BOSTON WATER AND SEWER COMMISSION

Financial Statements, Required Supplementary Information
and Other Supplemental Information

December 31, 2025 and 2024

(With Independent Auditor's Report Thereon)

BOSTON WATER AND SEWER COMMISSION

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December 31, 2025 and 2024

INDEPENDENT AUDITOR'S REPORT

To the Commissioners of
Boston Water and Sewer Commission:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activity and the aggregate remaining fund information of Boston Water and Sewer Commission (the "Commission") as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Commission'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 activity and the aggregate remaining fund information of the Commission, as of December 31, 2025 and 2024, and the respective changes in net 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission 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 Commission'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.

Auditor’s 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 auditor’s 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 audits.
- 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 audits 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 Commission’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 Commission’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 the required supplementary information 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying supplemental schedules listed in the table of contents 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2026, on our consideration of the Commission'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 Commission'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 Commission's internal control over financial reporting and compliance.

WithumSmith+Brown, PC

June 29, 2026

Overview

Upon its creation in 1977, Boston Water and Sewer Commission (the "Commission") assumed the responsibility to provide water distribution, wastewater collection and storm water drainage services in the City of Boston (the "City").

The Commission has realized a rate basis surplus from its operation in each year since its inception. In accordance with the Boston Water and Sewer Reorganization Act of 1977 (the "Enabling Act"), the Commission applies audited surpluses to reduce its rates in succeeding years.

To accommodate the rate making process, the Commission follows the accounting standards set forth in Governmental Accounting Standards Board Statement No. 62 ("GASB 62"), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 allows certain (a) revenues provided for future allowable costs to be deferred until the costs are incurred (deferred credits) and (b) costs incurred to be capitalized if future recovery is reasonably assured (deferred charges).

Overview of the Financial Statements

The Financial Statements: The financial statements are designed to provide readers with a broad overview of the Commission's finances and are comprised of three basic statements.

The *Statements of Net Position* present information on all of the Commission's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as *net position*.

The *Statements of Revenues, Expenses and Changes in Net Position* present information showing how the Commission's net position changed during the most recent fiscal year.

The *Statements of Cash Flows* are reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations as major classes of operating receipts and disbursements.

Fiduciary Funds – The Commission reports the other post-employment benefit ("OPEB") trust fund as separate statements of fiduciary net position and statements of changes in fiduciary net position. Fiduciary funds are used to account for resources held for the benefit of parties outside the Commission. Fiduciary funds are not reflected in the Commission's business type financial statements because the resources of these funds are not available to support the Commission's own programs. The Fiduciary Fund Financial Statements can be found immediately following the Statements of Cash Flows.

The financial statements can be found on pages 10 through 14 of this report.

***Notes to the financial statements**:* The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes provide information regarding both the accounting policies and procedures the Commission has adopted as well as additional detail of certain amounts contained in the financial statements. The notes to the financial statements can be found on pages 15 through 56 of this report.

Condensed Financial Information

(in thousands)

		2025	2024	2023
Current assets	$	465,825	418,481	372,767
Current assets, net		1,808,033	1,717,624	1,618,788
Total assets		2,273,859	2,136,105	1,991,555
Total deferred outflows		58,057	85,738	113,317
Current liabilities		127,007	161,380	170,829
Noncurrent liabilities		650,503	605,270	565,588
Total liabilities		777,510	766,650	736,417
Total deferred inflows		1,123,982	1,031,536	959,885
Net position:				
Net investment in capital assets		1,100,525	1,043,512	1,002,875
Restricted		144,011	136,063	124,554
Unrestricted net deficit		(814,113)	(755,919)	(718,859)
Total net position	$	430,423	423,656	408,570

During the year, the Commission saw an increase in total assets and total liabilities, resulting in an increase in total net position of $6.8 million, or 1.6%. In 2024, net position totaled $423.7 million, an increase of $15.1 million, or 3.7% from 2023. The Commission's 2025 operations resulted in a rate basis surplus of $3,015,106 compared to $2,424,626 in 2024.

Since inception, the Commission has invested in various capital assets, including capital improvement projects, machinery and equipment, buildings, and improvements. These investments, net of accumulated depreciation, totaled $1.8 billion at December 2025, which is 5.3% higher than in 2024. In 2024, these investments total $1.7 billion, an increase of $98.8 million, or 6.1% over the 2023 total investment in capital assets. These increases in capital assets are the result of continuous upgrades of the Commission owned water, sewer and stormwater infrastructure.

Total operating revenues in 2025 were $499.5 million, which is 3.1% greater than in 2024. Total operating revenues in 2024 were $484.4 million, which is 4.5% greater than 2023. Operating revenues consist of water revenue, sewer revenue, and stormwater revenue, fire pipe revenue and other income. Water, sewer and stormwater revenue in 2025 and 2024 represented 97.1% and 93.2% of total operating revenues, respectively. The increases in 2025 and 2024 operating revenues were primarily driven by a 3.4% and 1.4% average rate increase, respectively.

Total operating expenses in 2025 were $416.8 million, which represents an increase of 1.6% from 2024. The increase in 2025 operating expenses was primarily due to a combined additional spending of 3.6%, or $9.7 million in two-line items (maintenance and Massachusetts Water Resources Authority ("MWRA") assessment). Total operating expenses in 2024 were $409.9 million, which represents an increase of 4.8% from 2023. This increase in 2024 operating expenses was primarily due to additional spending of 4.7%, or $17.1 million. Operating expenses consist of operations and maintenance, MWRA assessment, depreciation and amortization. The MWRA assessment is the largest expense incurred by the Commission, representing 63.0% and 62.1% in 2025 and 2024, respectively, of total operating expenses.

In 2025 and 2024, 84% of water provided by MWRA was billable to customers. Since its inception, the Commission has maintained the percentage of billable water at 78% and is continuing to take steps to improve the amount of billable water, including replacement of old and defective meters and implementation of a comprehensive leak detection and repair program.

Condensed Financial Information
(in thousands)

		2025	2024	2023
Operating revenues:				
Water, sewer and stormwater usage	$	485,235	471,768	450,881
Fire pipe		6,041	5,547	5,428
Other		8,248	7,044	7,170
Operating expenses		(416,814)	(409,944)	(391,319)
Excess operating revenues		82,710	74,415	72,160
Investment income		23,101	15,182	12,970
Interest expense		(18,285)	(17,015)	(14,673)
Total nonoperating net revenue (expense)		4,816	(1,833)	(1,703)
Excess revenues before capital grants, contributions and transfer requirements		87,526	72,582	70,457
Capital grants and contributions		10,421	19,675	7,404
Excess revenues used to fund reserves and other deferrals		(90,629)	(75,772)	(77,550)
Change in accumulated revenues used to offset future rates		(550)	(1,399)	(306)
Change in net position		6,768	15,086	5
Net position, beginning of year		423,656	408,570	408,565
Net position, end of year	$	430,423	423,656	408,570

Capital Assets

In fiscal year 2025, major Commission project additions totaled $69.0 million, of which $17.9 million was financed with bond proceeds. Major project expenditures (in millions) are as follows:

Relay of water mains	$	37.9
Rehabilitation/replacement of sewers or storm drains		16.3
Sewer separation		0.3
Meter replacement		0.5
Stormwater		14.0
	$	69.0

The Commission's 2026-2028 capital budget includes projected expenditures of $389.1 million for infrastructure and capital projects. The major projects are for the rehabilitation of water mains and the replacement/rehabilitation of the sewer system. Some water projects are financed on a pay-as-you go basis combined with interest free loans for water rehabilitation provided by the MWRA. Most of the sewer improvements, along with the installation of a new radio frequency meter reading system, will be financed through bond proceeds. However, there are sewer improvements that are funded through the utilization of the MWRA loan programs. Please refer to footnote 4 for more detailed capital asset activity.

Debt Plan

The Commission is empowered by the Enabling Act to issue bonds and notes payable solely constituted on the general obligation of the Commission. The Commission has no legal restrictions concerning the amount of debt, which it may have outstanding, subject to the coverage requirements described below.

The Commission issues General Revenue Bonds to finance portions of its capital improvement projects. The Commission's 2026-2028 capital budget, which totals $389.1 million, anticipates that projects totaling $135.3 million, or 34.8% of the Commission's 2026-2028 capital budget, will be funded from bond proceeds. The 2026 budget for debt service is $57.9 million including $50.1 million for bonds. Please refer to footnote 5 for more detailed long-term debt information.

The Commission currently has nine series of General Revenue Bonds outstanding at the end of 2025, totaling approximately $591.3 million as follows (in millions):

2014 Series A	$	55.0
2015 Series A		27.6
2016 Series A		40.6
2016 Series B		47.6
2018 Series A		65.4
2021 Series A		135.0
2021 Series B		39.7
2024 Series A		80.4
2025 Series A		100.0
	$	591.3

Debt Service Coverage Requirements

The Commission's bond covenants require that rates and charges be at least sufficient to provide revenues: (i) to pay all current expenses of the Commission, (ii) to pay the principal of, premium if any, and interest on all bonds issued by the Commission as they become due and payable, (iii) to create and maintain such reasonable reserves as may be reasonably required by any trust agreement or resolution securing bonds, (iv) to provide funds for paying the cost of all necessary repairs, replacements and renewal of the systems and (v) to pay or provide for any and all amounts which the Commission may be obligated to pay or provide for by law or contract. The Commission is also required to establish and maintain rates and charges at levels sufficient so that total net revenues in each year during which bonds are outstanding will equal at least 125% of: (1) the bond debt service requirement during such year less (2) the amount, if any, of bond proceeds available to pay interest becoming due in such year on bonds outstanding as of the first day of such year. The Commission has exceeded the 125% debt service coverage requirement of the Resolution in each year since its inception in 1977.

Additional Bonds and Refunding Bonds

The Enabling Act permits the issuance of additional bonds for paying the cost of any project, making deposits in various funds established under the Enabling Act, paying costs of issuance, paying the principal, premium and interest on any notes issued in anticipation of additional bonds, or any combination of the above.

Refunding bonds may also be issued by the Commission only upon certifying that the aggregate debt service in each fiscal year in which Refunding Bonds are outstanding will not be increased because of the issuance of the Refunding Bonds; provided that, in lieu of such certification, the Commission may deliver to the Trustee certificates satisfying the conditions described above for the issuance of additional bonds.

Budgets and Rates

The Commission is required by law to be self-sustaining to set its rates at a level sufficient to cover expenses and debt service requirements each year.

In 2006, the Commission modified its inclining block rate structure. The number of rate blocks was reduced from ten to six, thereby making the structure easier to understand for customers while still promoting water conservation and generating sufficient revenue. In 2025 and 2024, the Commission increased its water and sewer rates by an average of 3.4% and 1.4%, respectively. The major reasons behind these increases were: (i) the increase in assessment paid to the MWRA, and (ii) the decline in water sales due to general water conservation efforts of individuals and businesses throughout the City.

On April 1, 2024, the Commission began charging for stormwater. The stormwater charge is a charge for all parcels in the City of Boston with greater than 400 square feet of impervious (hard/impermeable) surface. The stormwater charge is charged per Equivalent Residential Unit ("ERU"). Each ERU equals to 2,164 square feet of impervious surface. The rate per ERU is $8.98 per month. The stormwater charge is implemented as follows: (1) All one to six unit residential properties are charged only one ERU per month, (2) all other parcels are charged per ERU based on the amount of square feet of impervious area. The total amount of impervious area is divided by 2,164 and rounded to the next whole number to calculate the number of ERUs a parcel is charged.

Effective January 1, 2026, the Commission increased its water, sewer and stormwater rates by an average of 1.5%.

Credit Ratings

The Commission's revenue bonds are rated "Aa1" by Moody's Investors Service, "AAA" by Standard and Poor's and "AA+" by Fitch Ratings for all bonds issued before 2016.

