

**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, 2022**

**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, 2022, 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 27, 2022.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be a material weakness.

***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*.

***The Trust's Response to the Finding***

*Government Auditing Standards* requires the auditor to perform limited procedures on the Trust's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Trust's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

***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.



**CliftonLarsonAllen LLP**

Boston, Massachusetts  
October 27, 2022



**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, 2022. The Trust's major federal programs are 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, 2022.

***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, 2022, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements. We issued our report thereon, dated October 27, 2022, 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 27, 2022

**MASSACHUSETTS CLEAN WATER TRUST  
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2022**

<u>Federal Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Total Federal Expenditures</u>	<u>Amounts Passed through to Subrecipients</u>
U.S. Environmental Protection Agency:			
CWSRF Cluster:			
Capitalization Grants for Clean Water State Revolving Funds:	66.458		
2020    CS-25000120-0		\$ 27,971,651	\$ 26,267,728
2021    CS-25000121-0		26,904,354	26,870,411
		<u>54,876,005</u>	<u>53,138,139</u>
Total Assistance Listing Number 66.458			
DWSRF Cluster:			
Capitalization Grants for Drinking Water State Revolving Funds:	66.468		
2019    FS-99191419-1		1,373,512	187,230
2020    FS-99191420-0		8,035,550	3,657,397
2021    FS-99191421-0		15,441,731	15,208,320
		<u>24,850,793</u>	<u>19,052,947</u>
Total Assistance Listing Number 66.468			
Total expenditures of federal awards		\$ <u>79,726,798</u>	\$ <u>72,191,086</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**  
**JUNE 30, 2022**

**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 accompanying schedule of expenditures of federal awards presents the activity of all expenditures of federal awards of the Trust. All expenditures of federal awards received directly from federal agencies are included on the schedule.

The information in this Schedule is presented 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 operations 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, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3      SUBRECIPIENT DISBURSEMENTS**

For the year ended June 30, 2022, the Trust provided \$72,191,086 of federal reimbursements to its subrecipients, for expenses incurred by the subrecipients in the fiscal year ended June 30, 2022. The following lists the amounts disbursed to each subrecipient:

**MASSACHUSETTS CLEAN WATER TRUST**  
**(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2022**

**NOTE 3      SUBRECIPIENT DISBURSEMENTS (CONTINUED)**

<u>Recipient name</u>	<u>Funding</u>
Barnstable	\$ 2,747,672
Billerica	6,029,259
Brockton	984,363
Chicopee	1,299,800
Eastham	6,234,199
Fall River	2,831,765
Fitchburg	3,275,164
Haverhill	455,336
Holyoke	1,886,619
Lawrence	1,473,620
New Bedford	5,423,570
Pittsfield	3,971,158
Revere	2,593,327
Springfield Water SC	29,655,311
Taunton	1,116,837
West Springfield	1,227,388
Westfield	985,698
Grand Total	\$ <u><u>72,191,086</u></u>

**NOTE 4      INDIRECT COSTS**

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

**MASSACHUSETTS CLEAN WATER TRUST  
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2022**

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***Section I – Summary of Auditors’ Results***

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***Financial Statements***

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting\*:
- Material weakness(es) identified?       x       yes                      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***

<b>Federal Assistance Listing Number</b>	<b>Name of Federal Program or Cluster</b>
66.468	Capitalization Grants for Drinking Water State Revolving Funds
Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>      750,000      </u>
Auditee qualified as low-risk auditee?	<u>      x      </u> yes <u>                    </u> no

**MASSACHUSETTS CLEAN WATER TRUST  
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2022**

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***Section II – Financial Statement Findings***

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**Finding 2022-001**

Type of Finding:       Material Weakness in Internal Control over Financial Reporting  
Repeat Finding:       No

**Condition:** The Trust receives contract assistance payments from the Commonwealth of Massachusetts to provide for a portion of the subsidy on its loans as required by state law. Such contract assistance is allocated by the Trust to subsidies on specific loans. Contract assistance payments received but unallocated by the Trust were not reported in accordance with Governmental Accounting Standards Board (GASB) standards.

**Criteria or specific requirement:** Under GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, contract assistance payments should have been recognized as revenues and reported within restricted net position.

**Effect:** The Trust restated its July 1, 2020 beginning net position of the business-type activities by approximately \$35.1 million to correct the revenue recognition of contract assistance received from the Commonwealth.

**Cause:** Nonexchange revenues were not recognized in accordance with GASB standards.

**Recommendation:** We recommend management recognize nonexchange revenues in accordance with GASB standards.

**Views of Responsible Officials and Planned Corrective Actions:** Under state law, loans made by the Trust are required to provide for subsidies or other financial assistance to reduce the debt service expense on the loans. Most of the Trust's loans are subsidized to a 2% interest rate set by statute. Other loans made by the Trust may bear interest at lower rates, including a zero percent interest rate, and a portion of the principal of certain loans has also been subsidized by the Trust. To provide for a portion of the subsidy on most of its loans, the Trust receives contract assistance payments from the Commonwealth. The Commonwealth's agreement to provide contract assistance constitutes a general obligation of the Commonwealth for which its full faith and credit are pledged.

These contract assistance funds are used to make debt service payments on behalf of the Trust's borrowers, both principal and interest. Total contract assistance funds used to make principal payments on behalf of the Trust's borrowers totaled \$9,305 and \$15,687 for fiscal years 2022 and 2021, respectively. The Trust has always recorded these amounts as operating revenues upon receipt of funds from the Commonwealth. Total contract assistance funds used to make interest payments on behalf of the Trust's borrowers totaled \$18,905 and \$20,863 for fiscal years 2022 and 2021, respectively. For all fiscal years prior to fiscal year 2022, the Trust recorded these interest payments from the Commonwealth on an accrual basis, consistent with recognition of interest payments to be received from borrowers and interest to be received on investments. The change in auditors this year, resulted in a revised interpretation of the receipt of contract assistance funds from the Commonwealth, requiring contract assistance payments to be recorded as operating revenue when received.

**MASSACHUSETTS HOUSING FINANCE AGENCY  
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2022**

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***Section II – Financial Statement Findings (Continued)***

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Recent legislative changes have allowed the Trust to identify priority projects and/or initiatives to receive a higher rate of subsidy for certain loans as approved by the Board of Trustees. The Trust receives additional contract assistance payments from the Commonwealth to provide these subsidies. These additional contract assistance payments have been received from the Commonwealth beginning in fiscal year 2018, and for fiscal years prior to 2022, were recorded as deferred inflows rather than revenue when received. Following the matching principle, operating revenue would be recorded upon disbursement of funds related to these priority projects offsetting operating expenses. The change in auditors this year, resulted in a revised interpretation of the receipt of contract assistance funds from the Commonwealth, requiring contract assistance payments to be recorded as revenue when received. The total amount of additional contract assistance received from the Commonwealth for fiscal years 2022 and 2021 was \$35,173 and \$26,833, respectively.

The Trust has received an unmodified audit opinion every year with its prior interpretation of GASB 33. The change in auditors resulted in a change in interpretation, which caused the restatement referred to in this finding.

**Responsible Officials:** Sally Peacock, Controller and Sue Perez, Executive Director

**Implementation Date:** The restatement was made for the financial statements for the year ended June 30, 2022.

**MASSACHUSETTS CLEAN WATER TRUST  
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2022**

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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