

September 22, 2025

Mayor Joshua A. Garcia
City of Holyoke
536 Dwight Street
Holyoke, MA 01040

Dear Mayor Garcia:

Thank you for meeting with me today to provide an update regarding the FY2023 audited financials, the FY2024 Schedule A and general ledger close, and the status of the FY2025 and FY2026 cash reconciliation process. During this meeting, your team indicated the following:

- The FY2023 audited financials should be final next week, per the external audit firm.
- The documents required by the external audit firm have been sent to them and the Division of Local Services (DLS) can expect to receive the Schedule A in three weeks at the latest.
- The external audit firm will be reconciling the FY2024 treasurer's cash book to the general ledger and closing FY2024. The current status of this was unavailable.
- The city treasurer has partially completed the reconciliation of FY2025 treasurer's cash book to the bank statements. It was unclear what months had been completed.
- Due to the above, no reconciliations from the treasurer's cash book to the general ledger have been completed for FY2025.
- The FY2025 general ledger has not yet been closed.
- No cash reconciliations have been completed for FY2026.

Further, the DLS is in receipt of the draft FY2023 Audited Financial Statements. We noted that the audit firm is issuing a disclaimer of opinion for the following reasons:

"The City's cash accounts were not reconciled as of June 30, 2023, and we were unable to obtain adequate supporting documentation for the cash balances reported in the financial statements. As a result, we were unable to determine whether cash and related transactions had been properly recorded and whether any adjustments might be necessary to the cash balances or other elements of the financial statements. Accordingly, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

In addition, the financial statements do not include financial data for the City's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses of the governmental activities, the business-type activities, the aggregate discretely presented component units, and the Holyoke Gas and Electric Company (enterprise fund) would have increased. In addition,

the assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues, and expenditures of the aggregate remaining fund information would have increased. The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources net position/fund balances, revenues, and expenses/expenditures has not been determined."

DLS' Bureau of Accounts (BOA) has worked diligently with the City over several years to get free cash and the tax rate certified timely. We have met many times, both in person and virtually, to assist the City and to get updates on the status of financial submissions to BOA. Additionally, our Financial Management Resources Bureau (FMRB) issued multiple reports at the request of the City:

Holyoke Financial Management Review – December, 2007
Holyoke Review of Financial Management Structure – March, 2015
Holyoke Financial Management Update – February, 2020
Holyoke Financial Policy Manual – June, 2023

In 2023, the City submitted for free cash certification for the period ending June 30, 2023. We had to reduce the amount of free cash certified by \$166,218 for an unreconciled cash variance and an additional \$764,457 since we were unable to prove the free cash calculation. Most recently, the City was unable to have free cash certified for the period ended June 30, 2024, as cash was not reconciled and the financial statements not closed for the fiscal year.

This resulted in the City not filing the Schedule A for June 30, 2024 as noted above. State statute (G.L. c. 58, §18F) authorizes the Commissioner of Revenue to delay current fiscal year local aid payments, as well as future fiscal year payments, for any community not filing its report timely. DLS withheld the City's aid from February, 2025 thru June, 2025. In June, we released the FY2025 local aid. We resumed the local aid hold in July, 2025 and will continue to do so until the FY2024 Schedule A is filed.

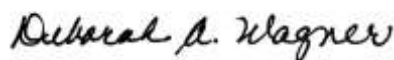
Given the conditions cited by the audit firm and those experienced by DLS, we will require the City to do the following:

1. For both the FY2026 tax rate certification and the 6/30/2025 free cash submission, we require final audited financial statements for 6/30/2024 prior to the certifications.
2. For the 6/30/2026 free cash submission, we require the final audited financial statements for 6/30/2025 prior to the certification of free cash and we require that free cash be certified prior to setting the FY2027 tax rate. This will continue annually until further notice.
3. Beginning in October, 2025 we require monthly status meetings with BOA. This will continue indefinitely until further notice.

Should DLS determine that sufficient progress regarding monthly cash reconciliation and timely financial reporting is not being made, we may take additional steps.

Please feel free to reach out to me with any questions at wagnerd@dor.state.ma.us

Sincerely,



Deborah A. Wagner
Director of Accounts

Cc: Tanya Wdowiak, City Auditor
Rory Casey, City Treasurer
Tessa R. Murphy-Romboletti, City Council President
Dr. Yadilette Rivera Colon, Vice Chair, School Committee
Anthony Rassias, Deputy Director of Accounts
Jared Curtis, Western Regional Supervisor
Matthew Andre, Field Representative