



**CITY OF HOLYOKE, MASSACHUSETTS**

Financial Statements  
For the Year Ended June 30, 2020

(With Independent Auditors' Report Thereon)

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## INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council  
City of Holyoke, Massachusetts

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Holyoke, Massachusetts (the City), as of and for the year ended June 30, 2020 (except for the Holyoke Contributory Retirement System which is as of and for the year ended December 31, 2019), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

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entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for (1) our adverse audit opinion on the aggregate discretely presented component units; (2) our adverse audit opinion on the business-type activities; (3) our qualified opinion on the aggregate remaining fund information; and (4) our unmodified opinion on the governmental activities, the General Fund and the Sewer Fund.

***Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units and Business-type Activities and Qualified Opinion on the Aggregate Remaining Fund Information***

Management has not included Holyoke Gas and Electric Department Enterprise Fund and the City of Holyoke's legally separate component units, as described in Note 1, in the City's financial statements. Accounting principles generally accepted in the United States of America require Holyoke Gas and Electric Department Enterprise Fund to be presented as a major enterprise fund and financial information about Holyoke Gas and Electric Department Enterprise Fund to be part of the business-type activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changing its net position. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the business-type activities and the omitted major fund is not reasonably determinable.

Accounting principles generally accepted in the United States of America also require the City of Holyoke's legally separate component units to be presented as either discretely presented component units or as blended components thus establishing the Discretely Presented Component Units in the basic financial statements and increasing the assets, liabilities, revenues, and expenditures, and fund balance of the Aggregate Remaining Fund Information. The amount by which this departure would affect the assets, liabilities, net position/fund balances, revenues, and expenses/expenditures of the Aggregate Discretely Presented Component Units and the Aggregate Remaining Fund Information is not reasonably determinable. The above noted major fund and component units have been separately audited by other independent auditors and the related financial statements are available from the City of Holyoke.

***Adverse Opinion on Aggregate Discretely Presented Component Units and on the Business-Type Activities***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units and Business-type Activities and Qualified Opinion on the Aggregate Remaining Fund Information paragraphs, the financial statements referred to previously do not present fairly, in accordance with accounting



principles generally accepted in the United States of America, the financial position of the City of Holyoke, Massachusetts Aggregate Discretely Presented Component Units (which are omitted) and Business-type Activities, as of June 30, 2020, or the changes in financial position or cash flows thereof for the year then ended.

***Qualified Opinion on the Aggregate Remaining Fund Information***

In our opinion, except for the effects the matter described in the Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units and Business-type Activities and Qualified Opinion on the Aggregate Remaining Fund Information paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of the City of Holyoke, Massachusetts, as of June 30, 2020 (except for the Holyoke Contributory Retirement System which is as of and for the year ended December 31, 2019), and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions on Governmental Activities and Major Funds***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, and the Sewer Fund of the City of Holyoke, Massachusetts, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Budgetary Comparison for the General Fund, and certain Pension and OPEB schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Melanson*

Greenfield, Massachusetts  
October 6, 2021



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Holyoke (the City), we offer readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

#### ***Government-Wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, culture and recreation. The business-type activities include sewer activities.

#### ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.



### ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

### ***Proprietary Funds***

Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise and internal service funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity established fees and charges designed to recover its costs, including capital costs such as depreciation and debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for sewer operations, which is considered a major fund.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal services funds are used to account for the fuel depot operations. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

## Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### Required Supplementary Information (Other Than MD&A)

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

### Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$(238,397,581), a change of \$(7,235,171), and net position in business-type activities was \$5,909,761, a change of \$(216,567) as further discussed in the Government-Wide Financial Analysis Section.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$35,102,266, a change of \$12,772,304 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$18,945,481, a change of \$4,855,183 in comparison to the prior year.

### Government-Wide Financial Analysis

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 59,582,674	\$ 54,627,764	\$ 3,830,710	\$ 2,930,298	\$ 63,413,384	\$ 57,558,062
Capital assets	<u>95,192,545</u>	<u>90,500,952</u>	<u>20,764,474</u>	<u>22,047,429</u>	<u>115,957,019</u>	<u>112,548,381</u>
Total Assets	154,775,219	145,128,716	24,595,184	24,977,727	179,370,403	170,106,443
Deferred Outflows of Resources	76,057,638	27,912,388	22,432	44,830	76,080,070	27,957,218
Current liabilities	17,396,658	25,343,374	2,251,192	1,333,276	19,647,850	26,676,650
Noncurrent liabilities	<u>432,705,461</u>	<u>365,945,351</u>	<u>16,421,429</u>	<u>17,540,320</u>	<u>449,126,890</u>	<u>383,485,671</u>
Total Liabilities	450,102,119	391,288,725	18,672,621	18,873,596	468,774,740	410,162,321
Deferred Inflows of Resources	19,128,319	12,914,789	35,234	22,633	19,163,553	12,937,422
Net investment in capital assets	58,884,843	56,121,018	4,554,173	4,753,745	63,439,016	60,874,763
Restricted	9,154,204	7,721,169	-	-	9,154,204	7,721,169
Unrestricted	<u>(306,436,628)</u>	<u>(295,004,597)</u>	<u>1,355,588</u>	<u>1,372,583</u>	<u>(305,081,040)</u>	<u>(293,632,014)</u>
Total Net Position	\$ <u>(238,397,581)</u>	\$ <u>(231,162,410)</u>	\$ <u>5,909,761</u>	\$ <u>6,126,328</u>	\$ <u>(232,487,820)</u>	\$ <u>(225,036,082)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$(232,487,820), a change of \$(7,451,738) in comparison to the prior year.

The largest portion of net position \$63,439,016 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$9,154,204 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(305,081,040), primarily resulting from unfunded pension and OPEB liabilities.

**CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 5,139,351	\$ 5,758,576	\$ 8,583,669	\$ 8,463,012	\$ 13,723,020	\$ 14,221,588
Operating grants and contributions	124,531,407	115,655,391	-	-	124,531,407	115,655,391
Capital grants and contributions	8,233,121	3,806,319	-	-	8,233,121	3,806,319
General revenues:						
Property taxes	55,477,716	53,825,120	-	-	55,477,716	53,825,120
Excises	3,198,399	3,201,684	-	-	3,198,399	3,201,684
Penalties, interest and other taxes	3,038,843	3,057,922	-	-	3,038,843	3,057,922
Grants and contributions not restricted to specific programs	10,862,256	10,567,563	-	-	10,862,256	10,567,563
Investment income	2,664,928	925,844	1,010	1,150	2,665,938	926,994
Miscellaneous	41,577	408,090	-	-	41,577	408,090
<b>Total Revenues</b>	<b>213,187,598</b>	<b>197,206,509</b>	<b>8,584,679</b>	<b>8,464,162</b>	<b>221,772,277</b>	<b>205,670,671</b>
<b>Expenses</b>						
General government	7,647,205	7,700,373	-	-	7,647,205	7,700,373
Public safety	37,587,184	33,221,141	-	-	37,587,184	33,221,141
Education	137,167,504	128,886,100	-	-	137,167,504	128,886,100
Public works	9,808,315	10,803,164	-	-	9,808,315	10,803,164
Health and human services	2,716,530	2,673,729	-	-	2,716,530	2,673,729
Culture and recreation	5,002,773	3,805,792	-	-	5,002,773	3,805,792
Interest on long-term debt	1,432,166	1,215,812	-	-	1,432,166	1,215,812
Intergovernmental	19,026,000	19,487,272	-	-	19,026,000	19,487,272
Sewer operations	-	-	8,836,338	8,791,782	8,836,338	8,791,782
<b>Total Expenses</b>	<b>220,387,677</b>	<b>207,793,383</b>	<b>8,836,338</b>	<b>8,791,782</b>	<b>229,224,015</b>	<b>216,585,165</b>
Change in Net Position Before Transfers	(7,200,079)	(10,586,874)	(251,659)	(327,620)	(7,451,738)	(10,914,494)
Transfers In (Out)	(35,092)	(353,690)	35,092	353,690	-	-
Change in Net Position	(7,235,171)	(10,940,564)	(216,567)	26,070	(7,451,738)	(10,914,494)
Net Position - Beginning of Year	(231,162,410)	(220,221,846)	6,126,328	6,100,258	(225,036,082)	(214,121,588)
Net Position - End of Year	<u>\$ (238,397,581)</u>	<u>\$ (231,162,410)</u>	<u>\$ 5,909,761</u>	<u>\$ 6,126,328</u>	<u>\$ (232,487,820)</u>	<u>\$ (225,036,082)</u>