Contacting the Commission's Financial Management

This report is designed to provide our bondholders, customers and other interested parties with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the revenue it receives. If you have questions about this report or need additional information, contact Boston Water and Sewer Commission Finance Department in writing at 980 Harrison Avenue, Boston, MA 02119, or by telephone at 617-989-7000, or on the web at www.bwsc.org.

BOSTON WATER AND SEWER COMMISSION

Statements of Net Position

December 31,

Assets		2025	2024
Current assets:			
Cash and cash equivalents	$	14,405,154	14,212,851
Restricted cash and investments (Notes 5 and 11)		370,214,667	327,171,167
Accounts receivable, net:			
Customers, less allowances of $2,464,373 in 2025 and in 2024 (Note 1)		42,059,563	38,102,360
Unbilled revenues, less allowances of $1,702,361 in 2025 and 2024		37,466,423	36,539,033
Prepaid expenses		1,679,629	2,455,481
Total current assets		465,825,436	418,480,892
Noncurrent assets:			
Capital assets (Note 4):			
Depreciable, net		1,481,562,793	1,435,442,480
Nondepreciable		326,470,338	282,181,179
Total noncurrent assets		1,808,033,131	1,717,623,659
Total Assets		2,273,858,567	2,136,104,551
Deferred Outflows of Resources			
Deferred charges (Note 2)		58,057,255	85,738,290
Liabilities			
Current liabilities:			
Payable from current assets:			
Accounts payable		37,494,199	32,498,355
Other accrued liabilities		15,827,452	15,659,229
Commercial paper notes (Note 6)		-	55,000,000
Interim loan		33,682,227	17,662,478
Current portion of long-term notes (Note 5)		7,633,531	7,275,854
Current portion of revenue bonds (Note 5)		32,369,465	33,284,543
Total current liabilities		127,006,874	161,380,459
Noncurrent liabilities:			
Long-term notes (Note 5)		38,331,107	38,512,471
Revenue bonds, net (Note 5)		583,521,177	510,632,042
Net pension liability (Note 9)		13,923,399	33,058,101
Net OPEB liability (Note 10)		10,820,228	19,137,339
Other long-term liabilities		3,907,382	3,929,953
Total noncurrent liabilities		650,503,293	605,269,906
Total Liabilities		777,510,167	766,650,365
Deferred Inflows of Resources			
Deferred credits and reserves (Note 3)		1,123,982,942	1,031,536,037
Commitments and contingencies (Notes 12 and 14)			
Net Position			
Net position:			
Net investment in capital assets		1,100,524,705	1,043,511,920
Restricted for debt service		62,255,991	57,433,036
Restricted for capital assets		484,152	409,293
Restricted for debt covenants		81,270,846	78,221,350
Unrestricted net deficit		(814,112,981)	(755,919,160)
Total Net Position	$	430,422,713	423,656,439

See accompanying notes to financial statements.

BOSTON WATER AND SEWER COMMISSION

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31,

		2025	2024
Operating revenues:			
Water, sewer and stormwater usage (Note 1)	$	485,234,499	471,767,986
Fire pipe		6,040,732	5,546,764
Other		8,248,333	7,044,170
Total operating revenues		499,523,564	484,358,920
Operating expenses:			
Operations		108,776,829	113,110,953
Maintenance		14,616,302	12,525,602
MWRA assessment (Note 7)		262,406,506	254,755,865
Depreciation		31,014,468	29,551,988
Total operating expenses		416,814,105	409,944,408
Excess operating revenues		82,709,459	74,414,512
Nonoperating revenue (expense):			
Investment income		23,101,097	15,182,714
Interest expense		(18,285,689)	(17,015,017)
Total nonoperating net expense		4,815,408	(1,832,303)
Excess revenues before capital grants and contributions and transfer requirements		87,524,867	72,582,209
Capital grants and contributions: (Note 1)		10,421,458	19,675,572
Excess revenues before transfer requirements		97,946,325	92,257,781
Excess revenues used to fund reserves and other deferrals (Note 3)		(90,629,570)	(75,772,136)
Change in accumulated revenues used to offset future rates (Note 3)		(550,481)	(1,398,767)
Changes in net position		6,766,274	15,086,878
Net position, beginning of year		423,656,439	408,569,561
Net position, end of year	$	430,422,713	423,656,439

See accompanying notes to financial statements.

BOSTON WATER AND SEWER COMMISSION
Statements of Cash Flows
Years Ended December 31,

		2025	2024
Cash flows from operating activities:			
Receipts from customers	$	494,638,971	481,514,629
Payments to suppliers		(303,231,114)	(311,730,285)
Payments to employees		(76,312,393)	(77,669,596)
Net cash provided by operating activities		115,095,464	92,114,748
Cash flows from investing activities:			
Investment income		23,101,097	15,182,714
Sales of investments		275,826,434	229,731,376
Purchases of investments		(259,627,484)	(275,826,429)
Net cash provided by (applied to) investing activities		39,300,047	(30,912,339)
Cash flows from capital and related financing activities:			
Purchase of capital assets		(122,608,784)	(125,758,422)
Proceeds from long-term notes		7,452,167	12,101,847
Proceeds from revenue bonds		105,309,533	89,165,137
Payment of long-term notes		(7,275,854)	(6,664,823)
Payment of revenue bonds		(30,235,000)	(26,550,000)
Proceeds from commercial paper		45,000,000	55,000,000
Payment of commercial paper		(100,000,000)	(80,000,000)
Proceeds from interim loan		16,019,749	16,054,728
Capital grants and contributions		10,421,458	19,675,572
Payment of interest		(19,044,031)	(18,640,832)
Net cash applied to capital and related financing activities		(94,960,762)	(65,616,793)
Net increase (decrease)		59,434,749	(4,414,384)
Cash and cash equivalents, beginning of year		119,663,040	124,077,424
Cash and cash equivalents, end of year	$	179,097,789	119,663,040
Reconciliation of operating income to net cash provided by operating activities:			
Excess operating revenues	$	82,709,459	74,414,512
Adjustment to reconcile operating income to net cash:			
Depreciation		31,014,468	29,551,988
Bad debts		20,361	188,062
Deferred outflows of resources		27,536,478	20,647,048
Change in assets and liabilities:			
Accounts receivable, net		(3,977,564)	(3,379,899)
Unbilled revenues		(927,390)	347,542
Prepaid expenses		775,852	(1,188,637)
Accounts payable		6,180,687	(7,003,367)
Other accrued liabilities		(762,502)	(1,982,978)
Other long-term liabilities		(22,572)	(622,175)
Net pension activity		(19,134,702)	(5,931,759)
Net OPEB activity		(8,317,111)	(12,925,589)
Net cash provided by operating activities	$	115,095,464	92,114,748
Cash and cash equivalents are comprised of the following:			
Cash and cash equivalents	$	14,405,154	14,212,851
Money market in restricted cash and investments		84,854,398	51,443,677
Cash in restricted cash and investments		79,838,237	54,006,512
Total	$	179,097,789	119,663,040
Noncash investing, capital, and related financing activities:			
Capital asset additions included in accounts payable	$	23,629,696	24,814,540

See accompanying notes to financial statements.

BOSTON WATER AND SEWER COMMISSION

Statements of Fiduciary Net Position

Other Post-Employment Benefits ("OPEB") Trust Fund

December 31,

Assets

		2025	2024
Cash and cash equivalents	$	3,185,425	2,408,719
Investments:			
Mutual funds		24,424,542	11,636,636
Equity		—	18,616,185
Fixed income		21,297,072	14,827,011
Real Estate		3,918,706	3,838,662
Debt instruments		2,115,223	1,020,944
Pooled index fund		21,076,834	8,048,901
Receivable		1,500,000	5,000,000
Total Assets		77,517,802	65,397,058

Net Position

		2025	2024
Restricted for OPEB purposes		77,517,802	65,397,058
Total Net Position	$	77,517,802	65,397,058

See accompanying notes to financial statements.

BOSTON WATER AND SEWER COMMISSION

Statements of Changes in Fiduciary Net Position

Other Post-Employment Benefits ("OPEB") Trust Fund

Years Ended December 31,

		2025	2024
ADDITIONS:			
Contributions:			
Employer	$	7,687,249	10,986,133
Total Contributions		7,687,249	10,986,133
Investment earnings:			
Investment income		8,456,576	3,884,313
Less investment expenses		(326,887)	(255,906)
Total net investment income		8,129,689	3,628,407
Total additions		15,816,938	14,614,540
DEDUCTIONS:			
Benefit payments		3,696,194	3,371,927
Change in Net Position		12,120,744	11,242,613
Net Position Restricted for OPEB			
Beginning of Year		65,397,058	54,154,445
End of Year	$	77,517,802	65,397,058

See accompanying notes to financial statements.

(1) Organization, Basis of Presentation, and Summary of Significant Accounting Policies

Boston Water and Sewer Commission (the "Commission") has the responsibility to provide water and wastewater services on a fair and equitable basis in the City of Boston (the "City") as required under the Boston Water and Sewer Reorganization Act of 1977 (the "Enabling Act").

Under the Enabling Act, the Commission is subject to regulation with respect to rates, accounting and other matters, where applicable, by the Board of Commissioners (the "Board"). The Board is appointed by the City's Mayor, subject to confirmation by the City Council. It regulates the rates that the Commission can charge its customers for water, sewer and stormwater usage. The rates charged to customers are based on the cash requirements to cover the Commission's operations, debt service, and reserve contributions. To comply with the external financial reporting requirements of the Board, the accompanying financial statements are presented on a basis that is consistent with United States of America generally accepted accounting principles ("GAAP") for regulated utilities (i.e., the accrual basis of accounting and the capital maintenance measurement focus).

To accommodate the rate-making process, the Commission follows the accounting standards set forth in Governmental Accounting Standards Board Statement No. 62 ("GASB 62"), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 allows certain Board-approved (a) revenues provided for future allowable costs to be deferred until the costs are incurred (deferred credits) and (b) costs incurred to be capitalized if future recovery is reasonably assured (deferred charges). Revenues and expenses appearing in the supplemental schedules of revenues and expenses – rate basis are presented in the same format and utilized in the Commission's operational budgeting and rate-setting process. The revenues and expenses shown on the statements of revenues and expenses are presented on a GAAP basis. Reconciliation between the revenues and expenses of these two operating statements for the year ended December 31, 2025 is provided below:

		Revenues	Expenses
As presented in the statements of revenues and expenses:			
Operating revenues/expenses	$	499,523,564	416,814,105
Investment income/interest expense		23,101,097	18,285,689
Total		522,624,661	435,099,794
Reclassifications and deferrals:			
Contributions to reserves		—	19,604,000
GAAP adjustments		(16,718,391)	(16,718,391)
Excess bond payments over depreciation and amortization		—	6,157,746
Investment income (escrowed funds)		(9,967,692)	—
Capital expenditures		—	51,346,773
Excess revenue used to offset current rates		2,464,626	—
Other deferrals		—	(101,824)
As presented in the supplemental schedule of revenues and expenses - rate basis	$	498,403,204	495,388,098

(1) Organization, Basis of Presentation, and Summary of Significant Accounting Policies - Continued

The Enabling Act requires that any net surplus, as defined by the rate-setting process, be either turned over to the City or applied to offset water, sewer and stormwater rates for the following year. The Commission has applied $3,015,106 and $2,424,626 for the years ended December 31, 2025 and 2024, respectively, to offset rates in the respective subsequent years.

(a) Revenue Billings

Water, sewerage and stormwater fees are billed to users of the systems on a monthly-cycle basis. Revenues are accrued for periods between the termination of billings for the various cycles and the end of the year. Some adjustments are made on a post-billing basis that reduce the number of total billings. The total customer bills outstanding as of December 31, 2025 and 2024 were approximately $44.5 and $40.6 million, respectively. These net billing amounts are reduced by an allowance for uncollectible accounts of approximately $2.5 million in 2025 and 2024 to arrive at the net accounts receivable. Charges for water, sewer and stormwater services provided, but unbilled, at year-end are estimated based on historical usage. The calculation is reduced by an allowance for the adjustment of approximately $1.7 million in 2025 and 2024 to arrive at the net accounts receivable.

