

**MEETING OF THE AUDIT COMMITTEE
MASSACHUSETTS CLEAN WATER TRUST**

January 17, 2024

During a Recess of a Meeting of the Massachusetts Clean Water Trust Board of Trustees

Location: Remote*

NOTICE & AGENDA

CALL TO ORDER

Item #1 **MOTION – VOTE REQUESTED**

Acceptance and Approval of the Minutes of the Meeting of the Audit Committee held on March 6, 2023.

Item #2 **REPORT OF EXTERNAL AUDITOR**

The annual audits of the Trust's financial statements and the Report of the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and Government Auditing Standards (Single Audit) for Fiscal Year 2023 have concluded.

CLA Principal, Jim Piotrowski, will present to the Committee the results of the Fiscal Year 2023 (FY 2023) audits and financial reports.

Item #3 **MOTION – VOTE REQUESTED**

The Audit Committee is recommending that the Trust Board accept the FY 2023 financial statements, and the Report of the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and Government Auditing Standards (Single Audit) for Fiscal Year 2023.

OTHER BUSINESS

(Items not reasonably anticipated by the Chair 48 hours in advance of the meeting)

ADJOURN

***Location: Remote:** Notice is hereby given that the Wednesday, January 17, 2024 meeting of the Massachusetts Clean Water Trust's Audit Committee will be held through remote participation in accordance with M.G.L.c.30A, §20, as modified by c.20 of the Acts of 2021, c.22 of the Acts of 2022, and c.2 of the Acts of 2023.

Those who would like to attend the meeting, please e-mail masswatertrust@tre.state.ma.us to request meeting information. Information to access the meeting will be available through the duration of the meeting. However, we encourage participants to request the information by 5:00 PM the day before the meeting.

To ensure that the audio is clear to all attendees, unless you are actively participating in the meeting, please mute your audio. If you have technical difficulties joining the meeting, please email masswatertrust@tre.state.ma.us.

Please Note: There will be no physical meeting at the offices of the Massachusetts Clean Water Trust.



Item #1: *Minutes of the Meeting Held on March 6, 2023*

MEETING OF THE MASSACHUSETTS CLEAN WATER TRUST AUDIT COMMITTEE

Minutes

March 6, 2023
3:30 PM

Location: Remote*

Members of the Audit Committee –

State Treasurer Deborah Goldberg, Chair

Gary Moran, Acting Commissioner of MassDEP

Matthew Gorzkowicz, Secretary, Executive Office for Administration & Finance

Also present:

James MacDonald, First Deputy Treasurer, Office of the State Treasurer

Timur Yontar, Capital Budget Director, Executive Office for Administration & Finance

Susan Perez, Executive Director, MCWT

Nate Keenan, Deputy Director, MCWT

My Tran, Treasurer, MCWT

Nicole Munchbach, Accountant, MCWT

Pam Booker, Accountant, MCWT

Sunkarie Konteh, Accountant, MCWT

Julian Honey, Program Associate, MCWT

Kailyn Fellmeth, Program Associate, MCWT

Josh Derouen, Senior Program Associate, MCWT

Rachel Stanton, Investor Relations and Communications Graphic Designer, MCWT

Maria Pinaud, Director of Municipal Services, MassDEP

Robin McNamara, Deputy Director of Municipal Services, MassDEP

Mary Wilkins, Communications Executive Assistant, Office of the State Treasurer

Andrew Napolitano, Director of Communications, Office of the State Treasurer

Jennifer Pederson, Executive Director, Massachusetts Water Works Association

Jessica Cajigas-Smith, Senior Project Manager, Tighe & Bond

Jim Piotrowski, Clifton Larson Allen, Principal

CALL TO ORDER: The meeting was called to order by Treasurer Goldberg at 3:30 p.m.

Item #1

MOTION – VOTE

Acceptance and Approval of April 6, 2022 Minutes

The motion was made by Commissioner Moran and seconded by Secretary Gorzkowicz and voted unanimously in favor of acceptance and approval of the minutes of the meeting of the Audit Committee held on April 6, 2022.

Item #2

REPORT OF EXTERNAL AUDITOR

Clifton Larson Allen, LLP (CLA) Principal, Jim Piotrowski, presented to the Committee the results of the Fiscal Year 2022 (FY 2022) audits and financial reports.