### **Governmental Activities**

Governmental activities for the year resulted in a change in net position of \$(7,235,171). Key elements of this change are as follows:

General fund operations	\$ 5,678,539
Non-major fund revenues, transfers in, and other sources in excess of expenditures and transfers out	7,093,765
Depreciation expense in excess of principal debt service	(5,341,616)
Capital assets purchases	13,163,209
Issuance of bonds	(7,640,000)
Premiums on issuance of bonds	(1,057,321)
Change in net pension liability, net of deferrals	(1,614,268)
Change in total OPEB liability, net of deferrals	(16,489,554)
Other	(1,071,053)
Internal service fund revenues in excess of expenditures	<u>43,128</u>
Total	\$ <u>(7,235,171)</u>

### **Business-Type Activities**

Business-type activities for the year resulted in a change in net position of \$(216,567). This change resulted from expenditures in excess of revenues and transfers in.

### **Financial Analysis of the City's Funds**

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

#### **General Fund**

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$18,945,481, while total fund balance was \$25,807,266. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below:

<u>General Fund</u>	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>% of General Fund Expenditures*</u>
Unassigned Fund Balance	\$ 18,945,481	\$ 14,090,298	\$ 4,855,183	12.5%
Total Fund Balance	\$ 25,807,266	\$ 20,128,727	\$ 5,678,539	17.0%

\* Expenditures amounts used to calculate the above percentage have been adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System of \$7,002,163.

The total fund balance of the general fund changed by \$5,678,539 during the current fiscal year. Key elements of this change are as follows:

General Fund Operating Results:	
Shortfall of tax collections compared to budget	\$ (146,782)
State and local revenues over budget	173,506
Budgetary appropriations underspent by departments	2,314,722
Transfers out in excess of budget	(28,261)
Use of overlay surplus as a funding source	(100,000)
Difference between current year encumbrances to be spent in the subsequent period and prior year encumbrances spent in the current year	823,356
Reversal of GAAP accrual	75,598
Change in Stabilization fund	<u>2,566,400</u>
Total	\$ <u>5,678,539</u>

Included in the total general fund balance is the City's stabilization fund with the following balance:

	<u>06/30/20</u>	<u>06/30/19</u>	<u>Change</u>
General stabilization fund	\$15,290,809	\$12,724,409	\$2,566,400

#### *Non-Major Governmental Funds*

The non-major fund balance changed by \$7,093,765 primarily from timing differences between the receipt and disbursement of grants and permanent financing of capital projects.

#### **Proprietary Funds**

Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,355,588, a change of \$(16,995) in comparison to the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

#### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$850,000. This increase was for various operating expenditures, of which \$100,000 was funded from overlay and \$750,000 was transferred from the City's stabilization fund.

## Capital Asset and Debt Administration

### **Capital Assets**

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$115,957,019 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment and infrastructure.

Major capital asset events during the current fiscal year included the following (in thousands):

Depreciation expense - governmental activities	\$ (8,402)
Depreciation expense - business-type activities	(1,283)
Disposal	(70)
Departmental vehicle purchases	
Public safety	999
Departmental equipment purchases	
Public safety	109
Culture and recreation	20
School department equipment	1,435
Land improvements	
General government	6
Infrastructure	
Public works	404
Construction in progress	
Pouliot pool reconstruction	1,544
School repairs	7,814
Other	832

Additional information on capital assets can be found in the Notes to the Financial Statements.

### **Change in Credit Rating**

During the fiscal year, the City's S&P credit rating was upgraded from AA- to AA.

### **Long-Term Debt**

At the end of the current fiscal year, total bonded debt outstanding was \$55,512,622, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the Notes to the Financial Statements.

## **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Ms. Tanya Wdowiak, City Auditor

City of Holyoke

20 Korean Veterans Plaza

City Hall Annex

Holyoke, MA 01040

**CITY OF HOLYOKE, MASSACHUSETTS**

Statement of Net Position  
June 30, 2020

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Current:			
Cash and short-term investments	\$ 33,928,627	\$ 85,854	\$ 34,014,481
Investments	14,292,944	-	14,292,944
Receivables, net of allowance for uncollectibles:			
Property taxes	2,213,673	-	2,213,673
Excises	963,881	-	963,881
User fees	33,925	3,744,856	3,778,781
Departmental and other	591,909	-	591,909
Intergovernmental	5,621,055	-	5,621,055
Other assets	83,252	-	83,252
Total Current Assets	57,729,266	3,830,710	61,559,976
Noncurrent:			
Property taxes	1,006,419	-	1,006,419
Loans	846,989	-	846,989
Land and construction in progress	18,798,263	350,000	19,148,263
Capital assets, net of accumulated depreciation	76,394,282	20,414,474	96,808,756
Total Noncurrent Assets	97,045,953	20,764,474	117,810,427
Total Assets	154,775,219	24,595,184	179,370,403
<b>Deferred Outflows of Resources</b>			
Related to pension	9,331,804	22,432	9,354,236
Related to OPEB	66,725,834	-	66,725,834
Total Deferred Outflows of Resources	76,057,638	22,432	76,080,070

(continued)

The accompanying notes are an integral part of these financial statements.



**CITY OF HOLYOKE, MASSACHUSETTS**

Statement of Net Position  
June 30, 2020

(continued)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>Liabilities</b>			
Current:			
Warrants payable	\$ 5,411,005	\$ -	\$ 5,411,005
Accrued payroll and withholdings	8,417,651	-	8,417,651
Accrued liabilities	593,108	156,147	749,255
Internal balances	(2,338,358)	2,095,045	(243,313)
Notes payable	5,200,000	-	5,200,000
Other liabilities	113,252	-	113,252
Current portion of long-term liabilities:			
Bonds payable	3,216,527	1,087,381	4,303,908
Accrued compensated absences	801,919	-	801,919
Capital lease	<u>457,559</u>	<u>-</u>	<u>457,559</u>
Total Current Liabilities	21,872,663	3,338,573	25,211,236
Noncurrent:			
Bonds payable, net of current portion	36,085,794	15,122,920	51,208,714
Net pension liability	87,829,803	211,128	88,040,931
Total OPEB liability	296,501,083	-	296,501,083
Accrued compensated absences, net of current portion	7,217,266	-	7,217,266
Capital lease, net of current portion	<u>595,510</u>	<u>-</u>	<u>595,510</u>
Total Noncurrent Liabilities	<u>428,229,456</u>	<u>15,334,048</u>	<u>443,563,504</u>
Total Liabilities	450,102,119	18,672,621	468,774,740
<b>Deferred Inflows of Resources</b>			
Related to pension	14,863,089	35,234	14,898,323
Related to OPEB	3,418,241	-	3,418,241
Other	<u>846,989</u>	<u>-</u>	<u>846,989</u>
Total Deferred Inflows of Resources	19,128,319	35,234	19,163,553
<b>Net Position</b>			
Net investment in capital assets	58,884,843	4,554,173	63,439,016
Restricted for:			
Grants and other statutory restrictions	8,661,979	-	8,661,979
Permanent funds:			
Expendable	492,225	-	492,225
Unrestricted	<u>(306,436,628)</u>	<u>1,355,588</u>	<u>(305,081,040)</u>
Total Net Position	\$ <u>(238,397,581)</u>	\$ <u>5,909,761</u>	\$ <u>(232,487,820)</u>

The accompanying notes are an integral part of these financial statements.



