total	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ 80,000</u>

(6) Intergovernmental Loans

The Authority has entered into various interest-free loan agreements with certain member communities. Under these agreements, the Authority loaned these communities \$51,326 and \$86,592 in fiscal years 2025, and 2024, respectively, to be received in five or ten equal annual installments.

The long-term portion of these loans on June 30, 2025, and 2024 is \$222,971 and \$216,791 respectively, and is included in other assets. The loans were due within one year total \$43,927 and \$41,323 on June 30, 2025, and 2024, respectively. This program is designed to assist member communities with sewer and water systems rehabilitation.

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(7) Capital Assets

Capital assets at June 30, 2025 and 2024 consisted of the following:

	2024	Additions	Disposals/ transfers	2025
Capital assets not being depreciated:				
Land	\$ 30,214	\$ 65	\$ -	\$ 30,279
Construction in progress	279,826	183,052	(51,806)	411,072
Total capital assets not being depreciated	<u>310,040</u>	<u>183,117</u>	<u>(51,806)</u>	<u>441,351</u>
Capital assets being depreciated:				
Plant and equipment – water and sewage system	10,298,028	49,922	-	10,347,950
Lease asset - building	25,039	-	-	25,039
Subscription asset	-	869	-	869
Furniture and fixtures	21,961	-	-	21,961
Leasehold improvements	2,423	-	-	2,423
Motor vehicles and equipment	13,013	1,820	-	14,833
Total capital assets being depreciated	<u>10,360,464</u>	<u>52,611</u>	<u>-</u>	<u>10,413,075</u>
Less: accumulated depreciation for:				
plant and equipment – water and sewage system	5,157,527	208,975	-	5,366,502
Lease asset - building	8,405	2,101	-	10,506
Subscription asset	-	14	-	14
Furniture and fixtures	17,784	295	-	18,079
Leasehold improvements	2,216	12	-	2,228
Motor vehicles and equipment	8,252	858	-	9,110
Total accumulated depreciation	<u>5,194,184</u>	<u>212,255</u>	<u>-</u>	<u>5,406,439</u>
Total capital assets being depreciated, net	<u>5,166,280</u>	<u>(159,644)</u>	<u>-</u>	<u>5,006,636</u>
Total capital assets, net	<u>\$ 5,476,320</u>	<u>\$ 23,473</u>	<u>\$ (51,806)</u>	<u>\$ 5,447,987</u>

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Capital assets at June 30, 2024 and 2023 consisted of the following:

	<u>2023</u>	<u>Additions</u>	<u>Disposals/ transfers</u>	<u>2024</u>
Capital assets not being depreciated:				
Land	\$ 30,060	\$ 154	\$ -	\$ 30,214
Construction in progress	298,535	157,975	(176,684)	279,826
Total capital assets not being depreciated	<u>328,595</u>	<u>158,129</u>	<u>(176,684)</u>	<u>310,040</u>
Capital assets being depreciated:				
Plant and equipment – water and sewage system	10,125,898	172,130	-	10,298,028
Lease asset - building	25,039	-	-	25,039
Furniture and fixtures	17,561	4,400	-	21,961
Leasehold improvements	2,423	-	-	2,423
Motor vehicles and equipment	13,013	-	-	13,013
Total capital assets being depreciated	<u>10,183,934</u>	<u>176,530</u>	<u>-</u>	<u>10,360,464</u>
Less: accumulated depreciation for:				
plant and equipment – water and sewage system	4,953,169	204,358	-	5,157,527
Lease asset - building	6,304	2,101	-	8,405
Furniture and fixtures	17,537	247	-	17,784
Leasehold improvements	2,204	12	-	2,216
Motor vehicles and equipment	7,413	839	-	8,252
Total accumulated depreciation	<u>4,986,627</u>	<u>207,557</u>	<u>-</u>	<u>5,194,184</u>
Total capital assets being depreciated, net	<u>5,197,307</u>	<u>(31,027)</u>	<u>-</u>	<u>5,166,280</u>
Total capital assets, net	<u>\$ 5,525,902</u>	<u>\$ 127,102</u>	<u>\$ (176,684)</u>	<u>\$ 5,476,320</u>

Depreciation and amortization for fiscal years 2025 and 2024 were \$244,521 and \$236,818, respectively.

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(8) Lease Liability

The Authority has entered into 30-year building lease related to the Chelsea maintenance facility. Annual installments range between \$1,538 and \$2,837, plus interest at 7.83%; due dates range from July 2022 through May 2032.

Maturity analysis of future principal and interest payments at June 30, 2025 are as follows:

<u>Fiscal Year Ending June</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2026	\$ 1,273	\$ 1,944	\$ 3,217
2027	1,115	2,102	3,217
2028	945	2,272	3,217
2029	760	2,457	3,217
2030	561	2,656	3,217
2031-2032	458	5,708	6,166
	<u>\$ 5,112</u>	<u>\$ 17,139</u>	<u>\$ 22,251</u>

(9) Subscription-Based Information Technology Arrangements (SBITA) Liability

The Authority accounts for SBITA in accordance with GASB Statement No. 96, Subscription-Based Information Technology Arrangements. In this standard, a right-to-use intangible subscription asset and a corresponding liability are recognized for SBITA that have agreement term for more than 12 months. The subscription asset is amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the subscription term.

As of June 30, 2025, the Authority's capitalized SBITA intangible assets and related accumulated amortization are disclosed in Note 7.

The future payments for the subscription liability as of June 30, 2025, are as follows:

<u>Year Ending June, 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 164	\$ 21	\$ 184
2027	169	16	184
2028	174	11	184
2029	179	5	184
	<u>\$ 685</u>	<u>\$ 52</u>	<u>\$ 737</u>

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(10) Retirement Benefits

(a) Plan Description

The Enabling Act provided for the establishment of the Massachusetts Water Resources Authority Employees' Retirement System (the Plan), a contributory single-employer retirement system that is separate from the State Employees Retirement System. The Plan is a defined benefit pension plan covering those employees not employed by the MDC prior to July 1, 1985. Complete financial statements for the Plan can be obtained from the Authority's administrative offices at 2 Griffin Way, Chelsea, MA 02150.

(b) Benefits Provided

The Plan provides retirement, disability and death benefits. For employees hired prior to April 2, 2012, the annual amount of the retirement allowance is based on the member's final three-year average salary multiplied by (1) the number of years and full months of creditable service at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by state law. Assuming normal retirement at age 65, this percentage is 2.5%, which is reduced for individuals who retire prior to age 65 to reflect the longer pay out period.

For employees hired on or after April 2, 2012, the annual amount of the retirement allowance is based on the member's final five-year average salary multiplied by (1) the number of years and full months of creditable service at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by state law. Assuming normal retirement at age 67, this percentage is 2.5%.

Employees hired prior to April 2, 2012, may elect early retirement after 20 years of service or at any time after attaining age 55 with 10 years of eligible service. Plan members who become permanently and totally disabled may be eligible to receive a disability retirement allowance. The amount of benefits to be received depends on several factors, including the member's age, compensation, veteran status, years of service and whether or not the disability is work-related. In addition, certain death benefits exist for beneficiaries of employees who die in active service.

All MDC personnel who became employees of the Authority on July 1, 1985, and were members of the State Employees Retirement System, retained their membership in that system. The Authority is not liable for retirement allowances paid to or on account of these employees. Funding of the pension liability of the State Employees Retirement System is the obligation of the Commonwealth. Employees covered by this plan become 100% vested after 10 years of service.

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(c) *Employees Covered by Benefit Terms*

At December 31, 2024 and 2023 (the date of the Plan's latest actuarial valuation), the following employees were covered by the benefit terms:

	<u>2024</u>	<u>2023</u>
Retired Participants and Beneficiaries Receiving Benefits	882	834
Inactive Participants Entitled to a Return of their Employee Contributions	123	116
Inactive Participants with a Vested Right to a Deferred or Immediate Benefit	39	42
Active Participants	<u>1,057</u>	<u>1,063</u>
Total	<u><u>2,101</u></u>	<u><u>2,055</u></u>

(d) *Contributions*

Contributions made by employees are based upon a percentage of employee base pay (5% for employees hired before December 31, 1974, 7% for employees hired between January 1, 1975 and December 31, 1983, 8% for employees hired between December 31, 1983, and June 30, 1996, and 9% for employees hired after July 1, 1996). Additionally, certain employees earning in excess of \$30 contribute an extra 2% of their salary effective January 1, 1979. Employees receive full payment of contributions upon withdrawal from the Plan and 50% of interest earned for employees with five to nine years of service or 100% of interest earned for employees with 10 or more years of service.