(b) Investments

Investments are stated at fair value. Fair value is based on quoted market prices.

The Commission categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles as prescribed by the GASB. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: 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 Commission's non-OPEB investments do not have any investments that are measured using Level 2 or 3 inputs as disclosed in Note 11. The Commission's securities issued by the U.S. Government, its agencies, authorities and instrumentalities are valued using quoted prices, documented trade history in the security, and pricing models maximizing the use of observable inputs determined by investment managers.

As noted in Note 11, the Commission's OPEB trust fund contains Level 2 and Level 3 inputs. Mutual funds are valued at the daily closing prices as reported by the fund. Equities consist of corporate securities that are either traded on active exchanges and valued using quoted market prices or valued at documented trade history prices for identical assets. Fixed income is valued at the net asset value ("NAV") of the shares held by the trust at year-end. Real estate funds are stated at their fair value and are reviewed and adjusted quarterly based on appraisal reports prepared by independent third-party appraisers. Private debt funds are valued based on market comparable companies, transaction comparables and historical purchase prices. Pooled index funds are valued based on valuation techniques of the manager using comparable markets or actual trading history.

(1) Organization, Basis of Presentation, and Summary of Significant Accounting Policies - Continued

(c) Capital Assets

Capital assets are stated at historical cost. Depreciation is provided on the straight-line method based upon the estimated useful lives of the various classes of assets. Maintenance and repairs are charged to expense as incurred. Major renewals or betterments over $500 are capitalized and depreciated over their estimated useful lives. Maintenance and repairs are expensed as incurred, and improvements are capitalized.

(d) Compensated Absences

Employees of the Commission accumulate unused sick time (subject to certain limitations) to be used later or a percentage paid in cash upon voluntary resignation and/or retirement from the Commission (subject to Commission policies and/or collective bargaining agreements). 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 that would be paid to employees upon termination. The liability for each amount is calculated based on the pay or salary rates in effect as of the date of the statement of net position and is included as other liabilities.

(e) Business-Type Activity Accounting

Business-type activity funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services relating to ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(f) Fiduciary Fund

The fiduciary fund financial statements are reported using the economic resources measurement focus on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred. The Commission reports as a fiduciary fund the other post-employment benefit ("OPEB") trust fund which is used to account for contributions and investment income restricted to pay medical and life insurance benefits. Further information on the significant accounting policies for the OPEB trust fund may be found in Note 10 of the basic financial statements. Fiduciary funds are not reflected in the Commission's business type financial statements because the resources of these funds are not available to support the Commission's own programs.

(1) Organization, Basis of Presentation, and Summary of Significant Accounting Policies – Continued

(g) Depreciation

The Commission provides for depreciation using the straight-line method. Estimated useful lives used in computing depreciation are as follows:

	Years
Water:	
Works	100
Meters	10
Hydrants	40
Sewerage:	
Works	75
Pumping station	35
Buildings	40
Other	4 to 14

(h) Cash and Cash Equivalents

The Commission considers all highly liquid, short-term cash investments with original maturities of three months or less to be cash equivalents for purposes of the statements of cash flows.

(i) Deferred Inflows of Resources and Deferred Outflows of Resources

Deferred inflows and outflows represent the consumption or acquisition of net position applicable to a future reporting period. These are typically items of an asset or liability nature for which an exchange transaction is not inherent to their realization or liquidation value.

(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 Boston Retirement System (“BRS”), and the additions to/deductions from the Commission's fiduciary net position have been determined on the same basis as they were reported by the BRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at their fair value.

(k) Other Postemployment Benefits

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 Boston Water and Sewer OPEB Trust (the "Plan"), and additions to/deductions from Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are generally reported at fair value.

(1) Organization, Basis of Presentation, and Summary of Significant Accounting Policies - Continued

(l) Net Position

Resources are classified for accounting purposes into the following categories:

Net Investment in Capital Assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted – Expendable: Net position whose use is subject to externally imposed conditions that can be fulfilled by the actions of the Commission or by the passage of time.

Unrestricted: All other categories of net position. Unrestricted net position may be designated by the Commission.

(m) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements.

(n) Contributions in Aid of Construction

Contributions in aid of construction (“CIAC”) are additions and/or upgrades to infrastructure made by customers or developers that have been assigned to the Commission upon completion of the applicable project. Historically, CIAC has not been material to the financial statements and the contribution is not recorded. The Commission accepts the responsibility for the ongoing maintenance of CIAC.

(o) Capital Contributions

Capital contributions consist of special grants or loan subsidies received from the Massachusetts Water Resource Authority (“MWRA”) and Massachusetts Clean Water Trust (“MCWT”) along with funds received from property owners and developers to assist the Commission in development of its infrastructure.

(1) Organization, Basis of Presentation, and Summary of Significant Accounting Policies - Continued

(p) Newly Implemented Government Accounting Pronouncements

As of January 1, 2024, the Commission implemented GASB 101, *Compensated Absences*. The objective of this statement is to enhance the recognition and measurement for compensated absences. The implementation of this standard did not have a material impact on the financial statements.

As of January 1, 2024, the Commission implemented GASB 102, *Certain Risk Disclosures*. GASB 102 improves financial reporting by providing users of the financial statements with essential information that previously was not often provided. The disclosures provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. The implementation of this standard did not have a material impact on the financial statements.

(q) New Government Accounting Pronouncements

GASB Statement 103 – *Financial Reporting Model Improvements* is effective for reporting periods beginning after June 15, 2025. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

GASB Statement 104 – *Disclosure of Certain Capital Assets* is effective for reporting periods beginning after June 15, 2025. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments.

GASB Statement 105 – *Subsequent Events* is effective for reporting periods beginning after June 15, 2026. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users.

Management has not completed its review of the requirements of these standards and their applicability.

(2) Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Commission that are applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, like assets. In accordance with GASB 62, pension obligations will be recovered through future rates or matched against credits related to the specific costs in the future.

The following is a summary of deferred outflows of resources as of December 31,:

		2025	2024
Cost to be recovered through future revenues:			
Pension obligation	$	13,923,399	33,058,101
OPEB obligation		10,820,228	19,137,339
Pension:			
Pension related		6,590,543	—
Net difference between projected and actual earnings on pension plan investments		—	4,246,206
Differences between expected and actual experience in the total pension liability		4,662,213	6,031,333
Changes in assumptions		490,515	981,030
OPEB:			
OPEB related		3,407,677	—
Net difference between projected and actual earnings on OPEB investments		—	845,768
Differences between expected and actual experience in the total OPEB liability		2,987,716	3,734,645
Changes in assumptions		3,516,186	4,633,679
Deferred loss on defeasance		11,658,778	13,070,189
Total:	$	58,057,255	85,738,290

(3) Deferred Inflows of Resources

In accordance with GASB 62, certain revenues and expenditures that would otherwise be included in the statements of revenues and expenses and changes in net position may be applied to future operations.

These items are identified on the statements of revenues and expenses and changes in net position as excess revenues used to fund reserves and other deferrals and are included on the statements of net position in deferred credits and reserves and are as follows for the years ended December 31,:

		2025	2024
Contributions to reserves	$	19,604,000	17,960,000
Principal payments on long-term debt		37,510,854	33,214,824
Capital expenditures		51,346,773	46,557,544
Depreciation and amortization		(23,871,294)	(23,112,549)
Investment income on project and escrow funds		10,168,179	1,820,823
Other		(4,128,942)	(668,506)
	$	90,629,570	75,772,136

The components of deferred credits and reserves for the years ended December 31, have been designated as follows:

		2025	2024
Debt service	$	275,209,930	255,605,929
Capital improvements		850,547,481	779,437,251
Pension:			
Pension related		—	8,856,720
Differences between expected and actual experience - pension		1,055,681	2,111,362
Changes of assumptions		217,866	290,488
Net difference between projected and actual earnings on pension plan investments		10,469,725	—
OPEB:			
OPEB related		—	167,728
Differences between expected and actual experience in the total OPEB liability		3,326,652	4,064,415
Changes of assumptions		3,993,113	4,981,949
Net difference between projected and actual earnings on OPEB plan investments		2,591,814	—
Working capital		(28,684,431)	(28,684,431)
Self-insurance		2,240,000	2,240,000
		1,120,967,831	1,029,071,411
Reduction of future rates		3,015,111	2,464,626
Total	$	1,123,982,942	1,031,536,037

(4) Capital Assets

The cost and activities of water and sewer capital assets and their related accumulated depreciation at December 31, are as follows:

	Balance at December 31, 2024	Additions	Disposals	Reclassifications	Balance at December 31, 2025
Capital assets, not being depreciated:					
Land	$ 5,884,243	—	—	—	5,884,243
Construction in progress	276,296,936	110,061,844	—	(65,772,685)	320,586,095
Total capital assets, not being depreciated	282,181,179	110,061,844	—	(65,772,685)	326,470,338
Capital assets, being depreciated:					
Buildings and improvements	72,025,112	676,406	—	2,413,374	75,114,892
Machinery and equipment	68,546,236	10,594,958	—	—	79,141,194
Infrastructure	1,862,198,436	90,732	—	63,359,311	1,925,648,479
Total capital assets, being depreciated	2,002,769,784	11,362,096	—	65,772,685	2,079,904,565
Less: accumulated depreciation for:					
Buildings and improvements	42,573,573	2,141,777	—	—	44,715,350
Machinery and equipment	49,975,731	5,712,011	—	—	55,687,742
Infrastructure	474,778,000	23,160,680	—	—	497,938,680
Total accumulated depreciation	567,327,304	31,014,468	—	—	598,341,772
Total capital assets being depreciated, net	1,435,442,480	(19,652,372)	—	65,772,685	1,481,562,793
Capital assets, net	$ 1,717,623,659	90,409,472	—	—	1,808,033,131

(4) Capital Assets - Continued

	Balance at December 31, 2023	Additions	Disposals	Reclassifications	Balance at December 31, 2024
Capital assets, not being depreciated:					
Land	$ 5,884,243	—	—	—	5,884,243
Construction in progress	207,161,326	120,115,134	—	(50,979,524)	276,296,936
Total capital assets, not being depreciated	213,045,569	120,115,134	—	(50,979,524)	282,181,179
Capital assets, being depreciated:					
Buildings and improvements	72,013,084	12,028	—	—	72,025,112
Machinery and equipment	60,426,960	8,119,276	—	—	68,546,236
Infrastructure	1,811,077,551	141,361	—	50,979,524	1,862,198,436
Total capital assets, being depreciated	1,943,517,595	8,272,665	—	50,979,524	2,002,769,784
Less: accumulated depreciation for:					
Buildings and improvements	40,557,105	2,016,468	—	—	42,573,573
Machinery and equipment	45,113,007	4,862,724	—	—	49,975,731
Infrastructure	452,105,204	22,672,796	—	—	474,778,000
Total accumulated depreciation	537,775,316	29,551,988	—	—	567,327,304
Total capital assets being depreciated, net	1,405,742,279	(21,279,323)	—	50,979,524	1,435,442,480
Capital assets, net	$ 1,618,787,848	98,835,811	—	—	1,717,623,659

(5) Long-Term Obligations

Long-term liabilities at December 31, consist of:

		Balance at December 31, 2024	Additions	Reductions	Balance at December 31, 2025	Current Portion
Notes payable:						
Long-term notes	$	45,788,325	7,452,167	(7,275,854)	45,964,638	7,633,531
Revenue bonds		521,535,000	100,000,000	(30,235,000)	591,300,000	29,210,000
Revenue bonds premiums		22,381,585	5,309,533	(3,100,476)	24,590,642	3,159,465
Total notes payable and bonds		589,704,910	112,761,700	(40,611,330)	661,855,280	40,002,996
Other long-term liabilities:						
Net pension liability		33,058,101	—	(19,134,702)	13,923,399	—
Net OPEB liability		19,137,339	—	(8,317,111)	10,820,228	—
Other long-term liabilities		3,929,953	—	(22,572)	3,907,382	—
Total other long-term liabilities		56,125,393	—	(27,474,385)	28,651,009	—
Total long-term liabilities	$	645,830,303	112,761,700	(68,085,715)	690,506,289	40,002,996

		Balance at December 31, 2023	Additions	Reductions	Balance at December 31, 2024	Current Portion
Notes payable:						
Long-term notes	$	40,351,301	12,101,847	(6,664,823)	45,788,325	7,275,854
Revenue bonds		465,975,000	82,110,000	(26,550,000)	521,535,000	30,235,000
Revenue bonds premiums		18,799,365	7,055,137	(3,472,917)	22,381,585	3,049,543
Total notes payable and bonds		525,125,666	101,266,984	(36,687,740)	589,704,910	40,560,397
Other long-term liabilities:						
Net pension liability		38,989,860	—	(5,931,759)	33,058,101	—
Net OPEB liability		32,062,928	—	(12,925,589)	19,137,339	—
Other long-term liabilities		4,552,128	—	(622,175)	3,929,953	—
Total other long-term liabilities		75,604,916	—	(19,479,523)	56,125,393	—
Total long-term liabilities	$	600,730,582	101,266,984	(56,167,263)	645,830,303	40,560,397

(5) Long-Term Obligations - Continued

(a) Revenue Bonds

The Commission issues revenue bonds to support various projects. As set forth by the Commission's bond resolution, revenue bonds are secured by all revenues of the Commission as well as deposits held in certain reserve funds. The following is a summary of revenue bond activity for the year ended December 31, (amounts in thousands).