**CITY OF HOLYOKE, MASSACHUSETTS**

Governmental Funds

Balance Sheet

June 30, 2020

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and short-term investments	\$ 21,239,571	\$ 12,620,359	\$ 33,859,930
Investments	13,795,388	497,556	14,292,944
Receivables:			
Property taxes	2,942,781	1,840	2,944,621
Excises	1,767,387	-	1,767,387
Departmental and other	481,489	110,420	591,909
Intergovernmental	-	5,621,055	5,621,055
Loans	-	846,989	846,989
Tax liens	3,421,226	-	3,421,226
Due from other funds	2,456,017	-	2,456,017
Other assets	<u>83,252</u>	<u>-</u>	<u>83,252</u>
Total Assets	\$ <u>46,187,111</u>	\$ <u>19,698,219</u>	\$ <u>65,885,330</u>
<b>Liabilities</b>			
Warrants payable	\$ 4,443,957	\$ 966,549	\$ 5,410,506
Accrued payroll and withholdings	7,841,448	576,203	8,417,651
Due to other funds	117,659	-	117,659
Notes payable	-	5,200,000	5,200,000
Other liabilities	<u>113,205</u>	<u>47</u>	<u>113,252</u>
Total Liabilities	12,516,269	6,742,799	19,259,068
<b>Deferred Inflows of Resources</b>			
Unavailable revenues	7,863,576	3,660,420	11,523,996
<b>Fund Balances</b>			
Restricted	-	12,447,686	12,447,686
Assigned	6,861,785	-	6,861,785
Unassigned	<u>18,945,481</u>	<u>(3,152,686)</u>	<u>15,792,795</u>
Total Fund Balances	<u>25,807,266</u>	<u>9,295,000</u>	<u>35,102,266</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>46,187,111</u>	\$ <u>19,698,219</u>	\$ <u>65,885,330</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF HOLYOKE, MASSACHUSETTS**

Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
in the Statement of Net Position  
June 30, 2020

<b>Total Governmental Fund Balances</b>	\$ 35,102,266
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	95,192,545
Deferred outflows of resources related to pensions to be recognized in pension expense in future years.	9,331,804
Deferred outflows of resources related to OPEB to be recognized in pension expense in future years.	66,725,834
Revenues are reported on the accrual basis of accounting (net of allowance for uncollectible accounts) and are not deferred until collection.	6,727,746
Internal service funds are used by management to account for fuel depot activities. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	102,123
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds, interest is not reported until due.	(593,108)
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the governmental funds:	
Bonds payable	(39,302,321)
Net pension liability	(87,829,803)
Total OPEB liability	(296,501,083)
Accrued compensated absences	(8,019,185)
Deferred inflows of resources related to pensions to be recognized in pension expense in future years.	(14,863,089)
Deferred inflows of resources related to OPEB to be recognized in pension expense in future years.	(3,418,241)
Other.	<u>(1,053,069)</u>
<b>Net Position of Governmental Activities</b>	\$ <u><u>(238,397,581)</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF HOLYOKE, MASSACHUSETTS**

Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2020

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Revenues</b>			
Property taxes	\$ 54,687,721	\$ 524,434	\$ 55,212,155
Excises	2,977,526	-	2,977,526
Penalties, interest, and other taxes	3,038,843	-	3,038,843
Charges for services	1,097,985	2,950,355	4,048,340
Intergovernmental	98,331,713	37,069,176	135,400,889
Licenses and permits	817,675	-	817,675
Fines and forfeitures	227,523	-	227,523
Contributions and donations	-	260,648	260,648
Investment income	2,667,041	-	2,667,041
Miscellaneous	<u>111,926</u>	<u>-</u>	<u>111,926</u>
Total Revenues	163,957,953	40,804,613	204,762,566
<b>Expenditures</b>			
Current:			
General government	3,752,909	3,623,859	7,376,768
Public safety	22,907,137	3,159,469	26,066,606
Education	76,227,880	30,427,481	106,655,361
Public works	4,883,262	2,778,956	7,662,218
Health and human services	1,610,947	173,590	1,784,537
Culture and recreation	1,760,477	1,947,630	3,708,107
Employee benefits	24,433,340	1,041,360	25,474,700
Debt service:			
Principal	3,130,000	-	3,130,000
Interest	1,278,822	-	1,278,822
Intergovernmental	<u>19,026,000</u>	<u>-</u>	<u>19,026,000</u>
Total Expenditures	<u>159,010,774</u>	<u>43,152,345</u>	<u>202,163,119</u>
Excess (Deficiency) of Revenues Over Expenditures	4,947,179	(2,347,732)	2,599,447
<b>Other Financing Sources (Uses)</b>			
Issuance of bonds	-	7,640,000	7,640,000
Issuance of capital lease	1,510,628	-	1,510,628
Bond premiums	-	1,057,321	1,057,321
Transfers in	-	782,396	782,396
Transfers out	<u>(779,268)</u>	<u>(38,220)</u>	<u>(817,488)</u>
Total Other Financing Sources (Uses)	<u>731,360</u>	<u>9,441,497</u>	<u>10,172,857</u>
Change in Fund Balance	5,678,539	7,093,765	12,772,304
Fund Balance, at Beginning of Year	<u>20,128,727</u>	<u>2,201,235</u>	<u>22,329,962</u>
Fund Balance, at End of Year	\$ <u>25,807,266</u>	\$ <u>9,295,000</u>	\$ <u>35,102,266</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF HOLYOKE, MASSACHUSETTS**

Reconciliation of the Statement of Revenues, Expenditures, and Changes  
In Fund Balances of Governmental Funds To the Statement of Activities  
For the Year Ended June 30, 2020

**Net Change in Fund Balances - Total Governmental Funds** \$ 12,772,304

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	13,163,209
Net effect on disposal of assets	(70,300)
Depreciation	(8,401,316)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:

Issuance of debt	(8,697,321)
Repayments of debt	3,130,000
Issuance of capital lease	(1,510,628)

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenues.

518,493

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in pension expense from GASB 68	(1,614,268)
Change in OPEB expense from GASB 75	(16,489,554)
Other	(153,344)

Internal service funds are used by management to account for fuel depot activities. The net activity of internal service funds is reported with governmental activities.

43,128

Other differences.

74,426

**Change in Net Position of Governmental Activities** \$ (7,235,171)

The accompanying notes are an integral part of these financial statements.

**CITY OF HOLYOKE, MASSACHUSETTS**

Proprietary Funds  
Statement of Net Position  
June 30, 2020

	Business-Type Activities <u>Enterprise Funds</u>	Governmental <u>Activities</u>
	Sewer <u>Fund</u>	Internal Service <u>Fund</u>
<b>Assets</b>		
Current:		
Cash and short-term investments	\$ 85,854	\$ 68,697
User fees, net of allowance for uncollectibles	<u>3,744,856</u>	<u>33,925</u>
Total Current Assets	3,830,710	102,622
Noncurrent:		
Land	350,000	-
Capital assets, net of accumulated depreciation	<u>20,414,474</u>	<u>-</u>
Total Noncurrent Assets	<u>20,764,474</u>	<u>-</u>
Total Assets	24,595,184	102,622
<b>Deferred Outflows of Resources</b>		
Related to pension	<u>22,432</u>	<u>-</u>
Total Deferred Outflows of Resources	22,432	-
<b>Liabilities</b>		
Current:		
Warrants payable	-	499
Accrued liabilities	156,147	-
Due to other funds	2,095,045	-
Current portion of long-term liabilities:		
Bonds payable	<u>1,087,381</u>	<u>-</u>
Total Current Liabilities	3,338,573	499
Noncurrent:		
Bonds payable, net of current portion	15,122,920	-
Net pension liability	<u>211,128</u>	<u>-</u>
Total Noncurrent Liabilities	<u>15,334,048</u>	<u>-</u>
Total Liabilities	18,672,621	499
<b>Deferred Inflows of Resources</b>		
Related to pension	<u>35,234</u>	<u>-</u>
Total Deferred Inflows of Resources	35,234	-
<b>Net Position</b>		
Net investment in capital assets	4,554,173	-
Unrestricted	<u>1,355,588</u>	<u>102,123</u>
Total Net Position	\$ <u><u>5,909,761</u></u>	\$ <u><u>102,123</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF HOLYOKE, MASSACHUSETTS**