The Authority's 2024, and 2023 contributions to the plan were based on an amount approved by the Retirement Board and the Authority's board of directors, which is based on an actuarially determined amount. The Authority's Enabling Act requires funding to be made in accordance with the Retirement Board's recommendation. In fiscal year 2024 the Authority made a \$21.26 million required contribution. In fiscal year 2023 the Authority made a \$15.97 million required contribution.

Net Pension Liability (Pension Trust Reporting)

Investment Policy:

Deposits and investments made by the Pension Trust are governed by Chapter 32 of the MGL. The Pension Trust has the ability to invest in equity securities, corporate bonds, annuities and other specified investments in accordance with state laws and regulations.

The Retirement Board has the authority for establishing and amending investment policy decisions. Based on the investment objectives and constraints of the Pension Trust, and based on an annual review of the asset allocation and asset classes, the Retirement Board will specify a long-term target allocation for each class of permissible assets. These targets will be expressed as a percentage of the total portfolio, and will have ranges surrounding them, allowing for the portfolio to maintain policy through market fluctuations.

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The long-term target allocations are intended as strategic goals. Thus, it is permissible for the overall Pension Trust's asset allocation to deviate from the long-term target, as would likely occur during manager transitions, asset class restructurings, and other temporary changes in the Pension Trust. Surplus cash flows are utilized to maintain the asset management structure. Should these cash flows not be sufficient to reallocate the plan according to policy, the transfer of assets may occur between managers. At least annually, the Retirement Board reevaluates the portfolio weightings by asset class and adjustments are made accordingly. The following identifies the asset allocation policy as of December 31, 2024 and 2023:

<u>Asset Class</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
	<u>Target Allocation</u>	<u>Target Allocation</u>
Domestic Equity	34%	34%
International Equity	16	16
Real Estate	8	10
Private Equity	16	15
Hedge Funds	6	5
Fixed Income	20	20
Total	100%	100%

Rates of Return:

For the years ended December 31, 2024, and 2023, the annual money-weighted rate of return on investments, net of investment expense, was 8.5% and 9.1%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The components of the net pension liability of the Pension Trust at December 31, 2024 and 2023, were as follows:

	<u>2025</u>	<u>2024</u>
Total Pension Liability	\$ 864,773	\$ 812,867
Plan Fiduciary Net Position	723,202	674,932
Net Pension Liability	\$ 141,571	\$ 137,935
Plan's Fiduciary Net Position as Percentage of the Total Pension Liability	83.63%	83.03%

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Actuarial assumptions: The total pension liability was determined by actuarial valuations as of January 1, 2025, and January 1, 2024, and update procedures were used to roll back the total pension liability to the December 31, 2024, and 2023 measurement dates. The following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Inflation	3%
Salary Increases	Based on years of service, starting at 5.75% at 0 years of service decreasing to 4% after 9 years of service. An additional 100 basis points was applied for the 2025 through 2027 calendar years.
Discount Rate	6.9% as of December 31, 2024 and December 31, 2023.
Cost of Living Adjustments	3% of first \$17,000
Mortality Rates (2025):	
Pre-Retirement:	Pub-2010 General Employee, Healthy Retiree and Contingent Survivor Amount - weighted Mortality Tables projected generationally using Scale MP-2021
Healthy Retiree:	Pub-2010 General Employee, Healthy Retiree and Contingent Survivor Amount - Weighted Mortality Tables projected generationally using Scale MP-2021
Disabled Retiree:	Pub-2010 General Disabled Retiree Amount - weighted Mortality Tables set forward one year projected generationally using Scale MP-2021
Mortality Rates (2024):	
Pre-Retirement:	Pub-2010 General Employee, Healthy Retiree and Contingent Survivor Amount - weighted Mortality Tables projected generationally using Scale MP-2021
Healthy Retiree:	Pub-2010 General Employee, Healthy Retiree and Contingent Survivor Amount - Weighted Mortality Tables projected generationally using Scale MP-2021
Disabled Retiree:	Pub-2010 General Disabled Retiree Amount - weighted Mortality Tables set forward one year projected generationally using Scale MP-2021

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Rates of return on investments: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation are summarized as follows:

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return (%)</u>	
	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Domestic Equity	5.82	6.29
International Equity	5.91 - 7.06	6.39 - 7.63
Real Estate	3.34	3.24
Private Equity	5.82 - 9.20	5.91 - 9.43
Hedge Funds	2.77	2.87
Fixed Income	1.05 - 3.34	0.95 - 3.43

(e) Discount Rate

The discount rate used to measure the total pension liability was 6.90% for December 31, 2024, and 2023. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that the Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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(f) Changes in the Net Pension Liability (Employer Reporting)

The Plan's net pension liability was measured as of December 31, 2024, and 2023 for the reporting dates June 30, 2025, and 2024, respectively. The total pension liability was determined by actuarial valuations as of January 1, 2025, and January 1, 2024, respectively, rolled back to the measurement dates.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2023	\$ 782,214	\$ 629,240	\$ 152,974
Changes for the Year:			
Service Cost	14,275	-	14,275
Interest	53,669	-	53,669
Differences Between Expected and actual experience	78	-	78
Contributions - employer	-	15,973	(15,973)
Contributions - employee	-	10,576	(10,576)
Net investment income	-	57,017	(57,017)
Benefit payments	(37,369)	(37,369)	-
Administrative expenses	-	(505)	505
Net changes	<u>30,653</u>	<u>45,692</u>	<u>(15,039)</u>
Balances at June 30, 2024	812,867	674,932	137,935
Changes for the year:			
Service cost	14,691	-	14,691
Interest	55,697	-	55,697
Differences between expected and actual experience	15,791	-	15,791
Change of Assumptions	6,470	-	6,470
Contributions - employer	-	21,265	(21,265)
Contributions - employee	-	11,446	(11,446)
Net investment loss	-	56,816	(56,816)
Benefit payments	(40,743)	(40,743)	-
Administrative expenses	-	(514)	514
Net changes	<u>51,906</u>	<u>48,270</u>	<u>3,636</u>
Balances at June 30, 2025	<u>\$ 864,773</u>	<u>\$ 723,202</u>	<u>\$ 141,571</u>

MASSACHUSETTS WATER RESOURCES AUTHORITY

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

(g) Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset), calculated using the discount rate of 6.90%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90%) or 1-percentage-point higher (7.90%) than the current rate:

	1% Decrease (5.90%)	Discount (6.90%)	1% Increase (7.90%)
Net pension liability as of June 30, 2025	<u>\$ 241,203</u>	<u>\$ 141,571</u>	<u>\$ 57,096</u>
Net pension liability as of June 30, 2024	<u>\$ 232,390</u>	<u>\$ 137,935</u>	<u>\$ 57,858</u>

(h) Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2025, and 2024, the Authority recognized pension expense of \$31,025 and \$25,010, respectively, and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2025		June 30, 2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$12,680	\$ 1,489	\$ 651	\$ 2,775
Changes of assumptions	5,408	-	7,222	-
Net difference between projected and actual earnings on pension plan investments	<u>29,690</u>	<u>-</u>	<u>47,316</u>	<u>-</u>
Total	<u>\$ 47,778</u>	<u>\$ 1,489</u>	<u>\$ 55,189</u>	<u>\$ 2,775</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	Amount
2026	\$17,361
2027	27,022
2028	(438)
2029	<u>2,344</u>
Total	<u>\$ 46,289</u>

MASSACHUSETTS WATER RESOURCES AUTHORITY

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

(11) Other Postemployment Benefits (OPEB)

(a) Plan Description

In addition to providing the pension benefits described, the Authority provides postemployment health care and life insurance benefits for retired employees through the Group Insurance Commission (GIC). The GIC is a quasi-independent state agency that administers an agent multi-employer defined benefit OPEB plan. The benefits, benefit levels, employee contributions and employer contributions are governed by the Authority and can be amended by the Authority. The plan issues a separate financial report that can be obtained by contacting the Massachusetts Water Resources Authority, Finance Division, 33 Tafts Avenue, Boston, MA 02128.

