

**MASSACHUSETTS CLEAN WATER TRUST
(A COMPONENT UNIT OF THE COMMONWEALTH OF
MASSACHUSETTS)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND UNIFORM GUIDANCE REPORTS**

YEAR ENDED JUNE 30, 2024

**MASSACHUSETTS CLEAN WATER TRUST
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND UNIFORM GUIDANCE REPORTS
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**INDEPENDENT AUDITORS' 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**

Board of Trustees
Massachusetts Clean Water Trust
Boston, Massachusetts

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 activities and fiduciary activities of Massachusetts Clean Water Trust (the Trust), a component unit of the Commonwealth of Massachusetts (the Commonwealth), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated October 17, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust'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 Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust'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 Trust'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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Boston, Massachusetts
October 17, 2024



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Massachusetts Clean Water Trust
Boston, Massachusetts

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Massachusetts Clean Water Trust's (the Trust), a component unit of the Commonwealth of Massachusetts (the Commonwealth), compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Trust's major federal program for the year ended June 30, 2024. The Trust's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Trust complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Trust's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Trust's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Trust's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Trust's compliance with the requirements of the major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Trust's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Trust's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the fiduciary activities of the Trust as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements. We issued our report thereon, dated October 17, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Boston, Massachusetts
October 17, 2024

**MASSACHUSETTS CLEAN WATER TRUST
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024**

Federal grantor/program title	Assistance listing number	Total expenditures	Amount provided to subrecipients
U.S. Environmental Protection Agency:			
CWSRF Cluster:			
Capitalization Grants for Clean Water State Revolving Funds:	66.458		
2021 CS-25000121-0		\$ 321,783	\$ —
2022 CS-25000122-0		12,401,357	10,829,957
2023 CS-25000123-0		1,513,628	1,205,596
2022 CS-25000222-0		9,494,409	8,315,503
Total		<u>23,731,177</u>	<u>20,351,056</u>
DWSRF Cluster:			
Capitalization Grants for Drinking Water State Revolving Funds:	66.468		
2021 FS-99191421-0		847,137	—
2022 FS-99191422-0		8,477,791	4,208,594
2023 FS-99191423-0		450,982	—
2022 4D-99191S22-0		23,029,898	21,643,092
2022 4E-99191E22-0		5,964,564	5,964,564
2022 4L-99191L22-0		13,179,025	12,961,769
2023 4L-99191L23-0		588,364	588,364
Total Assistance Listing Number 66.468		<u>52,537,761</u>	<u>45,366,383</u>
Capitalization Grants for Reduction in Lead Exposure Via Drinking Water:	66.443		
2022 L9-00A00642-0		90,000	90,000
Total DWSRF Cluster		<u>52,627,761</u>	<u>45,456,383</u>
Total expenditures of federal awards		<u>\$ 76,358,938</u>	<u>\$ 65,807,439</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

MASSACHUSETTS CLEAN WATER TRUST
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
JUNE 30, 2024

NOTE 1 DEFINITION OF THE REPORTING ENTITY

The Massachusetts Clean Water Trust (the Trust) is an authority established by the Massachusetts General Laws and is a component unit of the Commonwealth of Massachusetts (the Commonwealth). The Trust administers the Massachusetts State Revolving Funds (SRFs). The SRF programs (Clean Water SRF and Drinking Water SRF) are partnerships between the United States Environmental Protection Agency (EPA) and the Commonwealth of Massachusetts. SRFs function like an environmental infrastructure bank by financing water infrastructure projects in cities and towns across the Commonwealth.

The SRFs are different from other federal funding programs because they are managed and co-funded by states. Though they receive seed funding via federal capitalization grants from EPA, the SRFs have non-federal sources of money in them (e.g., state match, recycled principal repayments, interest earning and bond proceeds). Once funding from SRF federal capitalization grants is loaned by the SRFs to recipients and then repaid by those recipients to the SRFs, those funds lose their federal character. Because only a small amount of the total funds in the SRF are federal, the requirements that apply to “federal awards” are applied only to a subset of total projects funded by the SRFs. This subset is defined as “equivalency projects”. For each capitalization grant, the Trust selects assistance agreements from its infrastructure fund that will comply with the equivalency requirements.

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards of the Trust under programs, equivalency projects, of the federal government for the year ended June 30, 2024. The information on this Schedule is prepared in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operation of the Trust, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Trust.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Trust’s accounting policies conform with U.S. generally accepted accounting principles applicable to governmental units as set forth by the Governmental Accounting Standards Board.

Basis of Presentation

The accompanying schedule of expenditures of federal awards is presented using the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with the exception of amounts provided to subrecipients under the base clean water and drinking water capitalization grants programs; which follow criteria determined by the Environmental Protection Agency for the allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement.

**MASSACHUSETTS CLEAN WATER TRUST
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
JUNE 30, 2024**

NOTE 3 INDIRECT COSTS

The Trust has not elected to use the 10% de minimus indirect cost rate outlined in UG Section 200.414.

NOTE 4 SUBRECIPIENT DISBURSEMENTS

The Trust passes certain federal awards received from the Environmental Protection Agency to other governmental entities (subrecipients). As Note (2) describes the Trust reports expenditures of federal awards to subrecipients when paid in cash. As a pass-through entity, the Trust has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of the grant agreements.

**MASSACHUSETTS CLEAN WATER TRUST
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting*:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

Federal Assistance Listing Number

66.468

Name of Federal Program or Cluster

Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 2,290,768

Auditee qualified as low-risk auditee?

_____ yes x no

**MASSACHUSETTS CLEAN WATER TRUST
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516 (a).