Proprietary Funds  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
For the Year Ended June 30, 2020

	Business-Type Activities <u>Enterprise Fund</u>	Governmental <u>Activities</u>
	Sewer <u>Fund</u>	Internal Service <u>Fund</u>
<b>Operating Revenues</b>		
Charges for services	\$ 8,570,559	\$ 422,299
Other	<u>13,110</u>	<u>-</u>
Total Operating Revenues	8,583,669	422,299
<b>Operating Expenses</b>		
Salaries and benefits	126,094	-
Other operating expenses	7,011,749	379,171
Depreciation	<u>1,282,955</u>	<u>-</u>
Total Operating Expenses	<u>8,420,798</u>	<u>379,171</u>
Operating Income	162,871	43,128
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	1,010	-
Interest expense	<u>(415,540)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses), Net	<u>(414,530)</u>	<u>-</u>
Income (Loss) Before Transfers	(251,659)	43,128
<b>Transfers</b>		
Transfers in	<u>35,092</u>	<u>-</u>
Change in Net Position	(216,567)	43,128
Net Position, at Beginning of Year	<u>6,126,328</u>	<u>58,995</u>
Net Position, at End of Year	\$ <u><u>5,909,761</u></u>	\$ <u><u>102,123</u></u>

The accompanying notes are an integral part of these financial statements.



**CITY OF HOLYOKE, MASSACHUSETTS**

Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2020

	Business-Type Activities <u>Enterprise Fund</u>	Governmental <u>Activities</u> Internal Service <u>Fund</u>
	Sewer <u>Fund</u>	
<b>Cash Flows From Operating Activities</b>		
Receipts from customers and users	\$ 7,616,396	\$ -
Receipts from interfund service provided	-	430,319
Payments to employees	(126,603)	(379,171)
Payments to vendors	<u>(6,093,833)</u>	<u>499</u>
Net Cash Provided By Operating Activities	1,395,960	51,647
<b>Cash Flows From Noncapital Financing Activities</b>		
Transfer in	<u>35,092</u>	<u>-</u>
Net Cash Provided By Noncapital Financing Activities	35,092	-
<b>Cash Flows From Capital and Related Financing Activities</b>		
Principal payments on bonds	(1,083,383)	-
Interest expense	<u>(415,540)</u>	<u>-</u>
Net Cash (Used For) Capital and Related Financing Activities	(1,498,923)	-
<b>Cash Flows From Investing Activities</b>		
Investment income	<u>1,010</u>	<u>-</u>
Net Cash Provided by Investing Activities	<u>1,010</u>	<u>-</u>
Net Change in Cash and Short-Term Investments	(66,861)	51,647
Cash and Short-Term Investments, Beginning of Year	<u>152,715</u>	<u>17,050</u>
Cash and Short-Term Investments, End of Year	\$ <u><u>85,854</u></u>	\$ <u><u>68,697</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</b>		
Operating income	\$ 162,871	\$ 43,128
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,282,955	-
Changes in assets, liabilities, and deferred outflows/inflows:		
User fees	(967,273)	8,020
Deferred outflows - related to pension	22,398	-
Due to other funds	927,422	-
Warrants payable	-	499
Accrued liabilities	(9,506)	-
Net pension liability	(35,508)	-
Deferred inflows - related to pension	<u>12,601</u>	<u>-</u>
Net Cash Provided By Operating Activities	\$ <u><u>1,395,960</u></u>	\$ <u><u>51,647</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF HOLYOKE, MASSACHUSETTS**

Fiduciary Funds  
Statement of Fiduciary Net Position  
June 30, 2020

	Pension Trust Fund <u>(December 31, 2019)</u>	Private Purpose Trust Funds	Agency Funds
<b>Assets</b>			
Cash and short-term investments	\$ 12,169,177	\$ 24,830	\$ 758,911
Investments:			
Alternative investments	47,142,845	-	-
Domestic equity	75,909,335	-	-
Domestic fixed income	41,844,159	-	-
Hedge funds	28,916,434	-	-
International equity	78,937,522	-	-
Mutual funds	-	189,302	-
Real estate equity	<u>35,878,547</u>	<u>-</u>	<u>-</u>
Total Investments	308,628,842	189,302	-
Accounts receivable	<u>8,880,505</u>	<u>-</u>	<u>246,060</u>
Total Assets	329,678,524	214,132	1,004,971
<b>Liabilities</b>			
Accounts payable	287,009	-	-
Accrued liabilities	-	-	43,470
Due to other funds	-	-	243,313
Other liabilities	<u>-</u>	<u>-</u>	<u>718,188</u>
Total Liabilities	<u>287,009</u>	<u>-</u>	\$ <u><u>1,004,971</u></u>
<b>Net Position</b>			
Restricted for pension purposes	329,391,515	-	
Restricted for other purposes	<u>-</u>	<u>214,132</u>	
Total Net Position	\$ <u><u>329,391,515</u></u>	\$ <u><u>214,132</u></u>	

The accompanying notes are an integral part of these financial statements.

**CITY OF HOLYOKE, MASSACHUSETTS**

Fiduciary Funds  
Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2020

	Pension Trust Fund (year ended <u>December 31, 2019</u> )	Private Purpose Trust <u>Funds</u>
<b>Additions</b>		
Contributions:		
Employers	\$ 17,288,112	\$ -
Plan members	5,972,413	-
Other systems and Commonwealth of Massachusetts	459,437	-
Other	<u>23,787</u>	<u>2,000</u>
Total Contributions	23,743,749	2,000
Investment Income:		
Interest income	-	4,191
Appreciation in fair value of investments	57,641,752	-
Less: management fees	<u>(1,880,038)</u>	<u>-</u>
Net Investment Income	<u>55,761,714</u>	<u>4,191</u>
Total Additions	79,505,463	6,191
<b>Deductions</b>		
Benefit payments to plan members, beneficiaries and other systems	27,860,382	-
Refunds to plan members	934,902	-
Transfers to other systems	290,357	-
Administrative expenses	<u>493,443</u>	<u>-</u>
Total Deductions	<u>29,579,084</u>	<u>-</u>
Net Increase	49,926,379	6,191
<b>Net Position Restricted for Pensions and Other Purposes:</b>		
Beginning of Year	<u>279,465,136</u>	<u>207,941</u>
End of Year	\$ <u><u>329,391,515</u></u>	\$ <u><u>214,132</u></u>

The accompanying notes are an integral part of these financial statements.

# CITY OF HOLYOKE, MASSACHUSETTS

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of the City of Holyoke (the City) conform to generally accepted accounting principles (GAAP) as applicable to governmental units, except as indicated in Note 2. The following is a summary of the more significant policies:

#### ***Reporting Entity***

The City is a municipal corporation governed by an elected City Council. These financial statements include only the primary government of the City of Holyoke. They do not include the component units for which the government is considered to be financially accountable. In fiscal year 2020, it was determined that the City of Holyoke Board of Water Commissioners, Holyoke Library Commission, HPL Realty Corp., and the City of Holyoke Gas and Electric Company enterprise fund met the required GASB 14 (as amended) criteria of component units.