In April 2015, the Authority established the MWRA OPEB Irrevocable Trust. The Trust was established for the sole purpose of providing for the advance funding of future costs of retired employee health insurance and other benefits provided to retirees. An initial deposit of \$10.8 million was made to the trust upon establishment of the trust. The balance of the trust was \$95.2 million and \$82.1 million at June 30, 2025, and June 30, 2024, respectively.

(b) Plan Membership

At June 30, 2025 and 2024, plan membership consisted of the following:

	<u>2025</u>	<u>2024</u>
Inactive plan members or beneficiaries currently receiving benefits	764	771
Inactive plan members entitled to but not yet receiving benefits	21	38
Active plan members	<u>1,061</u>	<u>1,025</u>
Total	<u><u>1,846</u></u>	<u><u>1,834</u></u>

(c) Benefits Provided

The Authority provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the Authority and meet the eligibility criteria will receive these benefits.

(d) Contributions

Retirees who retired on or before July 1, 1994 contribute 10% of the cost of the health plans, as determined by the GIC. Those who retired after July 1, 1994 contribute 15% of the cost of the health plan and those who retired after October 1, 2009 contribute 20% of the cost of the health plan, as determined by the GIC. The Authority contributes the remainder of the health plan costs on a pay-as-you-go basis.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

(e) Investments

Investment policy. The assets are invested by the Trust with the Commonwealth of Massachusetts Pension Reserves Investment Trust (PRIT) fund. The Trust's Board of Trustees may vote to approve a different investment vehicle, at its discretion. The following was the PRIT fund's asset allocation at June 30, 2025 and 2024:

Asset Class	June 30, 2025 Target Allocation	June 30, 2024 Target Allocation
Domestic Equity	23%	22%
International Equity	13	14
Fixed Income	24	24
Private Equity	16	16
Real Estate	10	10
Other	14	14
Total	100 %	100 %

Concentrations. No investment in any one organization represented 5% or more of the Trust's investments.

Rate of return. For the year ended June 30, 2025, and 2024, the annual money-weighted rate of return on investments, net of investment expense was 9.56% and 9.51%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts invested.

(f) Net OPEB Liability (Trust Reporting)

The components of the net OPEB liability at June 30, 2025 and 2024, were as follows:

	2025	2024
Total OPEB Liability	\$ 190,139	\$ 176,604
Plan Fiduciary Net Position	95,242	82,114
Net OPEB Liability	\$ 94,897	\$ 94,490
Plan's Fiduciary Net Position as Percentage of the Total OPEB Liability	50.09%	46.50%

MASSACHUSETTS WATER RESOURCES AUTHORITY

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

Actuarial assumptions. The total OPEB liability was determined by actuarial valuations as of December 31, 2023, and December 31, 2021, and update procedures were used to roll forward the total OPEB liability to June 30, 2025, and 2024 measurement dates, respectively. The following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	5.75%, decreasing over 9 years to an ultimate level of 4.0%
Discount rate and investment rate of return	6.75%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Non-Medicare Medical Plan: 9.15% managed care/11.55% indemnity in 2024, decreasing to a long-term rate of 5% after ten years. Medicare Medical Plan: 3.06% managed care / 4.17% indemnity in 2024, increasing to 5.9% managed care/6.6% indemnity in 2025, and decreasing to a long-term trend of 5% after ten years.
Mortality Rates:	Mortality rates were based on the Pub-2010 Headcount-Weighted Mortality Tables, sex-distinct, projected using generational mortality and scale MP-2021. Set forward 2 years for disabled retirees.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2025 and 2024 (see discussion of the Trust's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return (%)	
	June 30, 2025	June 30, 2024
Domestic Equity	4.48%	4.19%
International Equity	4.77	3.9
Fixed Income	3.48	1.56 - 5.07
Private Equity	7.70	7.41
Real Estate	4.09	3.90
Other	4.09	3.70 - 4.39

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Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

Discount rate. The discount rate used to measure the total OPEB liability was 6.75% for June 30, 2025, and 2024. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

(g) Changes in the Net OPEB Liability (Employer Reporting)

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2023	<u>\$ 117,758</u>	<u>\$ 72,378</u>	<u>\$ 45,380</u>
Changes for the year:			
Service cost	2,825	-	2,825
Interest	7,876	-	7,876
Contributions - employer	-	10,636	(10,636)
Net investment loss	-	6,887	(6,887)
Benefit payments	(7,787)	(7,787)	-
Differences between expected and actual experience	17,386	-	17,386
Changes of assumptions	38,546	-	38,546
Net changes	<u>58,846</u>	<u>9,736</u>	<u>49,110</u>
Balances at June 30, 2024	176,604	82,114	94,490
Changes for the year:			
Service cost	4,279	-	4,279
Interest	11,943	-	11,943
Change in Benefit Terms	3,333		3,333
Contributions - employer	-	13,169	(13,169)
Net investment income	-	7,847	(7,847)
Benefit payments	(7,888)	(7,888)	-
Changes of assumptions	1,868	-	1,868
Net changes	<u>13,535</u>	<u>13,128</u>	<u>407</u>
Balances at June 30, 2025	<u>\$ 190,139</u>	<u>\$ 95,242</u>	<u>\$ 94,897</u>

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Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Authority, as well as what the Authority’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current discount rate:

	<u>1% Decrease (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Net OPEB Liability as of June 30, 2025	<u>\$ 119,199</u>	<u>\$ 94,897</u>	<u>\$ 74,815</u>
	<u>1% Decrease (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Net OPEB Liability as of June 30, 2024	<u>\$ 107,136</u>	<u>\$ 94,490</u>	<u>\$ 67,240</u>

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the Authority, as well as what the Authority’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease (4.99% - 3.5%)</u>	<u>Base Rate (5.99% - 4.5%)</u>	<u>1% Increase (6.99% - 5.5%)</u>
Net OPEB Liability as of June 30, 2025	<u>\$ 70,945</u>	<u>\$ 94,897</u>	<u>\$ 124,578</u>
	<u>1% Decrease (4.99% - 3.5%)</u>	<u>Base Rate (5.99% - 4.5%)</u>	<u>1% Increase (6.99% - 5.5%)</u>
Net OPEB Liability as of June 30, 2024	<u>\$ 64,946</u>	<u>\$ 94,490</u>	<u>\$ 110,401</u>

MASSACHUSETTS WATER RESOURCES AUTHORITY

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

(h) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended June 30, 2025, and 2024, the Authority recognized OPEB expense of \$17,696 and \$2,121, respectively, and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2025		June 30, 2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,879	\$ -	\$ 15,217	\$ -
Changes of assumptions	23,998	7,499	30,532	15,510
Net difference between projected and actual earnings on OPEB Trust investments	-	1,331	-	71
Total	<u>\$ 34,877</u>	<u>\$ 8,830</u>	<u>\$ 45,749</u>	<u>\$ 15,581</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2026	\$ 6,159
2027	11,088
2028	8,947
2029	(147)
Total	<u>\$ 26,047</u>

MASSACHUSETTS WATER RESOURCES AUTHORITY

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

(12) Commitments and Contingencies

(a) General

The Authority's capital improvement program continues to proceed. As part of this program, the Authority has entered into a number of contracts for the design and construction of infrastructure and improvements to its facilities. Commitments under these contracts aggregated approximately \$1,835,336 at June 30, 2025.

The Authority's operating and construction plans are designed to comply with the Federal District Court's schedule of actions. The Authority has incurred capital expenditures of approximately \$9,492,853 from fiscal years 1986 through 2025, including those projects required to comply with the Federal District Court's schedule. The Authority anticipates spending an additional \$2,490,065 on these projects through fiscal year 2029. These capital expenditures have been forecasted based upon certain preliminary assumptions and estimates, which may change significantly as design and construction of the necessary facilities proceed. Funding is expected to come from various federal and state grants, as available and approved, and from the Authority's debt proceeds. To date, federal appropriations for the Boston Harbor Project have aggregated \$810,000.

(b) Boston Harbor Case

The Authority continues to be a defendant in the federal Boston Harbor Case. The federal action was originally brought in 1985 by the United States on behalf of the United States Environmental Protection Agency ("EPA") and by certain citizens' groups for Clean Water Act violations. As part of the Boston Harbor Case, the Authority was required to undertake certain corrective actions to meet wastewater treatment, discharge and combined sewer overflow ("CSO") requirements, including the completion of new and improved primary and secondary treatment facilities at Deer Island. Beyond these major improvements to its wastewater treatment capabilities, the Authority also was required to adopt a Long Term CSO Control Plan ("LTCP") which was comprised of 35 projects, the last three of which were completed on time by the close of calendar year 2015. In March 2016, the federal district court formally received the Authority's 2015 annual CSO project report, officially noting completion of LTCP projects.