Description		Balance at December 31, 2024	Additions	Reductions	Balance at December 31, 2025	Amounts due within one year
Revenue bonds:						
2014 Series A, bearing interest ranging from 3.0% to 5.0% issued July 22, 2014, maturing 2017 to 2044	$	56,000	—	1,000	55,000	5,000
2015 Series A, bearing interest ranging from 3.0% to 5.0% issued August 5, 2015, maturing 2023 to 2028		46,495	—	18,870	27,625	14,345
2016 Series A, bearing interest ranging from 3.0% to 5.0% issued September 13, 2016, maturing 2020 to 2031		40,600	—	—	40,600	—
2016 Series B, bearing interest ranging from 3.0% to 5.0% issued September 13, 2016, maturing 2017 to 2046		47,635	—	—	47,635	—
2018 Series A, bearing interest ranging from 3.0% to 5.0% issued May 30, 2018, maturing 2020 to 2048		65,900	—	500	65,400	1,500
2021 Series A, bearing interest ranging from 0.29% to 3.0% issued July 7, 2021, maturing 2021 to 2037		143,865	—	8,865	135,000	5,630
2021 Series B, bearing interest ranging from 2.0% to 5.0% issued July 7, 2021, maturing 2021 to 2051		39,730	—	—	39,730	485
2024 Series A, bearing interest ranging from 4.0% to 5.0% issued March 26, 2024, maturing 2024 to 2054		81,310	—	1,000	80,310	2,150
2025 Series A, bearing interest ranging from 3.75% to 5.0% issued September 25, 2025, maturing 2026 to 2055		—	100,000	—	100,000	100
		521,535	100,000	30,235	591,300	29,210
Unamortized issue premiums/discounts		22,381	5,310	3,100	24,591	3,159
Net revenue bonds	$	543,916	105,310	33,335	615,891	32,369

(5) Long-Term Obligations - Continued

(a) Revenue Bonds - Continued

Description		Balance at December 31, 2023	Additions	Reductions	Balance at December 31, 2024	Amounts due within one year
Revenue bonds:						
2014 Series A, bearing interest ranging from 3.0% to 5.0% issued July 22, 2014, maturing 2017 to 2044	$	57,000	—	1,000	56,000	1,000
2015 Series A, bearing interest ranging from 3.0% to 5.0% issued August 5, 2015, maturing 2023 to 2028		59,750	—	13,255	46,495	18,870
2016 Series A, bearing interest ranging from 3.0% to 5.0% issued September 13, 2016, maturing 2020 to 2031		40,600	—	—	40,600	—
2016 Series B, bearing interest ranging from 3.0% to 5.0% issued September 13, 2016, maturing 2017 to 2046		48,135	—	500	47,635	—
2018 Series A, bearing interest ranging from 3.0% to 5.0% issued May 30, 2018, maturing 2020 to 2048		66,400	—	500	65,900	500
2021 Series A, bearing interest ranging from 0.29% to 3.0% issued July 7, 2021, maturing 2021 to 2037		153,860	—	9,995	143,865	8,865
2021 Series B, bearing interest ranging from 2.0% to 5.0% issued July 7, 2021, maturing 2021 to 2051		40,230	—	500	39,730	—
2024 Series A, bearing interest ranging from 4.0% to 5.0% issued March 26, 2024, maturing 2024 to 2054		—	82,110	800	81,310	1,000
		465,975	82,110	26,550	521,535	30,235
Unamortized issue premiums/discounts		18,799	7,055	3,473	22,381	3,050
Net revenue bonds	$	484,774	89,165	30,023	543,916	33,285

(5) Long-Term Obligations - Continued

(a) Revenue Bonds - Continued

Debt principal and interest maturities for future years as of December 31, 2025 are as follows (amounts in thousands):

		Revenue bonds	
		Principal	**Interest**
2026		29,210	21,091
2027		30,370	19,318
2028		31,510	18,152
2029		30,160	17,071
2030		31,260	15,895
2031-2035		154,455	64,235
2036-2040		123,490	41,340
2041-2045		106,805	21,441
2046-2050		41,955	6,424
2051-2055		12,085	1,308
	$	591,300	226,275

Amortization expense for losses on bond refunding and amortization income of bond issuance premiums which are recorded as interest for the years ended December 31, 2025 and 2024 totaled $(1,689,067) and $(2,061,508), respectively.

The Commission is required to maintain a Senior Debt Service Reserve Fund of an amount at least equal to the sum of the maximum amount of principal, or sinking fund payments, and interest due in the current or immediately succeeding year on the outstanding senior bonds issued as “fixed rate bonds", net of any accrued interest from the sale of any such bonds. As of December 31, 2025 and 2024, approximately $50.5 and $46.7 million, respectively, has been deposited into the Senior Debt Service Reserve Account. This account is included with restricted cash and investments on the statements of net position.

During 2025, the Commission completed the issuance of $100,000,000 General Revenue Bonds, 2025 Series A (the “Bonds”). The net proceeds of $105,261,881 (after underwriters discount of $47,652 plus premium of $5,309,533) were used to provide permanent financing for certain capital improvements previously financed by outstanding commercial paper; provide funding for other capital improvements; and to pay the costs associated with the issuance of the Bonds. The Bonds have principal payable annually beginning November 1, 2026, through and including November 1, 2055.

(5) Long-Term Obligations - Continued

(a) Revenue Bonds - Continued

During 2024, the Commission completed the issuance of $82,110,000 General Revenue Bonds, 2024 Series A (the "Bonds"). The net proceeds of $88,810,585 (after underwriters discount of $354,552 plus premium of $7,055,137) were used to provide permanent financing for certain capital improvements previously financed by outstanding commercial paper; provide funding for other capital improvements; provide for a deposit to the Senior Debt Service Reserve Fund; and to pay the costs associated with the issuance of the Bonds. The Bonds have principal payable annually beginning November 1, 2024, through and including November 1, 2054.

(b) Prior Year Debt Refunding (Defeasements)

In the aggregate, $261,530,000 and $293,090,000 remains outstanding at December 31, 2025 and 2024, respectively, on bond issues that were defeased "in-substance" in prior years.

(c) Restricted Cash and Investments

The Commission has established both trusteed and nontrusteed funds with investments, principally short-term securities, which are restricted for payment of specified liabilities, capital projects, or other costs of operations. The components of the trusteed and nontrusteed investments at December 31, are as follows:

	2025	2024
Trusteed:		
U.S. Government agency obligations	$ 166,920,295	175,522,983
Money market	84,854,398	51,443,677
Repurchase agreements	8,416,250	8,416,250
	260,190,943	235,382,910
Nontrusteed:		
U.S. Government agency obligations	6,970,670	5,893,724
Cash	79,838,237	54,006,512
Money market	2,067,904	1,754,385
Open-ended mutual funds	21,146,913	30,133,636
	110,023,724	91,788,257
Restricted cash and investments	370,214,667	327,171,167
Less nontrusteed cash	(79,838,237)	(54,006,512)
Trusteed and nontrusteed investments	$ 290,376,430	273,164,655

(5) Long-Term Obligations - Continued

(d) Long-Term Notes Payable

The Commission has entered into various interest-free loan agreements with Massachusetts Water Resource Authority (the "MWRA"). Under these agreements, the Commission is required to repay these loans in annual installments as part of the MWRA's Infiltration/Inflow Local Financial Assistance Program ("I/I"), Lead Loan Program ("LLP"), and System Assistance Program ("SAP"). These programs are designed to assist service area communities with sewer system rehabilitation.

The following is a summary of long-term note activities with MWRA for the years ended December 31,:

Description	Balance at December 31, 2024	Additions	Reductions	Balance at December 31, 2025	Amounts due within one year
MWRA I/I Program Phase IX, interest free, due November 15, 2031	$ 2,910,663	—	452,264	2,458,399	452,264
MWRA I/I Program Phase X, interest free, due May 15, 2035	3,553,448	938,472	412,662	4,079,258	506,510
MWRA SAP Program, interest free, due November 15, 2035	36,812,521	6,513,695	6,064,436	37,261,780	6,328,265
MWRA LLP. Program, interest free, due May 15, 2032	2,511,693	—	346,492	2,165,201	346,492
Total long-term notes	$ 45,788,325	7,452,167	7,275,854	45,964,638	7,633,531

(5) Long-Term Obligations - Continued

(d) Long-Term Notes Payable - Continued

Description	Balance at December 31, 2023	Additions	Reductions	Balance at December 31, 2024	Amounts due within one year
MWRA I/I Program Phase IX, interest free, due November 15, 2031	$ 3,362,926	—	452,263	2,910,663	452,264
MWRA I/I Program Phase X, interest free, due August 15, 2034	2,754,079	1,101,847	302,478	3,553,448	412,662
MWRA SAP Program, interest free, due August 15, 2034	31,376,110	11,000,000	5,563,589	36,812,521	6,064,436
MWRA LLP. Program, interest free, due May 15, 2032	2,858,186	—	346,493	2,511,693	346,492
Total long-term notes	$ 40,351,301	12,101,847	6,664,823	45,788,325	7,275,854

Debt principal for future years as of the years ended December 31, are as follows (amounts in thousands):

2026	$ 7,634
2027	7,246
2028	6,854
2029	5,405
2030	5,332
2031-2035	13,494
	$ 45,965

(6) Short-Term Obligations

(a) Commercial Paper

The Commission issues commercial paper notes for financing capital expenditures. The following represents the Commission's commercial paper notes outstanding as of the years ended December 31,:

Description	Balance at December 31, 2024	Additions	Reductions	Balance at December 31, 2025
Commercial paper notes, Bank of America program due December 5, 2024 through February 6, 2025	$ 55,000,000	45,000,000	100,000,000	—
Total commercial paper	$ 55,000,000	45,000,000	100,000,000	—

Description	Balance at December 31, 2023	Additions	Reductions	Balance at December 31, 2024
Commercial paper notes, Bank of America program due December 5, 2024 through February 6, 2025	$ 80,000,000	55,000,000	80,000,000	55,000,000
Total commercial paper	$ 80,000,000	55,000,000	80,000,000	55,000,000

(6) Short-Term Obligations - Continued

(b) Interim Loan

The Commission has entered into a loan agreements with the Massachusetts Clean Water Trust to finance the elimination of lead water services in Boston. The interim loan interest rate is 0% with no payments due until the balance is converted into a long-term note with a portion subject to forgiveness.