Blended Component Unit: The Holyoke Contributory Retirement System (the System) was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information of the System can be obtained by contacting the System located at 20 Korean Veterans Plaza, Room 207, Holyoke, MA 01040.

#### ***Government-Wide and Fund Financial Statements***

##### *Government-Wide Financial Statements*

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

### *Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

#### *Government-Wide Financial Statements*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

#### *Fund Financial Statements*

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The City reports the following major governmental fund:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major proprietary fund:

- The *sewer enterprise fund*, which accounts for the operations of the City's wastewater treatment facility and supporting infrastructure.

The City's *fuel depot* operation is reported as an internal service fund in the accompanying financial statements.

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The City reports the following fiduciary funds:

- The *pension trust fund* accounts for the activities of the Employees Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees.
- The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *agency funds* account for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

### ***Cash and Investments***

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. Generally, a cash and investment pool is maintained that

is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments".

For the purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

All investments are carried at fair value.

***Property Tax Limitations***

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth), unless an override is voted. The actual fiscal year 2020 tax levy reflected an excess capacity of \$545,999. Certain provisions of Proposition 2½ can be overridden by a referendum.

***Interfund Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from/to other funds" (i.e., the current portion of interfund loans).

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Computer equipment	5
Office equipment	5
Sewer infrastructure	40
Vehicles	5

### ***Compensated Absences***

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

### ***Long-Term Obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

### ***Fund Equity***

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

### ***Fund Balance***

Generally, fund balance represents the difference between the current assets/deferred outflows and current liabilities/deferred inflows. The City reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the City uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.



### *Net Position*

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

### *Use of Estimates*

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

## **2. Departures from Generally Accepted Accounting Principles**

As noted in Footnote 1. Reporting Entity, the financial statements do not include component units for which the City is financially accountable in accordance with Generally Accepted Accounting Principles.

## **3. Stewardship, Compliance, and Accountability**

### *Budgetary Information*

The Mayor presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by the City Council, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at City Council meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the City Council is empowered to transfer funds from the reserve fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public.

Formal budgetary integration is employed as a management control device during the year for the general fund and proprietary funds.

At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

**Deficit Fund Equity**

Certain individual funds reflected deficit balances as of June 30, 2020:

<b>Capital Project Funds</b>	
Apremont traffic circle	\$ (57,791)
DPW fleet	(20,008)
MSBA Morgan & Sullivan windows	(409,578)
MSBA Kelly ES windows	(177,230)
School feasibility study	(283,920)
South Holyoke home project	(39,489)
<b>Expendable Trust Funds</b>	
Dental health trust	(50,332)
<b>Special Revenue Funds</b>	
2019 CT River CSO clean up	(567,165)
Chapter 90	(275,799)
COVID-19/FEMA	(203,069)
Safe/success youth initiative	(134,132)
SAFER 2017	(267,006)
Schools accelerated repair	(508,220)
Summer youth program	<u>(158,947)</u>
Total	\$ <u>(3,152,686)</u>

It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

**4. Deposits and Investments City (Excluding the Pension Trust Fund)**

Massachusetts General Law (MGL) Chapter 44, Section 55, place certain limitations on the nature of deposits and investments available to the City. Deposits, including demand deposits, money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consists of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks and Massachusetts Municipal Depository Trust (MMDT). MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust, and OPEB funds.

***Custodial Credit Risk – Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned. The City does not have formal deposit policies related to the custodial credit risk of deposits.

As of June 30, 2020, \$1,080,788 of the City’s bank balance of \$21,397,122 was exposed to custodial credit risk as uninsured and/or uncollateralized.

***Investment Summary***

The following is a summary of the City’s investments as of June 30, 2020:

<u>Investment Type</u>	<u>Amount</u>
Municipal bonds	\$ 337,689
Mutual funds	<u>14,144,557</u>
Total Investments	<u>\$ 14,482,246</u>

***Custodial Credit Risk – Investments***

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City’s custodial credit risk policy is all securities not held directly by the City, will be held in the City’s name and tax identification number by a third party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security. The City manages custodial credit risk exposure with SIPC and excess SIPC insurance.

As of June 30, 2020, the City did not have investments subject to custodial credit risk exposure as all assets were held in the City’s name.

***Credit Risk – Investments of Debt Securities***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the City’s investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs). The City adopted investment policies on June 24, 2019. The policies state that the City will manage credit risk several ways. There will be no limit to the amount of United State Treasury and United State Government Agency obligations. In regard to all fixed income investments, the City will predominantly purchase investment grade securities with a high concentration in securities rated A or better. Lower-quality investments may only be held through diversified vehicles, such as mutual funds or exchange-traded funds.

As of June 30, 2020, the credit quality ratings, as rated by Moody's Investors Service, Inc., are as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year-End</u>	
		<u>AA1</u>	<u>AA2</u>
Municipal bonds	\$ <u>337,689</u>	\$ <u>302,689</u>	\$ <u>35,000</u>
Total	\$ <u>337,689</u>	\$ <u>302,689</u>	\$ <u>35,000</u>

***Concentration of Credit Risk – Investments***

Concentration of credit risk is the risk of loss attributable to the magnitude of the City's investments in a single issuer. The City places a 5% limit on the amount the City may invest in any one issuer.

As of June 30, 2020, the City does not have an investment in one issuer greater than 5% of total investments.

***Interest Rate Risk – Investments in Debt Securities***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City policy manages interest rate risk through diversification of investments across asset classes.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1-5</u>
Municipal bonds	\$ <u>337,689</u>	\$ <u>35,000</u>	\$ <u>302,689</u>
Total	\$ <u>337,689</u>	\$ <u>35,000</u>	\$ <u>302,689</u>

***Foreign Currency Risk – Investments***

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The City's policy for foreign currency risk is to limit investment subject to foreign currency risk to 5% of total deposits.

***Fair Value***

The City categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

The City has the following fair value measurements as of June 30, 2020:

<u>Description</u>	<u>Value</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant observable inputs (Level 3)</u>
Investments by fair value level:				
Debt securities				
Municipal bonds	\$ 337,689	\$ -	\$ 337,689	\$ -
Equity securities				
Mutual funds	<u>14,144,557</u>	14,144,557	-	-
Total	<u>\$ 14,482,246</u>			

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary

information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

## **5. Investments – Pension Trust Fund (The System)**

All of the System's investments totaling \$308,628,842 are in various external investment pools. Some of those investments are in the State investment pool.\*

*\* Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust (PRIT) was created under Massachusetts General Law, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Law, Chapter 30B.*

### ***Custodial Credit Risk***

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The System does not have formal investment policies related to custodial credit risk.

All of the System's investments of \$308,628,842 are exempt from the custodial credit risk disclosure.

Investments in the State investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

### ***Credit Risk***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets, is invested in any one security.

Due to their nature, none of the System's investments are subject to credit risk disclosure.

### ***Concentration of Credit Risk***

Massachusetts General Law Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund. The System's policy limits the amount the System may invest in any one issuer to 5%.

Investments issued or explicitly guaranteed by the U.S. government and investment in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

As of December 31, 2019, the System did not have any investments subject to concentration of credit risk disclosure as any investment classification exceeding 5% are exempt.

#### ***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The System's policy manages interest rate risk through diversification of investments across asset classes.

Information about the sensitivity of the fair values of the System's investments to market interest rate fluctuations is not applicable as all the System's investments are immediately liquid.

#### ***Foreign Currency Risk***

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The System does not have formal investment policies related to foreign currency risk.

#### ***Fair Value***

The System categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – Inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – Inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.
- Level 3 – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

The net asset value (NAV) per share is the amount of net assets attributable to each share of capital stock outstanding at the close of the period. Investments measured at the NAV for fair value are not subject to level classification.

All of the System’s investments are measured at net asset value.