Among other requirements in the Boston Harbor Case, the Authority was required to conduct a post-construction monitoring and performance assessment of the LTCP (the "performance assessment") to verify whether the levels of CSO control included in the LTCP had been achieved. In December 2021 the Authority filed its Performance Assessment Report and Interim Update (the "Final Report") with the District Court. The Final Report documented the substantial reduction in CSO discharge volumes over the last several decades. The Authority reported in Final Report, as of the end of 2021, the LTCP goals for "Typical Year" CSO activation and volume were met, or materially met, at all but 16 of the 86 CSO outfalls included in the Final Report. Subsequent to the Final Report the Authority filed annual reports in the Boston Harbor Case in 2022, 2023 and 2024 providing certain performance information, including with respect to CSO outfalls that as of the reporting period in the filing met or materially met the LTCP goals, CSO outfalls that were expected to meet or materially meet the LTCP goals by a certain time frame and CSO outfalls that would not meet the CSO Control Plan goals by December 2024 when the Authority was required to file a supplement to the Final Report ("Supplemental Report").

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Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

In December 2024 the Authority filed the Supplemental Report that contained final performance information of all 86 outfalls and the final results and conclusions as to the 16 CSO outfalls, including an alternatives analysis regarding what further actions could be taken, and estimated costs associated with those actions, to further reduce discharges or meet the LTCP goals for certain CSO outfalls that did not meet their respective LTCP goals. Among other information, in the Supplemental Report the Authority reported, as of the end of December 2024, with respect to CSO outfalls that met or materially met (or would soon materially meet) their LTCP goals and that the LTCP goals were not met for eight CSO outfalls. The Supplemental Report noted that, other than certain projects referenced in the Supplemental Report, the Authority did not recommend any further work to meet the LTCP goals for the eight CSO outfalls that did not meet their goals.

In March 2025, the United States filed a response to the Supplemental Report that, among other things, noted that the Authority has come a long way towards reaching the goals of the Clean Water Act with respect to CSOs, but asserted that the Authority has yet to fully achieve those goals and that the Authority still needs to take further action to comply with the Clean Water Act. With respect to the outfalls that the Authority maintains materially met the LTCP goals, the United States asserted that the data provided to date is insufficient for EPA to make a determination whether the LTCP goals have been met or materially met with regard to these outfalls and that it believes additional data is needed regarding these outfalls before making such determination. In addition to the Authority completing certain work outlined in the Supplemental Report, including the updated CSO Control Plan, the United States suggested that the Authority continue to submit annual progress reports in the Boston Harbor Case through the year 2030, reporting on compliance activities in the preceding year. In March 2025, the Conservation Law Foundation also filed a response to the Supplemental Report, reserving further comment until a later date.

CSO outfalls that discharge to the Lower Charles River/Charles River Basin and the Alewife Brook/Upper Mystic River (the “Variance Waters”) currently operate under Massachusetts Department of Environmental Protection (“MassDEP”) adopted regulatory variances to the Massachusetts Surface Water Quality Standards. The variances recognize that it is not feasible to fully attain the Class B water quality standard (which effectively require no CSO discharges) currently applicable to these Variance Waters. The most recent variances were issued by MassDEP on August 30, 2024, for the period September 1, 2024, to August 31, 2029 (“Variances”). The Variances are subject to EPA approval. While the CSO outfalls that discharge to the Variance Waters (the “Variance Waters CSO Outfalls”) are included within the LTCP, among the requirements included in the Variances is the requirement that each of the Authority and the Cities of Cambridge and Somerville prepare and implement an updated CSO control plan (or a joint plan) for their respective Variance Waters CSO Outfalls. The Variances include the requirement that a draft updated CSO control plan(s) be submitted to MassDEP and EPA by December 31, 2025, and that such draft plan(s) include, among other requirements, a recommended plan(s), an evaluation of CSO control alternatives up to and including full elimination, an affordability analysis, and documentation necessary to support further issuance of variances or reclassification of the Massachusetts Surface Water Quality Standards to permit limited CSO discharges in the Variance Waters.

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June 30, 2025 and 2024

(Dollars in thousands)

MWRA, Cambridge and Somerville have developed and evaluated CSO control alternatives with preliminary estimated capital costs ranging from approximately \$380 million to \$6.6 billion. Such preliminary estimated costs are planning level capital cost, in today's dollars, that are not escalated to the mid-point of construction and do not include land acquisition, extensive permitting, or operation and maintenance costs. Authority staff expect to recommend to the Authority's Board of Directors, for its review and subject to its approval, that the Authority submit with Cambridge and Somerville a joint draft updated plan with estimated planning level capital costs of less than \$1 billion. The Authority, Cambridge and Somerville have begun discussions regarding potential cost allocation among the three entities. The Variances include the requirement to submit, following a public comment period, a final updated CSO control plan(s) by January 31, 2027, for review by the Massachusetts Environmental Policy Act office. Pursuant to the Variances, between the period of January 31, 2027 and August 31, 2029, MassDEP, in coordination with EPA, will review the final updated CSO control plan(s) and take action to approve or disapprove the plan(s).

(c) *Massachusetts Natural Fertilizer Company, Inc. et al., Notice of Potential Liability Pursuant to M.G.L. c. 21E. § 4A; Litigation*

In July 2023, the Authority received a notice from Massachusetts Natural Fertilizer Co., Inc., Otter Farm, Inc. and The Newark Group (collectively the "Claimants") pursuant to Massachusetts General Laws Chapter 21E (the "Chapter 21E Notice") alleging that the Authority is a source of per- and poly-fluoroalkyl substances ("PFAS") at a commercial composting facility in Westminster, Massachusetts (the "Site"). According to the Chapter 21E Notice, MassDEP determined that there was a release of PFAS in the vicinity of the Site and issued Notices of Responsibility to, among others, the Claimants. The Claimants allege that testing of nearby private wells has identified PFAS at levels that exceed the drinking water Maximum Contaminant Level and applicable Imminent Hazard Levels for PFAS. The Claimants allege that materials originating at the Authority's Deer Island facility and processed into biosolids at the Authority's Fore River Pelletizing Plant by the plant operator, New England Fertilizer Company ("NEFCO"), were delivered to the composting facility and that the biosolids were determined to contain PFAS. In addition to indemnity for future claims, the Claimants seek in the 21E Notice reimbursement from the Authority for forty percent of their past and future response costs and any other liability under Chapter 21E and any real and personal property damage suffered as a result of the release of PFAS. The Claimants have alleged in the Chapter 21E Notice that they are not in a position to provide a firm estimate of the total anticipated remedial costs but have indicated that those costs may be in the range of \$30-50 million. The Authority responded to the Chapter 21E Notice contesting liability but indicating that it would participate in good faith in Chapter 21E's required negotiation process. NEFCO has confirmed that it is required to defend and indemnify the Authority against these claims under its contract with the Authority.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

In addition, certain class action and other lawsuits have been filed in the federal District Court and state court related to the Site. In response to a motion from certain defendants in one of the District Court class action cases, among other things, to join the Authority in the action, the Court denied the motion to join the Authority finding that because this was a suit against the Authority under state law involving water pollution, pursuant to the Authority's Enabling Act such suit could only be brought in the Massachusetts Supreme Judicial Court. However, it remains possible that an appeal could be taken. The Authority, among others, has been named as a defendant in one of the state court cases, which has been stayed until December 2025 when certain rulings are expected to be made in the federal District Court cases, and certain defendants have indicated they are seeking to join the Authority, among others, in another action in state court.

The claims related to the Site seek, among other things, damages to property and the owners thereof, as well as damages for response and remediation of the Site, the costs of which could be substantial. These matters, and other cases related to the Site, are pending.

(d) Miscellaneous

The Authority is also a defendant in several other legal actions and administrative proceedings arising out of its operation, maintenance, and improvement of the water and sewer systems under its care. It is the opinion of management that any judgments or settlements that may result from these actions will not have a materially adverse effect upon the Authority.