Mr. Piotrowski stated the terms of engagement for the audit, which included CLA providing an independent auditor's report, a report on internal control and compliance, and a uniform guidance report on compliance with major federal award programs and internal control.

The Trust received an unmodified opinion of financial statements from CLA, in conformity with U.S. Generally Accepted Accounting Principles (GAAP).

The report on internal control over financial reporting had one finding related to nonexchange revenues resulting in a prior period restatement.

The uniform guidance report had an unmodified opinion on compliance with major federal programs, and no findings reported.

The uniform guidance audit reported that there was \$79.7 million of federal awards, with \$72.2 million disbursed to subrecipients. The major program tested was the capitalization grants for Drinking Water State Revolving Fund (DWSRF), which totals \$24.9 million.

Item #3

MOTION – VOTE

The motion was made by Commissioner Moran and seconded by Secretary Gorzkowicz and voted unanimously in favor of acceptance and approval of the following:

The Audit Committee is recommending that the Trust Board accept the FY 2022 financial statements, the Report of the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and Government Auditing Standards (Single Audit) and corrective action plan for Fiscal Year 2022.

OTHER BUSINESS: None

ADJOURN: The motion was made by Commissioner Moran and seconded by Secretary Gorzkowicz and voted unanimously in favor of adjourning the meeting at 3:41 p.m.

LIST OF DOCUMENTS AND EXHIBITS USED:

1. Minutes of Audit Committee Meeting held on April 6, 2022
2. Massachusetts Clean Water Trust 2022 Financial Statement and Uniform Guidance Audits Presentation
3. Massachusetts Clean Water Trust 2022 Uniform Guidance Single Audit

***Location: Remote:** Notice is hereby given that the Monday, March 6, 2023 meeting of the Massachusetts Clean Water Trust's Board of Trustees will be held through remote participation in accordance with M.G.L.c.30A, §20, as modified by c.20 of the Acts of 2021 and c.22 of the Acts of 2022.

Those who would like to attend the meeting, please e-mail masswatertrust@tre.state.ma.us to request meeting information. Information to access the meeting will be available through the duration of the meeting. However, we encourage participants to request the information by 5:00 PM the day before the meeting.

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Please Note: There will be no physical meeting at the offices of the Massachusetts Clean Water Trust.



Item #2 *REPORT OF EXTERNAL AUDITOR*



Massachusetts Clean Water Trust 2023 Financial Statement and Uniform Guidance Audits

January 17, 2023

We'll get you there.



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Agenda



Terms of
Engagement



Executive
Summary



Financial
Statements



Uniform
Guidance Audit



Required
Communications



Questions



Terms of Engagement

Independent Auditors' Report	Express an opinion on whether the financial statements are fairly presented in accordance with Accounting Principles Generally Accepted in the United States of America (U.S. GAAP).
Report on Internal Control and Compliance	Provide a report on internal control over financial reporting and compliance with laws, regulations, contracts and grants which could have a direct and material impact on the financial statements; in accordance with <i>Government Auditing Standards</i> .
Uniform Guidance Reports on Compliance with Major Federal Award Programs and Internal Control	<ul style="list-style-type: none">-Express an opinion over the Trust's compliance with requirements which could have a direct and material effect on its major federal award program.-Provide a report on internal control over compliance with direct and material compliance requirements of the major federal award program; in accordance with the OMB's Uniform Guidance.-Express an opinion on whether the Schedule of Expenditures of Federal Awards (SEFA) is fairly stated in relation to the Trust's financial statements.