<u>Description</u>	<u>Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
Alternative investments	\$ 47,142,845	\$ -	Quarterly	30 days
Domestic equity	75,909,335	-	Quarterly	30 days
Domestic fixed income	41,844,159	-	Quarterly	30 days
Hedge funds	28,916,434	-	Quarterly	30 days
International equity	78,937,522	-	Quarterly	30 days
Real estate equity	<u>35,878,547</u>	-	Quarterly	30 days
Total	\$ <u>308,628,842</u>			

## 6. Property Taxes and Excises Receivables

Real and personal property taxes are based on market values assessed as of each January 1. By law, all taxable property must be assessed at 100% fair cash value. Also by law, property taxes must be levied at least 30 days prior to their due date. Once levied, these taxes are recorded as receivables, net of estimated uncollectible balances. Property tax revenues have been recorded using the accrual and modified accrual basis of accounting on the governmental wide and fund basis statements accordingly.

The City bills and collects its property taxes on a quarterly basis following the January 1 assessment. The due dates for those quarterly tax billings are August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges.

Based on the City’s experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid generally occurs annually. The City ultimately has the right to foreclose on all properties when the taxes remain unpaid.

A statewide property tax limitation known as "Proposition 2 ½" limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½% of the total assessed value of all taxable property within the City. Secondly, the tax levy cannot increase by more than 2 ½% of the prior year’s levy plus the taxes on property newly added to the tax rolls.



Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 of value.

Property taxes and excise receivables at June 30, 2020 consist of the following:

	Gross Amount <u>(fund basis)</u>	Allowance for Doubtful <u>Accounts</u>	Current <u>Portion</u>	Long- Term <u>Portion</u>
Real estate taxes	\$ 2,480,107	\$ (464,269)	\$ 2,015,838	\$ -
Personal property taxes	462,674	(266,679)	195,995	-
Community preservation act	1,840	-	1,840	-
Tax liens	<u>3,421,226</u>	<u>(2,414,807)</u>	<u>-</u>	<u>1,006,419</u>
Total Property Taxes	<u>\$ 6,365,847</u>	<u>\$ (3,145,755)</u>	<u>\$ 2,213,673</u>	<u>\$ 1,006,419</u>
Motor vehicle excise	<u>\$ 1,767,387</u>	<u>\$ (803,506)</u>	<u>\$ 963,881</u>	<u>\$ -</u>

## 7. User Fee Receivables

Receivables for user charges at June 30, 2020 consist of the following:

	Gross <u>Amount</u>	Allowance for Doubtful <u>Accounts</u>	Net <u>Amount</u>
Internal service fund	\$ 33,925	\$ -	\$ 33,925
Sewer fund	<u>5,116,891</u>	<u>(1,372,035)</u>	<u>3,744,856</u>
Total	<u>\$ 5,150,816</u>	<u>\$ (1,372,035)</u>	<u>\$ 3,778,781</u>

## 8. Intergovernmental Receivables

This balance represent reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2020.

## 9. Loan Receivables

The loan receivable balance represents loans issued to individuals who participate in the Resident Neighborhood Improvement Program administered through Old Holyoke Development Corporation. The loans were issued through the City's Community Development Block Grant program.

## 10. Interfund Fund Accounts

### *Receivables/Payables*

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2020 balances in interfund receivable and payable accounts:

	Due From <u>Other Funds</u>	Due To <u>Other Funds</u>
General fund	\$ 2,456,017	\$ 117,659
Sewer enterprise fund	-	2,095,045
Agency funds	-	<u>243,313</u>
Total	<u>\$ 2,456,017</u>	<u>\$ 2,456,017</u>

## 11. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Convert CIP</u>	Ending <u>Balance</u>
<b>Governmental Activities</b>					
Capital assets, being depreciated:					
Buildings and improvements	\$ 154,196	\$ -	\$ -	\$ 11,937	\$ 166,133
Machinery, equipment, and furnishings	35,312	2,563	-	-	37,875
Land improvements	11,789	6	-	1,143	12,938
Infrastructure	<u>21,378</u>	<u>404</u>	<u>-</u>	<u>-</u>	<u>21,782</u>
Total Capital Assets, Being Depreciated	222,675	2,973	-	13,080	238,728
Less accumulated depreciation for:					
Buildings and improvements	(102,217)	(5,051)	-	-	(107,268)
Machinery, equipment, and furnishings	(28,365)	(1,716)	-	-	(30,081)
Land improvements	(5,438)	(708)	-	-	(6,146)
Infrastructure	<u>(17,912)</u>	<u>(927)</u>	<u>-</u>	<u>-</u>	<u>(18,839)</u>
Total Accumulated Depreciation	<u>(153,932)</u>	<u>(8,402)</u>	<u>-</u>	<u>-</u>	<u>(162,334)</u>
Total Capital Assets, Being Depreciated, Net	68,743	(5,429)	-	13,080	76,394
Capital assets, not being depreciated:					
Land	16,474	-	(70)	-	16,404
Construction in progress (CIP)	<u>5,284</u>	<u>10,190</u>	<u>-</u>	<u>(13,080)</u>	<u>2,394</u>
Total Capital Assets, Not Being Depreciated	<u>21,758</u>	<u>10,190</u>	<u>(70)</u>	<u>(13,080)</u>	<u>18,798</u>
Governmental Activities Capital Assets, Net	<u>\$ 90,501</u>	<u>\$ 4,761</u>	<u>\$ (70)</u>	<u>\$ -</u>	<u>\$ 95,192</u>

	Beginning Balance	Increases	Decreases	Convert CIP	Ending Balance
<b>Business-Type Activities</b>					
Capital assets, being depreciated:					
Buildings and improvements	\$ 40,000	\$ -	\$ -	\$ -	\$ 40,000
Machinery, equipment, and furnishings	1,262	-	-	-	1,262
Infrastructure	<u>54,151</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,151</u>
Total Capital Assets, Being Depreciated	95,413	-	-	-	95,413
Less accumulated depreciation for:					
Buildings and improvements	(36,434)	(212)	-	-	(36,646)
Machinery, equipment, and furnishings	(1,254)	(4)	-	-	(1,258)
Infrastructure	<u>(36,028)</u>	<u>(1,067)</u>	<u>-</u>	<u>-</u>	<u>(37,095)</u>
Total Accumulated Depreciation	<u>(73,716)</u>	<u>(1,283)</u>	<u>-</u>	<u>-</u>	<u>(74,999)</u>
Total Capital Assets, Being Depreciated, Net	21,697	(1,283)	-	-	20,414
Capital assets, not being depreciated:					
Land	<u>350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>350</u>
Total Capital Assets, Not Being Depreciated	<u>350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>350</u>
Business-Type Activities Capital Assets, Net	<u>\$ 22,047</u>	<u>\$ (1,283)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,764</u>

Depreciation expense was charged to functions of the City as follows (in thousands):

<b>Governmental Activities</b>		
General government		\$ 13
Public safety		1,401
Education		4,032
Public works		1,827
Human services		399
Culture and recreation		<u>730</u>
Total Governmental Activities		<u>\$ 8,402</u>
<b>Business-Type Activities</b>		
Sewer		<u>\$ 1,283</u>
Total Business-Type Activities		<u>\$ 1,283</u>

## 12. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the City that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pension and OPEB in accordance with GASB Statement No. 68 and 75, are more formally discussed in the corresponding pension and OPEB notes.

### 13. Warrants Payable

Warrants payable represent 2020 expenditures paid by July 15, 2020.