(13) Risk Management

The Authority is exposed to various risks of loss. The risk management program involves insurance and self-insurance related to property, general liability (including automobile, marine and employers' liability), excess liability, public officials' liability, workers' compensation, unemployment liability, and employee health care and life insurance.

Buildings, plants, and equipment are insured on an all risk replacement basis to the extent that losses exceed \$2,500 per occurrence, up to an aggregate limit of \$300,000. The Authority maintains insurance coverage for general liability, automobile liability, marine liability, and employers' liability to the extent that losses exceed \$2,500 per occurrence, up to a limit of \$25,000. In addition to the primary liability insurance, the Authority maintains excess liability policies with additional limits of \$75,000. The Authority is self-insured for workers' compensation claims up to \$1,000 per occurrence and maintains excess workers' compensation insurance coverage with a limit of \$25,000 per occurrence. The Authority also maintains public officials' liability insurance with a limit of \$5,000 per occurrence with a \$1,000 self-insured retention. All insurance policies are renewed on an annual basis. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Schedules of Employer Contributions – Last Ten Years

Required Supplementary Information – GASB No. 67 and 68

(Unaudited)

(Dollars in Thousands)

Plan, Year Ended December 31, Employer, Year Ended June 30,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution	\$ 16,066	\$ 14,068	\$ 12,555	\$ 11,205	\$ 10,000	\$ 7,315	\$ 7,000	\$ 3,277	\$ 3,133	\$ 8,159
Contributions in Relation to the Actuarially Determined Contribution	<u>21,265</u>	<u>15,973</u>	<u>12,555</u>	<u>11,205</u>	<u>10,000</u>	<u>7,315</u>	<u>7,000</u>	<u>3,277</u>	<u>4,633</u>	<u>8,159</u>
Contribution Deficiency (Excess)	<u>\$ (5,199)</u>	<u>\$ (1,905)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,500)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	109,069	109,017	\$ 104,839	\$ 101,060	\$ 99,988	\$ 97,814	\$ 95,819	\$ 92,975	\$ 89,755	\$ 89,169
Contributions as a Percentage of Covered Payroll	<u>19.50%</u>	<u>14.65%</u>	<u>11.98%</u>	<u>11.09%</u>	<u>10.00%</u>	<u>7.48%</u>	<u>7.31%</u>	<u>3.52%</u>	<u>5.16%</u>	<u>9.15%</u>

Notes to Required Supplementary Information

Valuation Date	Actuarial determined contributions for fiscal year 2024 are determined with the January 1, 2024 actuarial valuation.
Actuarial Cost Method	Entry age normal
Amortization Method	Total appropriation increases 14.20% per year.
Asset Valuation Method	Fair value of assets as reported in the Plan's annual statement less unrecognized return in each of the last five years. Unrecognized return is equal to the difference between the actual market value return and the expected fair value return and is recognized over a five-year period, further adjusted, if necessary, to be within 10% of the fair value.

Actuarial Assumptions:

Investment Rate of Return	6.90%
Discount Rate	6.90%
Inflation Rate	3.00%
Projected Salary Increases	Based on years of service, ranging from 5.75% at 0 years of service decreasing to 4.00% after 9 years of service.
Cost of Living Adjustments	3% on first \$17,000

Plan Membership:

Retired Participants and Beneficiaries	
Receiving Benefits	899
Inactive Participants Entitled to a Return of their Employee Contributions	178
Inactive Participants with a Vested Right to a Deferred or Immediate Benefit	36
Active Participants	<u>1,028</u>
Total	<u>2,141</u>

See accompanying independent auditors' report

MASSACHUSETTS WATER RESOURCES AUTHORITY

Schedules of Changes in the Net Pension Liability and Related Ratios – Last Ten Years

Required Supplementary Information – GASB No. 67 and 68

(Unaudited)

(Dollars in Thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability:										
Service cost	\$ 14,691	\$ 14,275	\$ 13,949	\$ 14,330	\$ 13,338	\$ 12,735	\$ 11,762	\$ 11,308	\$ 11,080	\$ 10,638
Interest	55,697	53,669	51,475	49,159	46,455	44,062	41,392	38,520	36,917	34,598
Differences between expected and actual experience	15,791	78	(1,280)	(4,886)	(263)	3,529	3,250	(146)	(9,143)	-
Changes of assumptions	6,470	-	-	1,161	25,031	10,507	16,401	7,977	13,298	-
Changes of benefit terms	-	-	2,649	5,568	-	-	5,027	-	2,050	-
Benefit payments, including refunds of employee contributions	(40,743)	(37,369)	(33,281)	(29,494)	(25,313)	(24,464)	(21,428)	(18,222)	(16,129)	(15,390)
Net change in total pension liability	51,906	30,653	33,512	35,838	59,248	46,369	56,404	39,437	38,073	29,846
Total pension liability - beginning	812,867	782,214	748,702	712,864	653,616	607,247	550,843	511,406	473,333	443,487
Total pension liability - ending	<u>\$ 864,773</u>	<u>\$ 812,867</u>	<u>\$ 782,214</u>	<u>\$ 748,702</u>	<u>\$ 712,864</u>	<u>\$ 653,616</u>	<u>\$ 607,247</u>	<u>\$ 550,843</u>	<u>\$ 511,406</u>	<u>\$ 473,333</u>
Plan Fiduciary Net Position:										
Contributions - employer	\$ 21,265	\$ 15,973	\$ 12,555	\$ 11,205	\$ 10,000	\$ 7,315	\$ 7,000	\$ 3,277	\$ 4,633	\$ 8,159
Contributions - employee	11,446	10,576	10,551	9,892	10,188	9,722	9,484	9,091	8,757	8,402
Net investment income (loss)	56,816	57,017	(88,673)	89,019	74,947	79,557	(17,114)	70,517	24,183	(530)
Benefit payments, including refunds of employee contributions	(40,743)	(37,369)	(33,281)	(29,494)	(25,313)	(24,464)	(21,428)	(18,222)	(16,129)	(15,390)
Administrative expenses	(514)	(505)	(585)	(325)	(403)	(464)	(469)	(447)	(426)	(412)
Other - military service fund contribution	-	-	-	-	-	-	-	-	-	-
Net change in fiduciary net position	48,270	45,692	(99,433)	80,297	69,419	71,666	(22,527)	64,216	21,018	229
Plan fiduciary net position - beginning	674,932	629,240	728,673	648,376	578,957	507,291	529,818	465,602	444,584	444,355
Plan fiduciary net position - ending	<u>\$ 723,202</u>	<u>\$ 674,932</u>	<u>\$ 629,240</u>	<u>\$ 728,673</u>	<u>\$ 648,376</u>	<u>\$ 578,957</u>	<u>\$ 507,291</u>	<u>\$ 529,818</u>	<u>\$ 465,602</u>	<u>\$ 444,584</u>
Net Pension Liability (Asset) - Ending	\$ 141,571	\$ 137,935	\$ 152,974	\$ 20,029	\$ 64,488	\$ 74,659	\$ 99,956	\$ 21,025	\$ 45,804	\$ 28,749
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	83.63%	83.03%	80.44%	97.32%	90.95%	88.58%	96.18%	91.04%	93.93%	93.93%
Covered Payroll	\$ 111,436	\$ 106,531	\$ 102,316	\$ 99,689	\$ 102,143	\$ 98,145	\$ 95,819	\$ 92,975	\$ 89,755	\$ 89,169
Net Pension Liability (Asset) as a Percentage of Covered Payroll	127.04%	129.48%	149.51%	20.09%	63.14%	76.07%	104.32%	22.61%	51.03%	32.24%

MASSACHUSETTS WATER RESOURCES AUTHORITY

Schedules of Investment Returns – Last Ten Years

Required Supplementary Information – GASB No. 67

(Unaudited)

	Year ended December 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expenses	8.50%	9.10%	-12.30%	16.70%	12.78%	15.58%	-10.03%	15.02%	5.81%	-0.24%

See accompanying independent auditors' report

MASSACHUSETTS WATER RESOURCES AUTHORITY

Schedules of Changes in the Employer's Net OPEB Liability and Related Ratios – Last Ten Years

Required Supplementary Information – GASB No. 74 and 75

(Unaudited)