Description		Balance at December 31, 2024	Additions	Reductions	Balance at December 31, 2025
Massachusetts Clean Water Trust interim note DWPLC-22-50	$	4,322,171	3,635,253	-	7,957,424
Massachusetts Clean Water Trust interim note CW-22-52		522,094	737,282	-	1,259,376
Massachusetts Clean Water Trust interim note CW-22-56		12,818,213	8,126,924	-	20,945,137
Massachusetts Clean Water Trust interim note CW-22-56-A		-	2,610,138	-	2,610,138
Massachusetts Clean Water Trust interim note CW-24-39		-	910,152	-	910,152
Total interim notes	$	17,662,478	16,019,749	-	33,682,227

Description		Balance at December 31, 2023	Additions	Reductions	Balance at December 31, 2024
Massachusetts Clean Water Trust interim note CW-20-50	$	1,607,750	2,714,421	—	4,322,171
Massachusetts Clean Water Trust interim note CW-20-52		—	522,094	—	522,094
Massachusetts Clean Water Trust interim note CW-20-56		—	12,818,213	—	12,818,213
Total interim notes	$	1,607,750	16,054,728	—	17,662,478

(7) Massachusetts Water Resources Authority

The Commission obtains water supply and sewer treatment services from MWRA and is assessed a portion of the MWRA's actual operating and capital expenses. The assessment is based on the MWRA's fiscal year (July 1 to June 30), and payments are due to MWRA in ten equal installments excluding the months of January and July. Details of the MWRA assessments included in the statements of revenue and expenses at December 31, are as follows:

		2025	2024
Assessments based on:			
Water usage	$	111,342,077	105,576,325
Wastewater usage		151,064,429	149,179,540
Total	$	262,406,506	254,755,865

(8) Transactions with the City of Boston

Departments of the City of Boston were billed approximately $6.9 million and $6.4 million during 2025 and 2024, respectively, based on actual consumption.

The City provides services to the Commission, including paving and facilities. Operating costs billed to the Commission by the City were approximately $596,000 and $401,000 during the years ended December 31, 2025 and 2024, respectively, and capital costs billed by the City were approximately $559,000 and $231,000 during the years ended December 31, 2025 and 2024, respectively.

(9) Pension Benefits

(a) Description of the State-Boston Retirement System Plan

The Commission contributes to the Boston Retirement System ("BRS"), a cost-sharing, multi-employer qualified defined benefit public employee retirement system established under Chapter 32 of the Massachusetts General Laws ("MGL") and a member of the Massachusetts Contributory Retirement System (the "System"). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The System provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan.

A complete set of financial statements for BRS for the fiscal year ended December 31, 2025 can be obtained through the BRS, Boston City Hall, Room 816, Boston, MA 02201 or by accessing the website www.boston.gov/departments/retirement#financials-and-investments.

(9) Pension Benefits - Continued

(b) Benefit Provisions

Participation in the System is mandatory for all permanent, full-time, and certain part-time employees immediately upon the commencement of employment. Participants who resign from employment or are receiving workers' compensation benefits, and who are not eligible to receive a retirement allowance, are entitled to request a refund of their total contributions. In addition, those participants that resign voluntarily with less than ten years of service are entitled to receive 3% per year interest; all others receive interest which has accrued on their cumulative deductions at the regular interest rate (0.1% at December 31, 2025 and 2024).

Employees with ten or more years of service, having attained age 55, are entitled to pension benefits; an earlier retirement is allowed upon completion of twenty years of service. The System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive three-year average annual rate of regular compensation (highest consecutive five-year average for those members who join the System on or after April 2, 2012). Benefit payments are based upon a participant's age, length of creditable service, level of compensation and group classification. Participants become vested after ten years of creditable service. Effective July 1, 1998, Chapter 32 of the MGL assigns authority to establish and amend benefits provisions and grant cost-of-living increases for the plan to the BRS.

If a member in service dies due to causes unrelated to his or her job, the surviving spouse and/or surviving dependent children may receive benefits based on the member's length of service, contributions and age, either in a lump sum or in the form of an annuity. In the event there are no spouse and/or dependent children named, other beneficiaries may be entitled to a lump-sum distribution. Participants who become permanently and totally disabled from further duty may be eligible to receive accident or ordinary disability retirement benefits.

Accident disability is provided to members with incapacitation resulting from a work-related injury or hazard. Generally, annual pension benefits are provided based on 72% of the annual rate of regular compensation. Ordinary disability is available to any member whose permanent incapacitation is not work related and has completed ten years of creditable service. Such benefits are provided as if the member had attained the age of 55 (or actual age if over 55) based on the amount of creditable service earned. Limits are placed on how much an employee receiving disability benefits can earn from other sources while collecting a disability retirement pension.

(9) Pension Benefits - Continued

(c) Contributions

Plan members are required to contribute to the BRS at rates ranging from 5% to 9% of annual covered compensation. Employees hired on or after January 1, 1979 contribute an additional 2% of earnings in excess of $30,000 per year. The Commission is required to pay into the BRS its share of the remaining system-wide actuarially determined contribution accepted by PERAC plus administration costs, which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Commission are governed by Chapter 32 of the MGL. The Commission's actual contributions to the plan for the years ended December 31, 2025, 2024 and 2023 amounted to $9,811,668, $10,961,093, and $9,835,748, respectively, representing its contractually required contribution for each year along with any additional funds to reduce the unfunded liability. Employer required contributions, based on actuarially determined amounts, aggregated $6,861,026, $6,476,942, and $6,283,662, or 15.3%, 15.1%, and 15.0% of covered payroll in 2025, 2024 and 2023, respectively.

The Commission's funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the Commission's retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets. Member contributions vary depending on their date of membership:

Hire Date	Percentage of Compensation
Prior to 1975	5% of regular compensation
1975-1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation

At December 31, 2025 and 2024, the Commission reported a liability of $13.9 million and $33.1 million, respectively, for its proportionate share of the net pension liability related to its participation in BRS. The net pension liability as of December 31, 2025 and 2024, the reporting date, was measured as of December 31, 2025 and 2024, respectively, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2024, rolled forward to December 31, 2025 and 2024, respectively. At December 31, 2025 and 2024, the Commission's proportion was 3.49% and 3.84%, respectively.

The Commission follows the accounting standards set forth in GASB 62, and therefore provides for recovery of these pension liability costs as a deferred outflow of resources to be collected over the life of the liability to which it relates.

(9) Pension Benefits - Continued

(d) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2025 and 2024, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

		2025	2024
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$	—	4,246,206
Differences between expected and actual experience		4,662,213	6,031,333
Changes in assumptions		490,515	981,030
Total	$	5,152,728	11,258,569
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$	10,469,725	—
Changes in assumptions		217,866	290,488
Differences between expected and actual experience		1,055,681	2,111,362
Total	$	11,743,272	2,401,850

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

Years Ended December 31,		
2026	$	2,082,486
2027		(3,731,711)
2028		(2,739,266)
2029		(2,202,053)
	$	(6,590,544)

(e) Actuarial Assumptions

The total pension liability as of December 31, 2025 and 2024 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	4.00%
Investment rate of return	7.00%
Post-retirement cost of living adjustment	3% of first $15,000

(9) Pension Benefits - Continued

(e) Actuarial Assumptions - Continued

For 2025 and 2024, mortality rates for pre-retirees, healthy retirees and disabled retirees were based on Pub-2010 General Employee, Healthy Retiree and Contingent Survivor Amount-Weighted Mortality Tables set forward one year projected generationally using Scale MP-2021.

The actuarial assumptions used in the valuations involve estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new projections are made.

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 rates of return 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 rates of return by the target asset allocation percentage.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	29.00%	5.76%
International developed markets equity	15.00%	5.85%
International emerging markets equity	6.00%	7.12%
Core fixed income	16.00%	1.85%
Emerging market debt	5.00%	3.12%
Real estate	10.00%	3.71%
Hedge fund, GTAA, Risk parity	10.00%	2.63%
Private equity	5.00%	9.27%
Private credit	4.00%	5.46%
Total	100.00%	

(9) Pension Benefits - Continued

(e) Actuarial Assumptions - continued

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	29.00%	5.82%
International developed markets equity	15.00%	5.91%
International emerging markets equity	6.00%	7.06%
Core fixed income	13.00%	1.81%
Emerging market debt	5.00%	3.43%
Real estate	10.00%	3.34%
TIPS	3.00%	1.91%
Hedge fund, GTAA, Risk parity	10.00%	2.77%
Private equity	5.00%	9.20%
Private credit	4.00%	5.82%
Total	100.00%	

(f) Discount Rate

The discount rate used to measure the total pension liability was 7.00% for 2025 and 2024. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and employer contributions will be made at the actuarially determined contractually required rates. Based on these assumptions, the 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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following tables illustrate the sensitivity of the net pension liability, calculated using the discount rate of 7% for the years ended December 31, 2025 and 2024, respectively, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	2025	
1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
$35,889,027	$13,923,399	$(4,816,795)

(9) Pension Benefits - Continued

(f) Discount Rate - Continued

	2024	
	Current Discount	
1.00% Decrease	**Rate**	**1.00% Increase**
(6.00%)	**(7.00%)**	**(8.00%)**
$54,745,386	$33,058,101	$14,559,467

(10) Postemployment Benefits other than Pensions

(a) Plan Description

The Commission sponsors and participates in an Other Postemployment Benefit ("OPEB") Trust plan, a single-employer defined benefit healthcare plan (“OPEB Plan”), that provides healthcare and insurance benefits to participating retirees and their beneficiaries. The OPEB Plan provides healthcare benefits to current and future retirees, and their dependents/beneficiaries in accordance with Massachusetts General Laws Chapter 32B.

The OPEB Plan is administered by the Commission and does not issue stand-alone financial statements.

(b) Benefits Provided

Medical and prescription drug benefits are provided to all eligible retirees not enrolled in Medicare through a variety of plans offered by a variety of third-party insurers. Medical and prescription drug benefits are provided to retirees enrolled in Medicare through supplemental and Medicare Advantage plans offered by Blue Cross Blue Shield of Massachusetts, Harvard Pilgrim HealthCare, and Tufts Health Plan.

Groups 1 and 2 retirees, with at least 10 years or 20 years of creditable service, are eligible at age 55 or any age, respectively. Group 4 retirees with at least 10 years or 20 years of creditable service are eligible at age 45 or any age, respectively. Retirees on accidental disability retirement are eligible at any age, while ordinary disability requires 10 years of creditable service. The surviving spouse is eligible to receive pre and post-retirement death benefits, as well as medical and prescription drug coverage.

Employer and employee contribution rates are governed by the respective collective bargaining agreements. The OPEB Plan is currently funded on a pay-as-you-go basis plus periodic advance funding contributions as amounts are available. The employers and plan members share the cost of benefits. As of December 31, 2025, the valuation date for years ended December 31, 2025 and 2024, the plan members contribute 12% to 29.5% of the monthly premium cost, depending on the plan in which they are enrolled. The Commission contributes the balance of the premium cost. For the years ended December 31, 2025 and 2024, the Commission's average contribution rate was 17.10% and 25.64%, respectively, of covered-employee payroll.

(10) Postemployment Benefits other than Pensions - Continued

(c) Employees Covered by Benefit Terms

As of December 31, 2025, the date of the latest actuarial valuation, plan participation consisted of:

Active employees	367
Retirees and beneficiaries	316
Total	683

(d) Net OPEB Liability and Actuarial Assumptions

The Commission's net OPEB liability of $10,820,228 and $19,137,339 was measured as of December 31, 2025 and 2024, respectively, and was determined by an actuarial valuation as of December 31, 2024 and December 31, 2023. The total OPEB liability in the most recent actuarial valuation was determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Payroll Growth:	3.00%
Salary Increases:	4.00%
Discount Rate:	6.50%
Investment Rate of Return:	6.50%

For 2025 and 2024, health care trend rates non-Medicare are 7.485% for one year, then 7.625% decreasing by 0.25% for twelve years and then by 0.125% for one year to an ultimate level of 4.50% per year. For self-funded Medicare plans, 8.086% for one year, then 1.914% for one year, then 7.375% decreasing by 0.25% for eleven years and then by 0.125% for one year to an ultimate level of 4.50% per year. For fully insured Medicare plans, 10.484% for one year, then 3.664% for one year, then 7.375% decreasing by 0.25% for eleven years and then by 0.125% for one year to an ultimate level of 4.50% per year. For Medicare Part B, the valuation used a health care trend rate of 4.50% per year. Retiree contributions are expected to increase with health care trend rates.