### 14. Notes Payable

The City had the following bond anticipation notes outstanding at June 30, 2020:

<u>Purpose</u>	<u>Interest Rates %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2020</u>
H.B. Lawrence School Feasibility Study	1.48%	09/27/19	09/25/20	\$ 800,000
School Boiler and Window Replacement	1.48%	09/27/19	09/25/20	4,000,000
Traffic Signals Design and Construction	1.48%	09/27/19	09/25/20	115,000
Valley Arena Park Rehabilitation	0.90%	06/25/20	09/25/20	80,000
Public Safety Radio Network	0.90%	06/25/20	09/25/20	160,000
Tennis Court	0.90%	06/25/20	09/25/20	<u>45,000</u>
Total				\$ <u>5,200,000</u>

The following summarizes activity in notes payable during fiscal year 2020:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Bond anticipation - various	\$ <u>10,089,725</u>	\$ <u>5,200,000</u>	\$ <u>(10,089,725)</u>	\$ <u>5,200,000</u>
Total	\$ <u>10,089,725</u>	\$ <u>5,200,000</u>	\$ <u>(10,089,725)</u>	\$ <u>5,200,000</u>

### 15. Capital Lease Obligations

The City is the lessee of certain equipment under capital leases expiring in various years through 2023. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2020:

<u>Fiscal Year</u>	<u>Capital Leases</u>
2021	\$ 457,559
2022	297,755
2023	<u>297,755</u>
Total payments	1,053,069
Less amounts representing interest	<u>(74,522)</u>
Present Value of Minimum Lease Payments	\$ <u>978,547</u>

## 16. Long-Term Debt

### ***Long-Term Debt Supporting Activities***

The City issues general obligation bonds (including direct placements) and direct borrowings to provide funds for the acquisition and construction of major capital facilities. General obligation bonds (direct placements) have been issued for governmental activities and both general obligation bonds and direct borrowings have been issued for business-type activities. General obligation bonds (direct placements) and direct borrowings currently outstanding are as follows:

	Serial Maturities <u>Through</u>	Interest Rate(s) %	Amount Outstanding as of <u>June 30, 2020</u>
<b>Governmental Activities</b>			
<b><i>General Obligation Bonds</i></b>			
<i>Direct Placements</i>			
Wistariahurst Museum	03/01/21	2.0 - 4.0	\$ 40,000
Wistariahurst Museum	03/01/21	2.0 - 4.0	15,000
Community Field	03/01/21	2.0 - 4.0	15,000
Jones Ferry River Access	03/01/25	2.0 - 4.0	225,000
School Lots/Fields/Lights	03/01/25	2.0 - 4.0	190,000
Building Demolition	09/01/26	3.0	70,000
Public Safety Radio	09/01/26	2.0 - 5.0	1,330,000
High School Remodeling	09/01/27	3.0	288,000
School Roofs	09/01/27	3.0	158,000
School Lots/Field/Lights	09/01/27	3.0	59,000
DPW Vehicles	09/01/27	5.0	950,000
Fire Truck	09/01/28	2.0 - 3.8	995,000
Traffic Signal Replacement	09/01/28	5.0	627,936
High School Remodeling	03/01/29	2.0 - 4.2	815,000
Outdoor Recreational Facilities I	09/01/30	2.0 - 5.0	210,000
Outdoor Recreational Facilities	09/01/31	3.0 - 3.25	1,500,000
Outdoor Recreational Facilities II	09/01/31	2.0 - 5.0	120,000
School	03/01/32	2.0 - 4.0	3,435,000
Geriatric Authority Land	03/01/32	2.0 - 4.0	545,000
Community Field Park	03/01/32	2.0 - 4.0	960,000
Senior Center	03/01/32	2.0 - 4.0	1,460,000
Library	03/01/32	2.0 - 4.0	3,300,000
High School Science Lab Renovation	09/01/32	2.0 - 5.0	170,000
Additional Parking Facilities	09/01/32	2.0 - 5.0	455,000
Building Demolition	09/01/32	2.0 - 5.0	1,130,000
Morgan & E.N. White Elementary Schools	09/01/32	2.0 - 5.0	210,000
Pouliot Pool Reconstruction I	09/01/32	4.0 - 5.0	350,711
Tennis Courts	09/01/32	3.0 - 5.0	1,255,000
Senior Center	09/01/33	2.0 - 5.0	4,330,000
Garage	09/01/33	2.0 - 5.0	4,200,000
High School Science Labs	09/01/34	2.0 - 3.8	825,000
Parking Garage	09/01/34	2.0 - 3.8	1,350,000
Fire Department Command Vehicles	09/01/34	4.0 - 5.0	101,392
Pouliot Pool Reconstruction II	09/01/34	3.0 - 5.0	1,393,817
Fire Department Vehicles	09/01/38	3.0 - 5.0	2,844,195
School Boiler and Windows	09/01/39	3.0 - 5.0	<u>3,379,270</u>
Total Governmental Activities			\$ <u>39,302,321</u>

<b>Business-Type Activities</b>	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of <u>June 30, 2020</u>
<b>General Obligation Bonds</b>			
<i>Direct Placements</i>			
Sewer CSO Projects	09/01/27	3.0	\$ 1,055,000
Sewer Plant Improvements	09/01/27	3.0	2,335,000
Sewer and Flood Control	09/01/33	2.0 - 5.0	<u>525,000</u>
Total General Obligation Bonds			3,915,000
<b>Direct Borrowings</b>			
MWPAT	01/15/33	2.0	621,847
MWPAT	07/15/36	2.0	<u>11,673,454</u>
Total Direct Borrowings			<u>12,295,301</u>
Total Business-Type Activities			<u>\$ 16,210,301</u>

### **Future Debt Service**

The annual payments to retire all general obligation bonds (direct placements) and direct borrowings outstanding as of June 30, 2020 are as follows:

<u>Governmental Activities</u>				
<u>General Obligation Bonds</u>				
	<u>Principal</u>		<u>Interest</u>	
2021	\$ 3,216,527	\$	1,528,947	
2022	3,146,975		1,268,629	
2023	3,162,557		1,149,501	
2024	3,183,172		1,031,479	
2025	3,158,242		903,725	
2026 - 2030	14,085,643		2,888,695	
2031 - 2035	8,052,053		769,127	
Thereafter	<u>1,297,152</u>		<u>87,450</u>	
Total	<u>\$ 39,302,321</u>	\$	<u>9,627,553</u>	
 <u>Business-Type Activities</u>				
	<u>General Obligation Bonds</u>		<u>Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 480,000	\$ 116,612	\$ 607,381	\$ 281,588
2022	480,000	101,413	621,709	267,196
2023	475,000	86,287	636,376	252,463
2024	470,000	71,313	651,389	237,383
2025	465,000	56,487	666,756	221,946
2026 - 2030	1,405,000	99,950	3,577,285	865,133
2031 - 2035	140,000	11,507	3,907,609	422,077
Thereafter	<u>-</u>	<u>-</u>	<u>1,626,796</u>	<u>38,372</u>
Total	<u>\$ 3,915,000</u>	<u>\$ 543,569</u>	<u>\$ 12,295,301</u>	<u>\$ 2,586,158</u>

### **Changes in General Long-Term Liabilities**

During the year ended June 30, 2020, the following changes occurred in long-term liabilities (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
<b>Governmental Activities</b>						
Bonds payable:						
Direct placements	\$ 33,735	\$ 7,640	\$ (3,130)	\$ 38,245	\$ (3,200)	\$ 35,045
Bond premium	-	1,057	-	1,057	(17)	1,040
Subtotal - Bond payable	<u>33,735</u>	<u>8,697</u>	<u>(3,130)</u>	<u>39,302</u>	<u>(3,217)</u>	<u>36,085</u>
Net pension liability	103,987	-	(16,157)	87,830	-	87,830
Total OPEB liability	220,588	75,913	-	296,501	-	296,501
Accrued compensated absences	7,636	383	-	8,019	(802)	7,217
Capital lease	-	1,511	(457)	1,054	(458)	596
Totals	<u>\$ 365,946</u>	<u>\$ 86,504</u>	<u>\$ (19,744)</u>	<u>\$ 432,706</u>	<u>\$ (4,477)</u>	<u>\$ 428,229</u>
<b>Business-Type Activities</b>						
Bonds payable						
Direct placements	\$ 4,405	\$ -	\$ (490)	\$ 3,915	\$ (480)	\$ 3,435
Direct borrowings	<u>12,888</u>	<u>-</u>	<u>(593)</u>	<u>12,295</u>	<u>(607)</u>	<u>11,688</u>
Total Bonds Payable	17,293	-	(1,083)	16,210	(1,087)	15,123
Net pension liability	<u>247</u>	<u>-</u>	<u>(36)</u>	<u>211</u>	<u>-</u>	<u>211</u>
Totals	<u>\$ 17,540</u>	<u>\$ -</u>	<u>\$ (1,119)</u>	<u>\$ 16,421</u>	<u>\$ (1,087)</u>	<u>\$ 15,334</u>

### **Long-Term Debt Supporting Governmental and Business-Type Activities**

Bonds and loans issued by the City for various municipal projects are approved by City Council and repaid with revenues recorded in the general fund and user fees recorded in the enterprise fund. All other long-term debt is repaid from the funds that the cost related to, primarily the general fund and the enterprise fund.