(Dollars in Thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability									
Total OPEB Liability - Beginning	\$ 176,604	\$ 117,758	\$ 113,757	\$ 136,805	\$ 132,819	\$ 161,064	\$ 150,978	\$ 154,254	\$ 146,143
Service Cost	4,279	2,825	2,742	3,771	3,739	4,604	4,463	2,820	2,705
Interest	11,943	7,876	7,688	9,673	9,372	11,424	10,705	10,821	10,253
Change in benefit terms	3,333	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	17,386	-	3,613	-	(5,862)	-	(11,860)	-
Change of assumptions	1,868	38,546	(1,123)	(35,250)	(3,685)	(33,488)	-	-	-
Benefit Payments	(7,888)	(7,787)	(5,306)	(4,855)	(5,440)	(4,923)	(5,082)	(5,057)	(4,847)
Net Change in total OPEB liability	13,535	58,846	4,001	(23,048)	3,986	(28,245)	10,086	(3,276)	8,111
Total OPEB Liability - Ending	190,139	176,604	117,758	113,757	136,805	132,819	161,064	150,978	154,254
Plan Fiduciary Net Position									
Plan fiduciary net position - beginning	82,114	72,378	63,929	61,764	43,729	37,072	29,774	22,782	16,123
Contributions - employer (claims + additional funding)	13,169	10,636	10,061	9,529	11,506	10,885	10,656	10,093	9,723
Net Investment Income (Loss)	7,847	6,887	3,694	(2,509)	11,969	695	1,724	1,956	1,783
Benefit Payments	(7,888)	(7,787)	(5,306)	(4,855)	(5,440)	(4,923)	(5,082)	(5,057)	(4,847)
Net Change in plan fiduciary net position	13,128	9,736	8,449	2,165	18,035	6,657	7,298	6,992	6,659
Plan fiduciary net position - ending	95,242	82,114	72,378	63,929	61,764	43,729	37,072	29,774	22,782
Net OPEB Liability	\$ 94,897	\$ 94,490	\$ 45,380	\$ 49,828	\$ 75,041	\$ 89,090	\$ 123,992	\$ 121,204	\$ 131,472
Plan fiduciary net position as a percentage of the total OPEB liability	50.1%	46.5%	61.5%	56.2%	45.1%	32.9%	23.0%	19.7%	14.8%
Covered-employee payroll	\$ 124,269	\$ 118,658	\$ 113,764	\$ 111,297	\$ 106,879	\$ 103,778	\$ 98,238	\$ 94,816	\$ 86,475
MWRA's net OPEB liability as a percentage of covered-employee payroll	76.4%	79.6%	39.9%	44.8%	70.2%	85.8%	126.2%	127.8%	152.0%

Notes to Schedule

Changes in Benefit Terms - June 30, 2025: Change in benefit terms is due to an increase in life insurance benefits from \$5,000 to \$10,000

Changes in Assumptions - June 30, 2025: The medical rate trend assumptions were revised to account for material increase in premium rates July 1, 2025.

Changes in Assumptions - June 30, 2024: The trend assumptions were revised to account for known premium increases. The percentage to which spouses and families of current active members are expected to elect coverage in the Plan after retirement has been changed to reflect the spouses and family elections of current retirees.

Changes in Assumptions - June 30, 2023: The trend assumptions were revised to account for known premium increases and changes in GIC plan offerings.

Changes in Assumptions - June 30, 2022: The generational mortality improvement scale was updated from Scale MP-2019 to Scale MP-2021. The per capita health costs and contributions were updated to reflect current premiums and the costs in the most recent Commonwealth OPEB valuation report. The trend assumptions were revised, per the most recent Commonwealth OPEB valuation report. The discount rate was lowered from 7.00% to 6.75%.

Changes in Plan Provisions - June 30, 2023: Effective July 1, 2022, Fallon plans are no longer offered by the GIC; Also, effective July 1, 2023, due to the merger of Turfs and Harvard Pilgrim, Tufts plans are no longer offered by GIC. The migration away from these plans have been accounted for through medical trend assumption.

Data is being accumulated annually to present 10 years of the reported information.

See accompanying independent auditors' report

MASSACHUSETTS WATER RESOURCES AUTHORITY

Schedules of Employer Contributions - Last Ten Years

Required Supplementary Information – GASB No. 75

(Unaudited)

(Dollars in Thousands)

	Fiscal year ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 10,562	5,699	5,701	5,772	9,144	8,997	11,812	11,400	10,948	14,996
Contributions in relation to the actuarially determined contribution	13,169	10,637	10,061	9,529	11,506	10,885	10,656	10,093	9,723	9,804
Contribution deficiency (excess)	\$ (2,607)	(4,938)	(4,360)	(3,757)	(2,362)	(1,888)	1,307	1,225	5,192	(288)
Covered-employee payroll	\$ 124,269	118,658	113,764	111,297	106,879	103,778	98,238	94,816	86,475	
Contributions as a percentage of covered-employee payroll	10.60%	8.96%	8.84%	8.56%	10.77%	10.49%	10.85%	10.64%	11.24%	

Notes to Schedule

Methods and assumptions used to determine contributions rates:

Actuarial cost method	Entry Age Normal
Amortization method	30 years (closed)
Asset valuation method	Fair value of assets
Inflation	3%
Discount rate	6.75%
Healthcare cost trend rates	Non-Medicare Plans: 9.15% managed care/11.55% indemnity in 2024, decreasing to a long-term trend rate of 5.00% after ten years. Medicare Plans: 3.06% managed care/4.17% indemnity in 2024, increasing to 5.9% managed care/6.6% indemnity in 2025, and decreasing to a long-term trend of 5.00% after ten years.
Mortality	The PUB-2010 Headcount-weighted Mortality Tables, sex-distinct, projected using generational mortality and scale MP-2021. Set forward two years for disabled retirees.

See accompanying independent auditors' report

MASSACHUSETTS WATER RESOURCES AUTHORITY

Schedules of Investment Returns - Last Ten Years

Required Supplementary Information – GASB No. 74

(Unaudited)

	Fiscal year ended June 30,								
	2025	2024	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expenses	9.56%	9.51%	5.78%	-4.06%	27.37%	1.88%	5.80%	8.58%	10.58%

This schedule is intended to present 10 years of data. Additional years will be presented when available.

See accompanying independent auditors' report

MASSACHUSETTS WATER RESOURCES AUTHORITY
Accounts Established by the General Revenue Bond Resolution

June 30, 2025
(Comparative totals for June 30, 2024)
(Dollars in thousands)

	<u>Construction</u>	<u>Debt Service</u>	<u>Operating</u>	<u>Rate Stabilization</u>	<u>Revenue</u>	<u>Combined Reserves</u>	<u>Total</u>
Balance – June 30, 2024	\$ 156,604	\$ 588,245	\$ 58,022	\$ 39,009	\$ 64,575	\$ 22,245	\$ 928,700
Proceeds from:							
Revenue Bonds and Loans	162,736	42,050	-	-	-	-	204,786
Cash Received							
from Customers	-	-	-	-	873,967	-	873,967
Investment Income (Loss)	6,717	20,802	1,090	-	7,837	648	37,094
Debt Service Grant							-
Grant Receipts	149	3,166	-	-	-	-	3,315
Construction Payments	(199,652)	-	-	-	-	-	(199,652)
Lease Payments	(1,798)	(1,419)	-	-	-	-	(3,217)
Debt Service Payment	(80,519)	(475,693)	-	-	(84,418)	-	(640,630)
Other Commonwealth							-
Payments	-	-	-	-	(31,806)	-	(31,806)
Interfund Transfers	97,852	351,729	651	-	(449,982)	(250)	-
Transfers from (to)							
Operating Account	1,543	1,419	-	-	(337,496)	-	(334,534)
Balance – June 30, 2025	<u>\$ 143,632</u>	<u>\$ 530,299</u>	<u>\$ 59,763</u>	<u>\$ 39,009</u>	<u>\$ 42,677</u>	<u>\$ 22,643</u>	<u>\$ 838,023</u>

	<u>Total</u>			
	<u>Sewer</u>	<u>Water</u>	<u>2025</u>	<u>2024</u>
Restricted Investments:				
Construction	\$ 86,465	\$ 57,168	\$ 143,633	\$ 156,604
Debt Service - Debt Service Reserves	92,809	65,555	158,364	150,786
Debt Service - Debt Service P & I	211,878	136,154	348,032	414,851
Debt Service - Revenue Redemption	4,878	19,024	23,902	22,609
Operating Reserve	42,153	17,609	59,762	58,022
Rate Stabilization Reserve	32,720	6,289	39,009	39,009
Revenue	40,790	1,887	42,677	64,575
Combined - Renewal and Replacement Reserve	5,007	5,007	10,014	10,045
Combined - Insurance Reserve	6,241	6,389	12,630	12,200
Total Restricted Investments	<u>\$ 522,941</u>	<u>\$ 315,082</u>	<u>\$ 838,023</u>	<u>\$ 928,701</u>