(10) Postemployment Benefits other than Pensions - Continued

(d) Net OPEB Liability and Actuarial Assumptions - Continued

For 2025 and 2024, mortality rates for pre-retirees, healthy retirees and disabled retirees were based on Pub-2010 General Employee, Healthy Retiree and Contingent Survivor Amount-Weighted Mortality Tables set forward one year projected generationally using Scale MP-2021.

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 OPEB 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 subtracting expected investment expenses and a risk margin.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	2025	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Domestic equity	32.00%	5.76%
International developed markets equity	9.00%	5.85%
International emerging markets equity	4.00%	7.12%
Core fixed income	30.00%	1.85%
Real estate	10.00%	3.71%
Hedge fund, GTAA, risk parity	10.00%	2.63%
Private credit	5.00%	5.46%
Total	100.00%	

	2024	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Domestic equity	27.00%	6.29%
International equity	12.00%	6.39%
Core fixed income	31.00%	1.72%
Real estate	10.00%	3.24%
Hedge fund, GTAA, risk parity	15.00%	2.87%
Private credit	5.00%	5.91%
Total	100.00%	

(10) Postemployment Benefits other than Pensions - Continued

(d) Net OPEB Liability and Actuarial Assumptions - Continued

The discount rate used to measure the total OPEB liability was 6.50% as of December 31, 2025 and 2024. 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 investment was applied to all periods of projected benefit payments to determine the total OPEB liability.

The components of the net OPEB liability for the Plan as of December 31, 2025:

Total OPEB Liability	$	88,338,030
Fiduciary net position		(77,517,802)
Commission's net OPEB liability	$	10,820,228
Fiduciary net position as a percentage of the total OPEB Liability		87.75%

The components of the net OPEB liability for the Plan as of December 31, 2024:

Total OPEB Liability	$	84,534,397
Fiduciary net position		(65,397,058)
Commission's net OPEB liability	$	19,137,339
Fiduciary net position as a percentage of the total OPEB Liability		77.36%

(10) Postemployment Benefits other than Pensions (OPEB) - Continued

(e) Change in the Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at December 31, 2024	$ 84,534,397	$ 65,397,058	$ 19,137,339
Changes for the year:			
Service cost	1,993,734	-	1,993,734
Interest	5,506,093	-	5,506,093
Contributions - employer	-	7,687,249	(7,687,249)
Net investment income	-	8,129,689	(8,129,689)
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Benefit payments	(3,696,194)	(3,696,194)	-
Net changes	3,803,633	12,120,744	(8,317,111)
Balances at December 31, 2025	$ 88,338,030	$ 77,517,802	$ 10,820,228

(10) Postemployment Benefits other than Pensions - Continued

(e) Change in the Net OPEB Liability - Continued

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at December 31, 2023	$ 86,217,373	$ 54,154,445	$ 32,062,928
Changes for the year:			
Service cost	1,860,188	-	1,860,188
Interest	5,617,179	-	5,617,179
Contributions - employer	-	10,986,133	(10,986,133)
Net investment income	-	3,628,407	(3,628,407)
Differences between expected and actual experience	(4,319,293)	-	(4,319,293)
Changes of assumptions	(1,469,123)	-	(1,469,123)
Benefit payments	(3,371,927)	(3,371,927)	-
Net changes	(1,682,976)	11,242,613	(12,925,589)
Balances at December 31, 2024	$ 84,534,397	$ 65,397,058	$ 19,137,339

(f) Sensitivity Analysis

The following presents the Commission's net OPEB liability as well as what the Commission's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate as well as if the healthcare cost trend rates were 1% lower or higher than the current healthcare cost trend rates (the health care rate is disclosed on page 40):

	2025 Discount Rate		
	1.00% Decrease (5.50%)	**Current Rate (6.50%)**	**1.00% Increase (7.50%)**
Net OPEB Liability	$22,287,686	$10,820,228	$1,277,895

	Health Care Rate		
	1.00% Decrease	**Trend Rate**	**1.00% Increase**
Net OPEB Liability	(823,377)	$10,820,228	$25,125,708

(10) Postemployment Benefits other than Pensions - Continued

(f) Sensitivity Analysis - Continued

	2024		
	Discount Rate		
	1.00% Decrease (5.50%)	Current Rate (6.50%)	1.00% Increase (7.50%)
Net OPEB Liability	$30,281,915	$19,137,339	$9,873,614
	Health Care Rate		
	1.00% Decrease	Trend Rate	1.00% Increase
Net OPEB Liability	$8,538,141	$19,137,339	$32,129,427

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

The Commission follows the accounting standards set forth in GASB 62 and therefore provides for recovery of these OPEB liability costs as a deferred outflow of resources to be collected over the life of the liability to which it relates. At December 31, 2025 and 2024, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

		2025	2024
Deferred Outflows of Resources			
Change in assumptions	$	3,516,186	4,633,679
Net difference between projected and actual earnings on OPEB plan investments		—	845,768
Difference between projected and actual earnings on OPEB plan investments		2,987,716	3,734,645
Total	$	6,503,902	9,214,092
Deferred Inflows of Resources			
Change in assumptions	$	3,993,113	4,981,949
Net difference between projected and actual earnings on OPEB plan investments		2,591,814	—
Difference between expected and actual experience		3,326,652	4,064,415
Total	$	9,911,579	9,046,364

(10) Postemployment Benefits other than Pensions - Continued

(g) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - Continued

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

Years Ended December 31,		
2026	$	205,893
2027		(1,017,198)
2028		(393,925)
2029		(1,375,530)
2030		(826,917)
	$	(3,407,677)

(11) Deposit and Investment Risks

(a) Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the Commission's deposits may not be returned. Certain of the Commission's deposits are fully insured by FDIC insurance or collateralized with securities held by the Commission or the Commission's agent in the Commission's name. The Commission does not have a formal policy for managing custodial credit risk of deposits. As of December 31, 2025 and 2024, the cash balances of uninsured and uncollateralized deposits totaled $86,922,302 and $53,204,684, respectively. All the Commission's investments are held by a third party in the name of the Commission.

(b) Investment Policy

Investment of Commission funds is governed by federal and state laws and is restricted to permitted investments as defined by the Commission's General Revenue Bond Resolution and Supplemental Resolutions. Revenues generated from the investment of Commission funds reduce the amount the Commission must charge to its customers, while any investment losses would negatively affect the Commission's general rates and charges. Consequently, the Commission adheres to an investment policy that will maintain a fully invested, diversified portfolio with the objective of achieving the highest yield that is attainable in conjunction with a very low risk of loss of capital. The basic criteria that will be used in making investment decisions includes the evaluation of risk/reward tradeoffs, historical price spreads between different securities, the slope of the yield curve and the anticipated cash flows of the different investment accounts of the Commission.

(11) Deposit and Investment Risks - Continued

(b) Investment Policy - Continued

Current permitted investments under the General Revenue Bond Resolution include:

1. Any bond or other obligation to which principal and interest are unconditionally guaranteed by the United States of America.

2. Any bond or other obligation of any state, agency or local government unit of any state which are:

   A. Noncallable.

   B. Fully collateralized by funds consisting of cash, bonds or obligations of one of the above.

3. Public Housing bonds secured by the United States of America, certain notes issued by public agencies or municipalities fully secured by the United States of America or obligations issued by State or public agencies or municipalities carrying the highest bond rating.

4. Obligations of any state to which the full faith and credit of the state is pledged and are within the two highest bond ratings.

5. Prime Commercial Paper rated A – 1 or P – 1.

6. Shares of money market funds that are open ended and rated A or better, or money market funds of banks meeting specific criteria.

7. Certificates of Deposit issued by banks insured by the FDIC, which are fully secured by obligations described in 1 or 2 above.

8. Repurchase Agreements fully collateralized by obligations described in 1 or 2 above.

9. Futures contracts traded on an exchange for investments described in 1, 2, 3, and 4 above.

10. Investments in commercial paper cannot exceed $15 million per issuance.

Further, all investments of the Commission are held in the Commission’s name by a third party.

(11) Deposit and Investment Risks - Continued

(c) Interest Rate Risk

The Commission's guidelines do not specifically address limits on maturities as a means of managing its exposure to fair value losses arising from changing interest rates. The following is a listing of the Commission's fixed income investments and related maturity schedule (in years) as of December 31,:

		2025				
Investment type		**Fair value**	**Less than 1**	**1 – 5**	**6 – 10**	**More than 10**
U.S. Government agencies	$	173,890,965	—	21,644,284	31,704,230	120,542,451
Guaranteed investment contract		8,416,250	—	8,416,250	—	—
Money market		86,922,302	86,922,302	—	—	—
Open ended mutual funds		21,146,913	21,146,913	—	—	—
	$	290,376,430	108,069,215	30,060,534	31,704,230	120,542,451

		2024				
Investment type		**Fair value**	**Less than 1**	**1 – 5**	**6 – 10**	**More than 10**
U.S. Government agencies	$	181,416,707	—	23,169,823	51,937,363	106,309,521
Guaranteed investment contract		8,416,250	—	8,416,250	—	—
Money market		53,198,062	53,198,062	—	—	—
Open ended mutual funds		30,133,638	30,133,638	—	—	—
	$	273,164,657	83,331,700	31,586,073	51,937,363	106,309,521

(d) Credit Risk

The Commission follows its investment policy listed above in regard to the creditworthiness of its investments. The Commission's fixed income investments as of December 31, 2025 and 2024 were rated by Standard and Poor's rating scale and/or an equivalent national rating organization, and the ratings are presented below using the Standard and Poor's rating scale:

		2025			
Investment type		**Fair value**	**AAA**	**AA**	**Not rated**
U.S. Government agencies	$	173,890,965	158,077,655		15,813,310
Guaranteed investment contract		8,416,250	—	—	8,416,250
Money market		86,922,302	—	86,922,302	—
Open ended mutual funds		21,146,913	21,146,913	—	—
	$	290,376,430	179,224,568	86,922,302	24,229,560

(11) Deposit and Investment Risk - Continued

(d) Credit Risk - Continued

		2024			
Investment type		**Fair value**	**AAA**	**AA**	**Not rated**
U.S. Government agencies	$	181,416,707	165,918,605	—	15,498,102
Guaranteed investment contract		8,416,250	—	—	8,416,250
Money market		53,198,062	53,198,062	—	—
Open ended mutual funds		30,133,638	30,133,638	—	—
	$	273,164,657	249,250,305	—	23,914,352

As of December 31, 2025, and 2024, the Commission had $15,813,310 and $15,498,102, respectively, of unrated investments that are explicitly guaranteed by the U.S. Government.

The Commission's investment policy does not offer specific limitations in regard to the concentration of risk, except that a single investment in commercial securities cannot be more than $15 million. The Commission has individual investments that at fair value exceed 5% of the total investments balance at December 31, 2025 and 2024. Individually, these investments in money market funds range between $21 million and $54 million for 2025 and $14 million and $22 million for 2024. In the aggregate, they approximate $75 million and $56 million for the years ended December 31, 2025 and 2024, respectively.

(e) OPEB Trust Fund

Custodial Credit Risk

As discussed in Note 11(a), all the OPEB Trust investments are held by a third party in the name of the Commission.