Executive Summary – Independent Auditors’ Report



Unmodified “clean” opinion that the financial statements are presented fairly, in all material respects, in conformity with U.S. GAAP



Emphasis of Matter paragraph included for restatement of prior year financial statements for the change to the effective interest method of amortization (Note 2h)



Report dated October 18, 2023



Executive Summary – Other Reports

GAO Internal Control and Compliance

- No internal control findings
- No noncompliance findings

Uniform Guidance Reports

- Unmodified opinion on compliance with major federal program
- No findings reported



2023 Financial Statements

Statement of Net Position

(Amounts presented in Thousands)

Assets	2023	2022	\$ Change	% Change
Cash	\$1,315,598	\$968,958	\$346,640	35.77%
Investments	569,363	642,007	(72,644)	(11.32%)
Loans Receivable	4,091,754	4,037,854	53,900	1.33%
Other Assets	306,792	98,171	208,621	212.51%
Deferred Outflows of Resources	<u>5,279</u>	<u>14,781</u>	(9,502)	(64.29%)
Total Assets and Deferred Outflows	\$6,288,786	\$5,761,771	\$527,015	9.15%



2023 Financial Statements (Continued)

Statement of Net Position (Continued)

(Amounts presented in Thousands)

Liabilities, Deferred Inflows and Net Position	2023	2022	\$ Change	% Change
Long-Term Debt	\$2,590,126	\$2,558,550	31,576	1.23%
Other Liabilities	197,834	103,233	94,601	91.64%
Deferred Inflows of Resources	<u>254</u>	<u>3,388</u>	<u>(3,134)</u>	<u>(92.50%)</u>
Total Liabilities and Deferred Inflows	<u>\$2,788,214</u>	<u>\$2,665,171</u>	<u>123,043</u>	<u>4.62%</u>
Restricted Net Position	\$2,779,169	\$2,503,197	275,972	11.02%
Unrestricted Net Position	<u>721,403</u>	<u>593,403</u>	<u>128,000</u>	<u>21.57%</u>
Total Net Position	<u>\$3,500,572</u>	<u>\$3,096,600</u>	<u>403,972</u>	<u>13.05%</u>



2023 Financial Statements (Continued)

Statement of Revenues, Expenses, and Changes in Net Position

(Amounts presented in Thousands)

Revenues	2023	2022	\$ Change	% Change
Loan Servicing Fees	\$5,260	\$5,473	(\$213)	(3.89%)
Interest Income	140,872	94,784	46,088	48.62%
Net Decrease in Fair Value of Investments	(10,843)	(25,130)	14,287	56.85%
Contract Assistance	63,383	63,383	-	0.00%
EPA Capitalization Grants	183,489	79,709	103,780	130.20%
State Matching Grants	<u>223,192</u>	<u>15,894</u>	<u>207,298</u>	<u>1,304.25%</u>
Total Revenues	\$605,353	\$234,113	\$371,240	158.57%



2023 Financial Statements (Continued)

Statement of Revenues, Expenses, and Changes in Net Position (Continued)

(Amounts presented in Thousands)

Expenses	2023	2022	\$ Change	% Change
DEP Programmatic Support	\$11,888	\$12,381	(\$493)	(3.98%)
Loan Forgiveness	105,111	32,542	72,569	223.00%
General and Administrative	3,905	1,876	2,029	108.16%
Arbitrage Rebate Payments	-	886	(886)	(100.00%)
Interest Expense	<u>80,477</u>	<u>88,437</u>	<u>(7,960)</u>	<u>(9.00%)</u>
Total Expenses	<u>\$201,381</u>	<u>\$136,122</u>	<u>\$65,259</u>	<u>47.94%</u>
Increase in Net Position	<u>\$403,972</u>	<u>\$97,991</u>	<u>\$305,981</u>	<u>312.25%</u>



Uniform Guidance Audit

Total Federal
Awards (page 6) -
\$60.8M









- Includes \$53.1M disbursed to subrecipients

Major Program –
Capitalization Grants for
Clean Water State
Revolving Funds -
\$42.5M

- Unmodified opinion over compliance
- No internal control or compliance findings



Required Communications

-  Significant accounting policies described in Note 2 to the financial statements
-  No significant or sensitive accounting estimates
-  Financial statement disclosures neutral, consistent and clear
-  No significant, unusual transactions
-  No uncorrected misstatements
-  No disagreements with management
-  Management did not consult with other accountants on the application of accounting policies
-  Management Representations obtained in the management representation letter dated October 18, 2023





Questions?

We'll get you there.

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Jim Piotrowski, CPA, CGFM
Principal

Jim.Piotrowski@claconnect.com

781-402-6312



CLAconnect.com



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Item #3 (*No Reference Documents*)