See accompanying independent auditors' report.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Combining Statement of Net Position

June 30, 2025

(Dollars in thousands)

	Assets	Sewer	Water	Combined Total
Current assets:				
Cash and cash equivalents		\$ 75,566	\$ 18,032	\$ 93,598
Restricted investments		527,261	318,096	845,357
Intergovernmental loans		8,102	35,825	43,927
Accounts receivable		522	1,084	1,606
Interest receivable		640	404	1,044
Total current assets		<u>612,091</u>	<u>373,441</u>	<u>985,532</u>
Noncurrent assets:				
Capital assets:				
Capital assets – not being depreciated		183,188	258,163	441,351
Capital assets – being depreciated – net		2,837,574	2,153,674	4,991,248
Lease asset - building		9,882	4,651	14,533
Subscription asset		633	222	855
Other assets, net		135,553	211,552	347,105
Total noncurrent assets		<u>3,166,830</u>	<u>2,628,262</u>	<u>5,795,092</u>
Total assets		<u>3,778,921</u>	<u>3,001,703</u>	<u>6,780,624</u>
Deferred Outflows of Resources				
Deferred outflows from pension		31,086	16,692	47,778
Deferred outflows from OPEB		22,165	12,712	34,877
Deferred outflows from refunding debt		4,832	2,178	7,010
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses		34,228	13,206	47,434
Accounts payable for construction		18,985	14,546	33,531
Commercial paper		48,231	90,964	139,195
Current portion of compensated absences		192	108	300
Current portion of long-term debt		181,806	111,356	293,162
Current portion of lease liability		1,439	505	1,944
Current portion of SBITA		121	43	164
Accrued interest on bonds payable		34,103	22,754	56,857
Total current liabilities		<u>319,105</u>	<u>253,482</u>	<u>572,587</u>
Noncurrent liabilities:				
Reserves		48,478	28,986	77,464
Retainage on construction in progress		8,208	7,321	15,529
Long-term compensated absences		10,586	5,978	16,564
Long-term debt – less current portion		2,237,851	1,519,173	3,757,024
Lease liability		11,478	3,717	15,195
Subscription liability		385	136	521
Net pension liability		89,607	51,964	141,571
Net OPEB liability		60,995	33,902	94,897
Total noncurrent liabilities		<u>2,467,588</u>	<u>1,651,177</u>	<u>4,118,765</u>
Total liabilities		<u>2,786,693</u>	<u>1,904,659</u>	<u>4,691,352</u>
Deferred Inflows of Resources				
Deferred inflows from pension		953	536	1,489
Deferred inflows from OPEB		6,093	2,737	8,830
Net Position				
Net investment in capital assets		675,810	761,759	1,437,569
Restricted				
Construction		86,464	57,168	143,632
Debt service		127,254	107,350	234,604
Operating		4,959	3,418	8,377
Revenue		40,790	1,887	42,677
Rate Stabilization		32,720	6,289	39,009
Unrestricted		75,268	187,482	262,750
Total net position		<u>\$ 1,043,265</u>	<u>\$ 1,125,353</u>	<u>\$ 2,168,618</u>

Commitments and contingencies

See accompanying independent auditors' report

MASSACHUSETTS WATER RESOURCES AUTHORITY

Combining Statement of Net Position

June 30, 2024

(Dollars in thousands)

	Assets	Sewer	Water	Combined Total
Current assets:				
Cash and cash equivalents		\$ 52,153	\$ 32,047	\$ 84,200
Investments		3,616	1,781	5,397
Restricted investments		536,432	398,256	934,688
Intergovernmental loans		7,631	33,692	41,323
Accounts receivable		760	1,037	1,797
Interest receivable		474	295	769
Total current assets		<u>601,066</u>	<u>467,108</u>	<u>1,068,174</u>
Noncurrent assets:				
Capital assets:				
Capital assets – not being depreciated		134,452	175,588	310,040
Capital assets – being depreciated – net		2,942,275	2,207,371	5,149,646
Lease asset - building		11,311	5,323	16,634
Other assets, net		151,259	206,321	357,580
Total noncurrent assets		<u>3,239,297</u>	<u>2,594,603</u>	<u>5,833,900</u>
Total assets		<u>3,840,363</u>	<u>3,061,711</u>	<u>6,902,074</u>
Deferred Outflows of Resources				
Deferred outflows from pension		35,800	19,389	55,189
Deferred outflows from OPEB		29,080	16,669	45,749
Deferred outflows from refunding debt		5,156	2,339	7,495
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses		21,913	17,936	39,849
Accounts payable for construction		18,444	11,243	29,687
Commercial paper		24,000	56,000	80,000
Current portion of compensated absences		182	98	280
Current portion of long-term debt		173,653	111,237	284,890
Current portion of lease liability		1,330	468	1,798
Accrued interest on bonds payable		33,218	19,789	53,007
Total current liabilities		<u>272,740</u>	<u>216,771</u>	<u>489,511</u>
Noncurrent liabilities:				
Reserves		47,084	28,473	75,557
Retainage on construction in progress		5,075	7,510	12,585
Long-term compensated absences		10,816	5,767	16,583
Long-term debt – less current portion		2,442,733	1,700,634	4,143,367
Lease liability		12,666	4,472	17,138
Net pension liability		87,295	50,640	137,935
Net OPEB liability		60,736	33,754	94,490
Total noncurrent liabilities		<u>2,666,405</u>	<u>1,831,250</u>	<u>4,497,655</u>
Total liabilities		<u>2,939,145</u>	<u>2,048,021</u>	<u>4,987,166</u>
Deferred Inflows of Resources				
Deferred inflows from pension		2,438	337	2,775
Deferred inflows from OPEB		10,388	5,193	15,581
Deferred inflows from refunding debt		21,745	21,946	43,691
Net Position				
Net investment in capital assets		533,773	595,054	1,128,827
Restricted				
Construction		82,019	74,587	156,606
Debt service		145,824	131,244	277,068
Operating		4,485	2,271	6,756
Revenue		54,494	10,081	64,575
Rate Stabilization		24,720	14,289	39,009
Unrestricted		91,368	197,085	288,453
Total net position		<u>\$ 936,683</u>	<u>\$ 1,024,611</u>	<u>\$ 1,961,294</u>
Commitments and contingencies				
See accompanying independent auditors' report				

MASSACHUSETTS WATER RESOURCES AUTHORITY

Combining Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2025

(Dollars in thousands)

	<u>Sewer</u>	<u>Water</u>	<u>Combined Total</u>
Operating revenues:			
Customer services	\$ 548,003	\$ 321,585	\$ 869,588
Other	2,438	1,266	3,704
Total operating revenues	<u>550,441</u>	<u>322,851</u>	<u>873,292</u>
Operating expenses:			
Operations	89,093	55,001	144,094
Maintenance	31,458	15,702	47,160
Payments in lieu of taxes	-	8,486	8,486
Engineering, general, and administrative	118,010	69,071	187,081
Total operating expenses	<u>238,561</u>	<u>148,260</u>	<u>386,821</u>
Income from operating before depreciation	311,880	174,591	486,471
Depreciation and amortization	<u>179,317</u>	<u>65,204</u>	<u>244,521</u>
Operating Income	<u>132,563</u>	<u>109,387</u>	<u>241,950</u>
Nonoperating revenues (expenses):			
Investment income	22,282	20,010	42,292
Interest expense	(54,826)	(32,492)	(87,318)
Change in reserves	<u>(1,393)</u>	<u>(513)</u>	<u>(1,906)</u>
Total nonoperating expenses	<u>(33,937)</u>	<u>(12,995)</u>	<u>(46,932)</u>
Net gain before capital grants and contributions	98,626	96,392	195,018
Capital grants and contributions	<u>7,956</u>	<u>4,350</u>	<u>12,306</u>
Increase in net position	106,582	100,742	207,324
Total net position - beginning of year	<u>936,683</u>	<u>1,024,611</u>	<u>1,961,294</u>
Total net position - end of year	<u>\$ 1,043,265</u>	<u>\$ 1,125,353</u>	<u>\$ 2,168,618</u>

