



MASSACHUSETTS CLEAN WATER TRUST

(A Component Unit of the Commonwealth of Massachusetts)

Independent Auditors' Reports as Required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and *Government Auditing Standards* (Uniform Guidance) and Related Information

Year Ended June 30, 2017

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

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Exhibit I

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Trustees
Massachusetts Clean Water Trust:

Report on Compliance for Each Major Federal Program

We have audited the Massachusetts Clean Water Trust's (the Trust), a component unit of the Commonwealth of Massachusetts, compliance with the types of compliance requirements described 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, 2017. The Trust's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Trust's major federal program based on our audit of the types of compliance requirements referred to above. 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 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). Those standards and the Uniform Guidance 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 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Trust's compliance.

Opinion on the Trust's Major Federal Program

In our opinion, the Trust complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Trust is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Trust's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major



Exhibit I

federal program 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 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Trust as of and for the year ended June 30, 2017, and have issued our report thereon dated October 2, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 financial statements as a whole.

KPMG LLP

Boston, Massachusetts
October 2, 2017

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

Schedule of Expenditures of Federal Awards

Year ended June 30, 2017

<u>Federal grantor/program title</u>	<u>CFDA number</u>	<u>Total expenditures</u>	<u>Amount provided to subrecipients</u>
U.S. Environmental Protection Agency:			
CWSRF Cluster:			
Capitalization Grants for Clean Water State Revolving Funds:			
2015 CS25000115	66.458	\$ 47,360,000	45,285,288
2016 CS25000116		<u>18,270,506</u>	<u>17,391,846</u>
Total		<u>65,630,506</u>	<u>62,677,134</u>
DWSRF Cluster:			
Capitalization Grants for Drinking Water State Revolving Funds:			
2015 FS99191415	66.468	2,306,586	—
2016 FS99191416		<u>13,729,141</u>	<u>10,661,190</u>
Total		<u>16,035,727</u>	<u>10,661,190</u>
Total expenditures of federal awards		<u>\$ 81,666,233</u>	<u>73,338,324</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

Year ended June 30, 2017

(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.

(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.

(3) Subrecipient Disbursements

For the year ended June 30, 2017, the Trust provided \$73,338,324 of federal reimbursements to its subrecipients, for expenses incurred by the subrecipients in the fiscal year ended June 30, 2017. The following lists the amounts disbursed to each subrecipient:

<u>Recipient name</u>	<u>Funding</u>
Billerica	\$ 4,502,629
Cambridge	5,791,328
Chicopee	8,258,942
Eastham	4,811,639
Fall River	157,722
Falmouth	5,177,290
Fitchburg	3,643,920
Greater Lawrence Sewer Department	4,357,245
Lawrence	2,949,299
Malden	394
Middleborough	7,851,180
Plymouth	2,865,248
Revere	11,426,771
Springfield Water and Sewer Commission	8,683,720
Taunton	2,860,997
	<u>\$ 73,338,324</u>

(4) Indirect Costs

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



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Exhibit III

**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***

The Board of Trustees
Massachusetts Clean Water Trust:

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 Massachusetts Clean Water Trust (the Trust), which comprise the statement of net position as of June 30, 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 2, 2017.

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) to determine the audit procedures that are appropriate in the circumstances 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. 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 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 may exist that have not been identified.

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 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 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 Trust'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 Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Boston, Massachusetts
October 2, 2017

MASSACHUSETTS CLEAN WATER TRUST
(A Component Unit of the Commonwealth of Massachusetts)
Schedule of Findings and Questioned Costs
Year ended June 30, 2017

(1) Summary of Auditors' Results

- (a) Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
 - Material weaknesses: **No**
 - Significant deficiencies: **None Reported**
- (c) Noncompliance material to the financial statements: **No**
- (d) Internal control deficiencies over major programs disclosed by the audit:
 - Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- (e) Type of report issued on compliance for major programs: **Unmodified**
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No**
- (g) Major program: **CWSRF Cluster**
Capitalization Grants for Clean Water State Revolving Funds –
CFDA number: 66.458
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$2,449,987**
- (i) Auditee qualified as a low-risk auditee: **Yes**

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

None.

(3) Findings and Questioned Costs Relating to Federal Awards

None.