



MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST
(A Component Unit of the Commonwealth of Massachusetts)

Independent Auditors' Reports as Required by Office of
Management and Budget (OMB) Circular A-133 and
Government Auditing Standards and Related Information

Year ended June 30, 2012

MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

(A Component Unit of the Commonwealth of Massachusetts)

Independent Auditors' Reports as Required by Office of
Management and Budget (OMB) Circular A-133 and
Government Auditing Standards and Related Information

Year ended June 30, 2012

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KPMG LLP
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Exhibit I

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program, Internal Control over Compliance and Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133

The Board of Trustees
Massachusetts Water Pollution Abatement Trust:

Compliance

We have audited the compliance of the Massachusetts Water Pollution Abatement Trust (the Trust), a component unit of the Commonwealth of Massachusetts, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2012. The Trust's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Trust's management. Our responsibility is to express an opinion on the Trust's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Trust's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Trust's compliance with those requirements.

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, 2012.

Internal Control over Compliance

Management of the Trust is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Trust's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for



Exhibit I

the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Trust's 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Trust as of and for the year ended June 30, 2012, and have issued our report thereon dated October 26, 2012 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the basic financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to October 26, 2012. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 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.

This report is intended solely for the information and use of the board of trustees, management of the Trust, and the U.S. Environmental Protection Agency and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 30, 2013



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60 South Street
Boston, MA 02111

Exhibit II

**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***

The Board of Trustees
Massachusetts Water Pollution Abatement Trust:

We have audited the financial statements of the Massachusetts Water Pollution Abatement Trust (the Trust), a component unit of the Commonwealth of Massachusetts, as of and for the year ended June 30, 2012, and have issued our report thereon dated October 26, 2012. We conducted our audit in accordance with 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.

Internal Control over Financial Reporting

Management of the Trust is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Trust's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 combination of deficiencies, in internal control over financial reporting, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free of 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 determination of financial statement amounts. 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



Exhibit II

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, management of the Trust, and the U.S. Environmental Protection Agency and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 26, 2012

MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST
 (A Component Unit of the Commonwealth of Massachusetts)

Schedule of Expenditures of Federal Awards
 Year ended June 30, 2012

<u>Federal grantor/program title</u>	<u>CFDA number</u>	<u>Total Expenditures</u>
U.S. Environmental Protection Agency:		
Capitalization Grant for Massachusetts Water Pollution Abatement Revolving Fund under Title VI of the Clean Water Act:		
2009 2W-25000209 ARRA	66.458	\$ 15,197,210
2009 CS25000109		417,751
2010 CS25000110		63,056,368
2011 CS25000111		<u>6,711,135</u>
Total		<u>85,382,464</u>
Capitalization Grant for Massachusetts Water Pollution Abatement Revolving Fund under the Federal Safe Drinking Water Act, Section 1452:		
2009 2F-96105401 ARRA	66.468	1,795,443
2009 FS99191409		646,645
2010 FS99191410		16,647,062
2011 FS99191411		<u>6,519,098</u>
Total		<u>25,608,248</u>
Total expenditures of federal awards		<u>\$ 110,990,712</u>

See accompanying notes to schedule of expenditures of federal awards.

MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST
(A Component Unit of the Commonwealth of Massachusetts)

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

(1) Definition of the Reporting Entity

The Massachusetts Water Pollution Abatement 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.

(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 accrual basis of accounting.

MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST
(A Component Unit of the Commonwealth of Massachusetts)

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

(3) Subrecipient Monitoring

For the year ended June 30, 2012, the Trust provided \$100,257,206 of federal reimbursements to its subrecipients, for expenses incurred by the subrecipients in the fiscal year ended June 30, 2012. The following lists the amounts disbursed to each subrecipient:

<u>Subrecipients</u>	<u>Funding</u>	
	<u>ARRA</u>	<u>Non-ARRA</u>
Ashland	\$ 109,337	—
Barnstable	1,479,127	—
Brockton	—	2,057,785
Cambridge	—	5,083,333
Chelmsford Water District	94,213	—
Chicopee	—	2,047,403
CRPCD	322,850	—
Fairhaven	3,872,066	—
Fall River	—	2,077,949
Falmouth	466,758	—
Framingham	—	1,608,395
Greater Lawrence SD	140,797	—
Haverhill	—	2,135,027
Holyoke	—	735,596
Lee	67,886	—
Leominster	677,275	—
Lowell Regional Wasterwater	3,469,723	—
Malden	—	2,866,429
Methuen	—	417,993
MWRA	2,836,267	46,721,116
Northhampton	—	416,667
Pittsfield	1,800,843	—
Revere	—	5,191,495
Springfield Water & Sewer Commission	—	1,387,020
Taunton	—	9,707,908
UBWPAD	808,779	—
Worcester	846,732	810,437
Total subawarded	\$ <u>16,992,653</u>	<u>83,264,553</u>

MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST
 (A Component Unit of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs
 Year ended June 30, 2012

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes x none reported

Noncompliance material to the financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes x none reported

Type of auditors' report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ yes x no

Identification of Major Programs

<u>Funding source</u>	<u>Program</u>	<u>CFDA number</u>
U.S. Environmental Protection Agency	Capitalization Grant for the Massachusetts Water Pollution Abatement Revolving Fund under Title VI of the Clean Water Act	66.458
Dollar threshold used to distinguish between type A and type B programs: \$3,000,000		
Auditee qualified as low-risk auditee? <u> x </u> yes _____ no		

MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST
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Schedule of Findings and Questioned Costs

Year ended June 30, 2012

(2) Findings Relating to Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Relating to Federal Awards

None