Interest Rate Risk

The following is a listing of the Commission's fixed income investments and related maturity schedule (in years) as of December 31,:

		2025				
Investment type		**Fair value**	**Less than 1**	**1 – 5**	**6 – 10**	**More than 10**
U.S. Government agencies	$	3,537,044	—	3,051,054	—	485,990
Open ended mutual funds		17,760,028	—	9,330,405	5,882,854	2,546,769
	$	21,297,072	—	12,381,459	5,882,854	3,032,759

(11) Deposit and Investment Risk - Continued

(e) OPEB Trust Fund - Continued

	2024				
Investment type	Fair value	Less than 1	1 – 5	6 – 10	More than 10
U.S. Government agencies	$ 2,337,093	—	1,223,001	787,834	326,258
Open ended mutual funds	12,489,918	237,264	4,078,968	7,153,683	1,020,003
	$ 14,827,011	237,264	5,301,969	7,941,517	1,346,261

<u>*Credit Risk*</u>

As of December 31, 2025 and 2024, $64.3 million (88.3%) and $64.4 million (98.4%) of the OPEB Trust Funds investments are held by issuers greater than 5% of total investments.

The OPEB Trust's fixed income investments as of December 31, 2025 and 2024 were rated by Standard and Poor's rating scale and/or an equivalent national rating organization, and the ratings are presented below using the Standard and Poor's rating scale:

	2025							
Investment type	**Fair value**	**AAA**	**AA**	**A**	**BBB**	**B**	**C**	**Not rated**
U.S. Government agencies	$ 3,537,044	3,537,044	—	—	—	—	—	—
Open ended mutual funds	17,760,028	896,120	7,750,927	1,232,479	1,347,006	5,240,264	468,142	825,090
	$ 21,297,072	4,433,164	7,750,927	1,232,479	1,347,006	5,240,264	468,142	825,090

	2024							
Investment type	**Fair value**	**AAA**	**AA**	**A**	**BBB**	**B**	**C**	**Not rated**
U.S. Government agencies	$ 2,337,094	2,337,094	—	—	—	—	—	—
Open ended mutual funds	12,489,917	5,997,733	375,063	1,426,513	—	4,271,811	261,606	157,191
	$ 14,827,011	8,334,827	375,063	1,426,513	—	4,271,811	261,606	157,191

(11) Deposit and Investment Risk - Continued

(e) OPEB Trust Fund - Continued

Fair Value

See Note 1 for a description of fair value measurements. The OPEB Trust Fund has the following fair value measurements as of December 31:

Assets at Fair Value as of December 31, 2025

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 24,424,542	$ -	$ -	$ 24,424,542
Equities	-	-	-	-
Fixed income	-	21,297,072	-	21,297,072
Real estate fund	-	-	3,918,706	3,918,706
Debt instruments fund	-	-	2,115,223	2,115,223
Pooled index funds	-	21,076,834	-	21,076,834
Total Assets at Fair Value	$ 24,424,542	$ 42,373,906	$ 6,033,929	$ 72,832,377

Assets at Fair Value as of December 31, 2024

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 11,636,636	$ -	$ -	$ 11,636,636
Equities	18,616,185	-	-	18,616,185
Fixed income	-	14,827,011	-	14,827,011
Real estate fund	-	-	3,838,662	3,838,662
Debt instruments fund	-	-	1,020,944	1,020,944
Pooled index funds	-	8,048,901	-	8,048,901
Total Assets at Fair Value	$ 30,252,821	$ 22,875,912	$ 4,859,606	$ 57,988,339

(12) Commitments, Contingencies, Concentrations and Constraints

(a) Commitments

The Commission has an ongoing Capital Improvement Program. In connection therewith, the Commission has entered into various contracts for the design and construction of its infrastructure. Commitments under these contracts aggregate approximately $121.2 million and $128.7 million as of December 31, 2025 and 2024, respectively.

The Commission has committed to capital improvement projects of approximately $265.8 million for 2026 through 2027, which are primarily related to enhancing the operation of the water, sewer and stormwater system, including reducing pollution to Boston Harbor and neighboring waterways. Of this amount, approximately $169.0 million represents extension and improvement projects and $96.8 million represents renewal and replacement projects. The extension and improvement projects will be 40% funded by federal, state and Massachusetts Water Resources Authority grants and loans. The remainder will be funded from the Commission's bond proceeds as well as operating revenues.

<u>*OPEB Trust Fund*</u>

As part of the OPEB Trust Fund's investment portfolio, approximately $3m of capital has been committed for future contribution to a specific fund at December 31, 2025 and 2024.

(b) Litigation

The Commission is involved in ordinary and routine litigation and other matters related to its operations and the establishment of rates. Management believes that the resolution of these matters will not materially affect the financial position of the Commission.

(c) Federal, State, and Private Contracts and Grants

The Commission has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. The Commission believes such disallowances, if any, will not be significant.

(d) Pollution Remediation Obligations

GASB Statement No. 49, *Accounting and Financial Reporting by Employers for Pollution Remediation Obligations*, requires governments to reasonably determine potential polluted sites and provide guidance to recognize Pollution Remediation Obligations ("PRO") components as liability. The Commission evaluated their pollution remediation events and determined that the PRO liability as of December 31, 2025 and 2024, as well as the PRO payments made during 2025 and 2024, were not material to the Commission's financial statements.

(12) Commitments, Contingencies, Concentrations and Constraints - Continued

(e) Environmental Protection Agency

During 2012, the Commission entered into a consent decree with the Conservation Law Foundation, Inc. ("CLF") and the United States Environmental Protection Agency in settlement of a suit originally brought by the CLF alleging violations of the Commission's National Pollution Discharge Elimination System Permit. The consent decree required the Commission to pay approximately $374,000 of penalties and reimbursed legal fees and established goals. Failure to meet these goals will subject the Commission to penalties calculated on a daily basis until the goal is achieved. The decree also calls for other payments if the Commission does not meet specific expenditure levels. For 2025 and 2024, the Commission believes they have achieved the goals set forth in the decree. In accordance with GASB 49, the achievement of these goals is a part of the Commission's ongoing operations and is not accrued as a PRO.

(13) Risk Management and Other Insurance

The Commission is completely self-insured for unemployment benefits. The Commission's workers' compensation is self-insured with a self-insured retention of $750,000 per accident, supplemented with excess coverage at statutory limits purchased through an outside carrier. For general liability, the Commission's self-insured retention is $1 million per occurrence and is supplemented by $5 million of excess coverage. Under the sections of the Model Water and Sewer Act, the Commission's maximum tort liability is $100,000 per claimant.

The Commission maintains other insurance coverage as follows:

Policy type	Coverage
Automobile Liability	Combined single limit of $1 million/accident, supplemented with excess coverage of $5 million
Property	Aggregate limit of $250 million blanket building and contents per occurrence with a $25,000 deductible each occurrence on most perils.
Public Officials	Coverage of $5 million each act, $1,000,000 self-insurance retention each claim.
Employment Practices	Coverage of $5 million annual aggregate via layered policies, $500,000 self-insurance retention each claim.
Fiduciary	$5 million annual aggregate, with $10,000 deductible each claim.
Crime	Employee dishonesty coverage of $5 million, with $25,000 deductible each loss.
Cyber Risk	$4 million annual aggregate with $100,000 deductible each claim.

Insurance claims for all policies have not exceeded coverage in the past three years.

Liabilities for self-insured claims are reported if it is probable that a loss has been incurred and the amount can be reasonably estimated. The Commission has established a liability reserve based on historical trends along with attorney's and independent insurance reserve appraiser's estimate of pending matters and lawsuits in which the Commission is involved.

(13) Risk management and Other Insurance - Continued

Changes for the years ended December 31, are as follows:

		2025	2024
Beginning balance of reserves	$	3,929,953	4,552,128
Payment of claims attributable to events of both current and prior years:			
Workers' compensation		-	-
General liability		734,464	417,225
Incurred claims		(757,026)	(1,039,400)
Ending balance of reserves	$	3,907,391	3,929,953

(14) Contingencies

The Commission negotiates collective bargaining agreements ("CBA") with the majority of Commission employees. During the fiscal years ended December 31, 2025 and 2024, the Commission employed individuals belonging to the following unions:

American Federation of State, County and Municipal Employees (AFSCME), Council 93, Local 804

CBA's for AFSCME, C93, Local 804 (the local number was merged with L617 and now L617 – Supervisors) covered the following periods: (1) a three-year agreement from December 1, 2022 through December 31, 2024, (2) a one-year agreement from December 1, 2025 through December 31, 2025 and (3) a three-year agreement from December 1, 2026 through December 31, 2028. These agreements are entered into by and between the Boston Water and Sewer Commission and AFSCME, C 93, Local 617 – Supervisors and sets forth procedures for the equitable resolution of grievances, the terms of employment with respect to wages and working conditions and means by which the parties may consult periodically on mutually perceived issues.

American Federation of State, County and Municipal Employees (AFSCME), Council 93, Local 617

The CBA for AFSCME, C. 93, Local 617 – Managers consist of a three-year agreement that runs from December 1, 2025 through December 31, 2027. This agreement was entered into by and between the Boston Water and Sewer Commission and AFSCME, C 93, Local 617 – Supervisors and sets forth procedures for the equitable resolution of grievances, the terms of employment with respect to wages and working conditions and means by which the parties may consult periodically on mutually perceived issues.

Service Employees International Union (SEIU), Local 888

The CBA for SEIU, L888 consists of a two-year agreement that runs from July 1, 2024 through June 30, 2026. This agreement was entered into by and between the Boston Water and Sewer Commission and SEIU, Local 888 and sets forth procedures for the equitable resolution of grievances, the terms of employment with respect to wages and working conditions and means by which the parties may consult periodically on mutually perceived issues. This agreement will expire as of June 20,2026. Negotiations for a new CBA are expected to begin in 2026.

(14) Contingencies - Continued

Office and Professional Employees International Union (OPEIU), Local 6

The CBA for OPEIU, Local 6 consists of a three-year agreement that runs from January 1, 2025, through December 31, 2027. This agreement was entered into by and between the Boston Water and Sewer Commission and OPEIU, Local 6 and sets forth procedures for the equitable resolution of grievances, the terms of employment with respect to wages and working conditions and means by which the parties may consult periodically on mutually perceived issues.

International Association of Machinists and Aerospace Workers, Local Lodge 100

The CBA for IAMAW, LL100 consists of a three-year agreement that runs from January 1, 2025, through December 31, 2027. This agreement was entered into by and between the Boston Water and Sewer Commission and IAMAW, LL100 and sets forth procedures for the equitable resolution of grievances, the terms of employment with respect to wages and working conditions and means by which the parties may consult periodically on mutually perceived issues.

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Commissioners of
Boston Water and Sewer Commission:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activity and the aggregate remaining fund information of Boston Water and Sewer Commission (the "Commission"), as of and for the year ended December 31, 2025 and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated June 29, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Withum Smith+Brown, PC

June 29, 2026

REQUIRED SUPPLEMENTARY INFORMATION

BOSTON WATER AND SEWER COMMISSION

Schedule of Proportionate Share of the Net Pension Liability (Unaudited)

Boston Retirement System

Year ended Valuation date Measurement date		December 31, 2025 January 1, 2024 December 31, 2025	December 31, 2024 January 1, 2024 December 31, 2024	December 31, 2023 January 1, 2022 December 31, 2023	December 31, 2022 January 1, 2022 December 31, 2022	December 31, 2021 January 1, 2020 December 31, 2021
Commission's proportion of the net pension liability		3.49%	3.84%	3.52%	3.61%	3.77%
Commission's proportionate share of the net pension liability	$	13,923,399	33,058,101	38,989,860	46,855,560	21,656,915
Commission's covered payroll	$	44,962,372	42,848,464	41,815,040	36,695,765	37,976,646
Commission's proportionate share of the net pension liability as a percentage of its covered payroll		30.97%	77.15%	93.24%	127.69%	57.03%
Plan fiduciary net position as a percentage of the total pension liability		93.25%	83.41%	79.26%	74.06%	87.23%

Year ended Valuation date Measurement date		December 31, 2020 January 1, 2021 December 31, 2020	December 31, 2019 January 1, 2018 December 31, 2019	December 31, 2018 January 1, 2018 December 31, 2018	December 31, 2017 January 1, 2016 December 31, 2017	December 31, 2016 January 1, 2016 December 31, 2016
Commission's proportion of the net pension liability		3.76%	4.13%	4.28%	4.20%	4.20%
Commission's proportionate share of the net pension liability	$	29,011,883	34,808,595	40,448,003	25,976,537	26,503,599
Commission's covered payroll	$	38,809,388	35,533,839	35,472,896	34,743,437	33,407,151
Commission's proportionate share of the net pension asset as a percentage of its covered payroll		74.75%	97.96%	114.03%	74.77%	79.34%
Plan fiduciary net position as a percentage of the total pension liability		82.04%	77.87%	72.89%	81.49%	79.44%

See accompanying notes to the required supplemental information.