See accompanying independent auditors' report

MASSACHUSETTS WATER RESOURCES AUTHORITY

Combining Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2024

(Dollars in thousands)

	<u>Sewer</u>	<u>Water</u>	<u>Combined Total</u>
Operating revenues:			
Customer services	\$ 538,420	\$ 309,518	\$ 847,938
Other	1,981	1,799	3,780
Total operating revenues	<u>540,401</u>	<u>311,317</u>	<u>851,718</u>
Operating expenses:			
Operations	90,686	53,479	144,165
Maintenance	23,570	14,108	37,678
Payments in lieu of taxes	-	8,489	8,489
Engineering, general, and administrative	99,131	58,795	157,926
Total operating expenses	<u>213,387</u>	<u>134,871</u>	<u>348,258</u>
Income from operating before depreciation	327,014	176,446	503,460
Depreciation and amortization	<u>171,910</u>	<u>64,908</u>	<u>236,818</u>
Operating Income	<u>155,104</u>	<u>111,538</u>	<u>266,642</u>
Nonoperating revenues (expenses):			
Investment income	24,741	14,261	39,002
Interest expense	(83,763)	(50,236)	(133,999)
Change in reserves	<u>(5,643)</u>	<u>(2,218)</u>	<u>(7,861)</u>
Total nonoperating expenses	<u>(64,665)</u>	<u>(38,193)</u>	<u>(102,858)</u>
Net gain before capital grants and contributions	90,439	73,345	163,784
Capital grants and contributions	<u>4,614</u>	<u>1,683</u>	<u>6,297</u>
Increase in net position	95,053	75,028	170,081
Total net position - beginning of year	<u>841,630</u>	<u>949,583</u>	<u>1,791,213</u>
Total net position - end of year	<u>\$ 936,683</u>	<u>\$ 1,024,611</u>	<u>\$ 1,961,294</u>

See accompanying independent auditors' report

MASSACHUSETTS WATER RESOURCES AUTHORITY

Combining Statement of Fiduciary Net Position

June 30, 2025

(Dollars in thousands)

	<u>December 31, 2024</u>	<u>June 30, 2025</u>	<u>2025</u>
	<u>MWRA Employees'</u>	<u>MWRA OPEB</u>	<u>Total</u>
	<u>Retirement System</u>	<u>Trust</u>	
Assets			
Cash and cash equivalents (note 4)	\$ 22,346	\$ 5,545	\$ 27,891
Investments: (note 4)			
Fixed income	119,411	-	119,411
Equities	378,515	-	378,515
Real estate	58,973	-	58,973
Private equity	74,099	-	74,099
Hedge funds	25,957	-	25,957
External investment pool	43,397	89,697	133,094
Total investments	<u>700,352</u>	<u>89,697</u>	<u>790,049</u>
Accounts receivable	805		805
Total assets	<u>723,503</u>	<u>95,242</u>	<u>818,745</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	100	-	100
Due to primary government	190	-	190
Payables for securities purchased	11	-	11
Total liabilities	<u>301</u>	<u>-</u>	<u>301</u>
Fiduciary Net Position			
Restricted			
Pensions	723,202	-	723,202
Postemployment benefits other than pensions	-	95,242	95,242
Total fiduciary net position	<u>\$ 723,202</u>	<u>\$ 95,242</u>	<u>\$ 818,444</u>

See accompanying independent auditors' report

MASSACHUSETTS WATER RESOURCES AUTHORITY

Combining Statement of Fiduciary Net Position

June 30, 2024

(Dollars in thousands)

	<u>December 31, 2023</u>	<u>June 30, 2024</u>	<u>2024</u>
	<u>MWRA Employees'</u>	<u>MWRA OPEB</u>	<u>Total</u>
	<u>Retirement System</u>	<u>Trust</u>	
Assets			
Cash and cash equivalents (note 4)	\$20,809	\$3,034	\$ 23,843
Investments: (note 4)			
Fixed income	137,357	-	137,357
Equities	316,015	-	316,015
Real estate	61,296	-	61,296
Private equity	75,630	-	75,630
Hedge funds	27,512	-	27,512
External investment pool	35,575	79,080	114,655
Total investments	<u>653,385</u>	<u>79,080</u>	<u>732,465</u>
Accounts receivable	995	-	995
Total assets	<u>675,189</u>	<u>82,114</u>	<u>757,303</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	165	-	165
Due to primary government	92	-	92
Payables for securities purchased	-	-	-
Total liabilities	<u>257</u>	<u>-</u>	<u>257</u>
Fiduciary Net Position			
Restricted			
Pensions	674,932	-	674,932
Postemployment benefits other than pensions	-	82,114	82,114
Total fiduciary net position	<u>\$ 674,932</u>	<u>\$ 82,114</u>	<u>\$ 757,046</u>

See accompanying independent auditors' report

MASSACHUSETTS WATER RESOURCES AUTHORITY

Combining Statement of Changes in Fiduciary Net Position

Year ended June 30, 2025

(Dollars in thousands)

	<u>December 31, 2024</u>	<u>June 30, 2025</u>	<u>2025</u>
	<u>MWRA Employees'</u>	<u>MWRA OPEB</u>	<u>Total</u>
	<u>Retirement System</u>	<u>Trust</u>	
Additions			
Contributions:			
Employer	\$ 21,265	\$ 13,169	\$ 34,434
Plan members	11,446	-	11,446
Total contributions	<u>32,711</u>	<u>13,169</u>	<u>45,880</u>
Investment income:			
Interest and dividends	7,627	80	7,707
Net realized and unrealized gains	55,298	8,167	63,465
Less: investment fees	<u>(6,110)</u>	<u>(400)</u>	<u>(6,510)</u>
Net investment income	<u>56,815</u>	<u>7,847</u>	<u>64,662</u>
Reimbursements and transfers from other systems	<u>2,791</u>	<u>-</u>	<u>2,791</u>
Total additions	<u>92,317</u>	<u>21,016</u>	<u>113,333</u>
Deductions			
Benefits paid to participants or beneficiaries	42,638	7,888	50,526
Reimbursements and transfers to other systems	895	-	895
Administrative expenses	<u>514</u>	<u>-</u>	<u>514</u>
Total deductions	<u>44,047</u>	<u>7,888</u>	<u>51,935</u>
Change in fiduciary net position	48,270	13,128	61,398
Total fiduciary net position - beginning of year	<u>674,932</u>	<u>82,114</u>	<u>757,046</u>
Total fiduciary net position - end of year	<u>\$ 723,202</u>	<u>\$ 95,242</u>	<u>\$ 818,444</u>

See accompanying independent auditors' report

MASSACHUSETTS WATER RESOURCES AUTHORITY

Combining Statement of Changes in Fiduciary Net Position

Year ended June 30, 2024

(Dollars in thousands)

	<u>December 31, 2023</u>	<u>June 30, 2024</u>	<u>2024</u>
	<u>MWRA Employees'</u>	<u>MWRA OPEB</u>	<u>Total</u>
	<u>Retirement System</u>	<u>Trust</u>	
Additions			
Contributions:			
Employer	\$15,973	\$10,637	\$ 26,610
Plan members	10,576	-	10,576
Total contributions	<u>26,549</u>	<u>10,637</u>	<u>37,186</u>
Investment income:			
Interest and dividends	10,349	134	10,483
Net realized and unrealized gains	49,937	7,131	57,068
Less: investment fees	(3,269)	(379)	(3,648)
Net investment income	<u>57,017</u>	<u>6,886</u>	<u>63,903</u>
Reimbursements and transfers from other systems	2,409	-	2,409
Total additions	<u>85,975</u>	<u>17,523</u>	<u>103,498</u>
Deductions			
Benefits paid to participants or beneficiaries	38,641	7,787	46,428
Reimbursements and transfers to other systems	1,137	-	1,137
Administrative expenses	505	-	505
Total deductions	<u>40,283</u>	<u>7,787</u>	<u>48,070</u>
Change in fiduciary net position	45,692	9,736	55,428
Total fiduciary net position - beginning of year	<u>629,240</u>	<u>72,378</u>	<u>701,618</u>
Total fiduciary net position - end of year	<u>\$ 674,932</u>	<u>\$ 82,114</u>	<u>\$ 757,046</u>

See accompanying independent auditors' report



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