BOSTON WATER AND SEWER COMMISSION

Schedule of Pension Contributions (Unaudited)

Boston Retirement System

For the Years Ended December 31,

		2025	2024	2023	2022	2021
Contractually required contribution	$	6,861,026	6,476,942	6,283,662	6,744,090	6,542,535
Contributions in relation to the contractually required contribution	$	9,811,668	10,961,093	9,835,748	15,723,881	5,464,716
Contribution deficiency (excess)	$	(2,950,642)	(4,484,151)	(3,552,086)	(8,979,791)	1,077,819
Commission's covered payroll	$	44,962,372	42,848,464	41,815,040	36,695,765	37,976,646
Contribution as a percentage of covered-payroll		21.8%	25.6%	23.5%	42.8%	14.4%

		2020	2019	2018	2017	2016
Contractually required contribution	$	6,208,445	5,951,949	4,868,286	4,667,585	4,918,577
Contributions in relation to the contractually required contribution	$	2,800,819	3,166,395	7,507,131	4,129,227	11,057,791
Contribution deficiency (excess)	$	3,407,626	2,785,554	(2,638,845)	538,358	(6,139,214)
Commission's covered payroll	$	38,809,388	35,533,839	35,472,896	34,743,437	33,407,151
Contribution as a percentage of covered-payroll		7.2%	8.9%	21.2%	11.9%	33.1%

Notes:
Employers participating in the Boston Retirement System are required by MA General Laws, Section 32, to contribute an actuarially determined contribution rate each year.

See accompanying notes to the required supplemental information.

Note 1 - Change in Assumptions

Fiscal year December 31, 2025

- None

Fiscal year December 31, 2024

- None

Fiscal year December 31, 2023

- None

Fiscal year December 31, 2022

- The generational mortality improvement scale was updated from Scale MP-2019 to Scale MP-2021.

Fiscal year December 31, 2021

- None

Fiscal year December 31, 2020

- The net investment return assumption was lowered from 7.25% to 7.00%.
- The salary increase assumption was lowered from 4.50% to 4.00% per year.
- The wage inflation assumption was lowered from 3.50% to 3.00% per year.
- The mortality assumption for non-disabled participants was updated from RP-2014 Blue Collar Employee and Healthy Annuitant Mortality Tables set forward one year for female participant projected generationally using Scale MP-2017 to the Pub-2010 General Employee, Healthy Retiree and Contingent Survivor Amount-Weighted Mortality Tables set forward one year projected generationally using Scale MP-2019.
- The mortality assumption for disabled participants was updated from RP-2014 Blue Collar Employee and Healthy Annuitant Mortality Tables set forward one year projected generationally using Scale MP-2017 to the Pub-2010 General Employee, Healthy Retiree and Contingent Survivor Amount-Weighted Mortality Tables set forward one year projected generationally using Scale MP-2019.

Fiscal year December 31, 2019

- None

Fiscal year December 31, 2018

- None

Fiscal year December 31, 2017

- The investment return assumption was reduced from 7.50% to 7.25%.

Fiscal year December 31, 2016

- None

BOSTON WATER AND SEWER COMMISSION

Schedule of the Changes in Total OPEB Liability and Related Ratios (Unaudited)

Other Postemployment Benefit ("OPEB") Trust

Year ended	December 31, 2025	December 31, 2024	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
Total OPEB liability:								
Service cost	$ 1,993,734	$ 1,860,188	$ 1,851,144	$ 2,407,433	$ 2,041,742	$ 2,190,830	$ 2,134,311	$ 2,069,043
Interest	5,506,093	5,617,179	4,916,522	4,708,030	4,210,950	4,891,289	4,646,844	4,394,786
Change in benefit terms	-	-	-	-	-	(10,574,843)	-	-
Differences between expected and actual experience	-	(4,319,293)	-	5,975,433	-	(965,764)	-	-
Change in assumptions	-	(1,469,123)	1,145,946	(5,675,317)	7,630,285	(292,259)	(264,108)	-
Benefit payments	(3,696,194)	(3,371,927)	(3,522,928)	(3,249,909)	(3,064,401)	(2,887,704)	(2,783,496)	(2,480,017)
Net change in total OPEB liability	3,803,633	(1,682,976)	4,390,684	4,165,670	10,818,576	(7,638,451)	3,733,551	3,983,812
Total OPEB liability, beginning of year	84,534,397	86,217,373	81,826,689	77,661,019	66,842,443	74,480,894	70,747,343	66,763,531
Total OPEB liability, end of year	88,338,030	84,534,397	86,217,373	81,826,689	77,661,019	66,842,443	74,480,894	70,747,343
Plan fiduciary net position:								
Contributions - employer	7,687,249	10,986,133	10,397,949	10,373,789	6,958,809	3,867,341	4,200,341	6,301,842
Net investment income (loss)	8,129,689	3,628,407	5,068,978	(3,737,370)	3,955,845	1,155,302	4,519,177	(596,759)
Benefit payments	(3,696,194)	(3,371,927)	(3,522,928)	(3,249,909)	(3,064,401)	(2,887,704)	(2,783,496)	(2,480,017)
Net change in plan fiduciary net position	12,120,744	11,242,613	11,943,999	3,386,510	7,850,253	2,134,939	5,936,022	3,225,066
Plan fiduciary net position, beginning of year	65,397,058	54,154,445	42,210,446	38,823,936	30,973,683	28,838,744	22,902,722	19,677,656
Plan fiduciary net position, end of year	77,517,802	65,397,058	54,154,445	42,210,446	38,823,936	30,973,683	28,838,744	22,902,722
Net OPEB liability, end of year	$ 10,820,228	$ 19,137,339	$ 32,062,928	$ 39,616,243	$ 38,837,083	$ 35,868,760	$ 45,642,150	$ 47,844,621
Plan fiduciary net position as a percentage of the total OPEB liability	87.75%	77.36%	62.81%	51.59%	49.99%	46.34%	38.72%	32.37%
Covered payroll	$ 44,962,372	$ 42,848,465	$ 41,815,040	$ 36,695,765	$ 37,976,646	$ 38,809,388	$ 35,533,839	$ 35,472,896
Net OPEB liability as a percentage of covered payroll	24.07%	44.66%	76.68%	107.96%	102.27%	92.42%	128.45%	134.88%

Notes:
This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

This schedule is presented using the optional format of combining the required schedules in paragraphs 57a and 57b of GASB 75.

BOSTON WATER AND SEWER COMMISSION

Schedule of OPEB Contributions (Unaudited)

Other Postemployment Benefit ("OPEB") Trust

For the Years Ended December 31,

	2025	2024	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 6,012,023	$ 5,833,924	$ 6,975,377	$ 5,156,298	$ 4,256,512	$ 4,077,414	$ 4,859,090	$ 4,688,044
Contribution in relation to the actuarially determined contribution	7,687,249	10,986,133	10,397,949	10,373,789	6,958,809	3,867,341	4,200,341	6,301,842
Contribution deficiency (excess)	$ (1,675,226)	$ (5,152,209)	$ (3,422,572)	$ (5,217,491)	$ (2,702,297)	$ 210,073	$ 658,749	$ (1,613,798)
Covered payroll	$ 44,962,372	$ 42,848,465	$ 41,815,040	$ 36,695,765	$ 37,976,646	$ 38,809,388	$ 35,533,839	$ 35,472,896
Contributions as a percentage of covered-payroll	17.10%	25.64%	24.87%	28.27%	18.32%	9.96%	11.82%	17.77%

Notes:
This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

The actuarial methods and assumptions used to calculate the total OPEB liability are described in Note 10 to the financial statements.

Note 1 - **Change in Assumptions**

Fiscal year December 31, 2025

- None

Fiscal year December 31, 2024

- Revisions to health care cost trend rates

Fiscal year December 31, 2023

- The discount rate was increased from 6.00% to 6.50%.
- The Medicare trend assumptions were revised to reflect the estimated impact of the Inflation Reduction Act on Medicare plans.
- Contributions were updated to reflect known contribution cost sharing increases.

Fiscal year December 31, 2022

- The mortality projection scale was updated.
- Per capita health care costs, retiree contributions, and trends were updated.

Fiscal year December 31, 2021

- The discount rate was lowered from 6.25% to 6.00%.

Fiscal year December 31, 2020

- The per capita health care costs, retiree contributions, and trend assumptions were updated.
- The mortality assumptions were updated to the Pub-2010 headcount-weighted mortality tables related by the Society of Actuaries in 2019.
- The discount rate was lowered from 6.50% to 6.25%.

Fiscal year December 31, 2019

- The excise tax on high cost health plans was repealed effective December 20, 2019 and as such was removed from the valuation.

Fiscal year December 31, 2018

- None

SUPPLEMENTAL SCHEDULES

Schedule 1

BOSTON WATER AND SEWER COMMISSION

Supplemental Schedules of Revenues and Expenses – Rate Basis

For the Years Ended December 31,

		2025	2024
Revenues:			
Water revenue	$	207,275,238	193,317,965
Sewer revenue		252,459,714	258,140,423
Stormwater revenue		25,499,547	20,309,598
Subtotal		485,234,499	471,767,986
Less:			
Adjustments		12,891,687	13,831,508
Discounts		3,806,342	3,600,159
Bad debt		20,361	188,062
Subtotal		16,718,390	17,619,729
Net billed charges		468,516,109	454,148,257
Prior year surplus		2,464,626	1,065,859
Miscellaneous revenues:			
Late charge revenue		2,591,585	2,477,171
Investment income		10,541,819	9,829,880
Fire pipe revenue		6,040,732	5,546,764
Other income		8,248,333	7,044,170
Total revenues		498,403,204	480,112,101
Direct operating expenses:			
Salaries and wages		62,333,734	66,048,980
Overtime wages		4,015,405	3,032,209
Fringe benefits		9,285,417	8,395,125
Supplies and materials		2,855,368	3,154,819
Repairs and maintenance		14,616,302	12,525,602
Utilities		1,967,787	1,769,570
Professional services		6,971,489	6,072,454
Space and equipment rentals		191,750	210,164
Other services		2,228,453	1,940,362
Insurance		1,327,761	1,326,346
Travel and training		67,962	62,927
Damage claims		54,720	3,010,913
Inventory		5,656	19,027
Capital outlay		123,073	105,250
Total direct operating expenses		106,044,877	107,673,748
Nonoperating expenses:			
MWRA assessment		262,406,506	254,755,865
Capital improvements		51,223,700	46,452,294
Principal payments		37,510,854	33,214,824
Interest expense		18,389,039	17,378,297
Deposits to reserve funds		19,604,000	17,960,000
SDWA assessment		209,122	212,447
Total nonoperating expenses		389,343,221	369,973,727
Total current expenses		495,388,098	477,647,475
Current year rate surplus	$	3,015,106	2,464,626

This supplemental schedule presents the Commission's revenues and expenses on the basis that is presented in the Commission's budget and rate-setting documents. See Note 1 in the notes to the basic financial statements for the differences between this supplemental schedule and GAAP.

See accompanying Independent Auditor's Report.