## **17. Deferred Inflows of Resources**

Deferred inflows of resources are the acquisition of net position by the City that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes. In the government-wide basis financial statements, the other deferred inflows balance represents unearned revenue related to the deferred payment loans made to residents through the City's Federal Community Development Block Grant program. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

## 18. Transfers

The City reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of major interfund transfers:

<b>Governmental Funds</b>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 779,268
Nonmajor Funds:		
Special revenue funds	208,915	-
Capital project funds	-	38,220
Trust funds	<u>573,481</u>	<u>-</u>
Subtotal Nonmajor Funds	<u>782,396</u>	<u>38,220</u>
Subtotal Governmental Funds	782,396	817,488
<b>Business-Type Funds</b>		
Sewer fund	<u>35,092</u>	<u>-</u>
Subtotal Business-Type Funds	<u>35,092</u>	<u>-</u>
Total	\$ <u>817,488</u>	\$ <u>817,488</u>

## 19. Governmental Funds – Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The City has implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2020:

### ***Nonspendable***

Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The City does not have any fund balances that meet this criteria in 2020.

### ***Restricted***

Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes capital projects funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.



**Committed**

Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority (City Council). The City does not have any fund balances that meet this criteria in 2020.

**Assigned**

Represents amounts that are constrained by the City's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various City departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

**Unassigned**

Represents amounts that are available to be spent in future periods, general stabilization fund, and deficit funds.

Following is a breakdown of the City's fund balances at June 30, 2020:

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Restricted			
Bonded projects	\$ -	\$ 1,128,812	\$ 1,128,812
Special revenue funds	-	10,776,317	10,776,317
Expendable permanent funds	-	<u>542,557</u>	<u>542,557</u>
Total Restricted	-	12,447,686	12,447,686
Assigned			
Encumbrances:			
General government	238,619	-	238,619
Public safety	142,584	-	142,584
Education	6,161,709	-	6,161,709
Public works	167,797	-	167,797
Health and human services	47,415	-	47,415
Culture and recreation	71,108	-	71,108
Employee benefits	<u>32,553</u>	-	<u>32,553</u>
Total Assigned	6,861,785	-	6,861,785
Unassigned			
General fund	3,654,672	-	3,654,672
General stabilization fund *	15,290,809	-	15,290,809
Deficit fund balances	<u>-</u>	<u>(3,152,686)</u>	<u>(3,152,686)</u>
Total Unassigned	<u>18,945,481</u>	<u>(3,152,686)</u>	<u>15,792,795</u>
Total Fund Balance	<u>\$ 25,807,266</u>	<u>\$ 9,295,000</u>	<u>\$ 35,102,266</u>

\* Massachusetts General Law Chapter 40 Section 5B allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund, along with any additions to or appropriations from the fund, requires a two thirds vote of the legislative body.

## 20. Holyoke Contributory Retirement System

The City follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

### ***Plan Description***

Substantially all employees of the City (except teachers and administrators under contract employed by the School Department) and the Holyoke Gas and Electric Company, Holyoke Water Works, and the Holyoke Housing Authority are members of the Holyoke Contributory Retirement System (the System), a cost sharing, multiple employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 20 Korean Veterans Plaza, Room 207, Holyoke, MA 01040.

### ***Participant Contributions***

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 – December 31, 1983	7%
January 1, 1984 – June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

### ***Participant Retirement Benefits***

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

There are four classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left City employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

#### *Methods of Payment*

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his or her accumulated deductions will be paid in a lump sum to the retiree’s beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member’s designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

#### *Participant Refunds*

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

#### *Employer Contributions*

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The City’s contribution to the System for the year ended June 30, 2020 was \$11,776,449, which was slightly higher than its annual required contribution.

#### ***Summary of Significant Accounting Policies***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the System and additions to/deductions from System’s fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension***

At June 30, 2020, the City reported a liability of approximately \$88 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the City's proportion was 68.00% which was a decrease of (0.96%) from its proportion measured as of December 31, 2019.

For the year ended June 30, 2020, the City recognized pension expense of approximately \$13 million. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources (in thousands):

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ -	\$ (3,419)
Changes of assumptions	9,354	-
Net difference between projected and actual earnings on pension plan investments	-	(9,400)
Changes in proportion and differences between contributions and proportionate share of contributions	<u>-</u>	<u>(2,079)</u>
Total	\$ <u>9,354</u>	\$ <u>(14,898)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows (in thousands):

<u>Year ended June 30:</u>	
2021	\$ (1,227)
2022	(1,904)
2023	1,187
2024	<u>(3,600)</u>
Total	\$ <u>(5,544)</u>

### ***Actuarial Assumptions***

The total pension liability in the latest actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	1/1/20
Actuarial cost method	Entry Age Normal Cost
Remaining amortization period	15 years
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases:	
Group 1	4.00%
Group 2	4.25%
Group 4	4.50%
Inflation rate	3.25%
Post-retirement cost-of-living adjustment	3% on first \$14,000

Actuarial valuation of the ongoing Systems involves estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Mortality rates were based on the following:

- Pre-retirement and beneficiary mortality: RP2014 Blue Collar Employee Mortality Table set forward one year for females projected generationally using Scale MP-2017.
- Mortality for retired members: RP-2014 Blue Collar annuitant Mortality Table set forward one year for females projected generationally using Scale MP-2017.
- Mortality for disabled members: RP-2014 Blue Collar annuitant Mortality Table set forward one year projected generationally using Scale MP-2017.

### ***Changes of Assumptions***

The investment return assumption was decreased from 7.50% to 7.25% and the administrative expenses assumption was increased from \$507,000 to \$535,000 in the most recent valuation. These changes increased the System's unfunded accrued liability by approximately \$11.5 million.

### ***Change of Benefit Terms***

The cost of living adjustment base was increased from \$12,000 to \$14,000 in the most recent valuation. Change this plan provision increased the System's unfunded accrued liability by approximately \$4.9 million.

### **Target Allocations**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	23.00%	6.15%
International developed markets equity	14.00%	6.78%
International emerging markets equity	9.00%	8.65%
Core fixed income	15.00%	1.11%
Real estate	12.00%	4.33%
Hedge fund	10.00%	3.19%
Private equity	17.00%	9.99%
Total	<u>100.0%</u>	

### **Discount Rate**

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### **Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate (in thousands):

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$123,384	\$88,041	\$58,297

### ***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued System financial report.

## **21. Massachusetts Teachers' Retirement System (MTRS)**

### ***Plan Description***

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members — two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

### ***Benefits Provided***

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.



The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

**Contributions**

Member contributions for MTRS vary depending on the most recent date of membership:

<u>Membership Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 to 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

**Actuarial Assumptions**

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019. This valuation used the following assumptions:

- (a) 7.25% (changed from 7.35%) investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.
- Mortality rates were as follows:
  - Pre-retirement – reflects RP-2014 White Collar Employee table projected generationally with Scale MP-2016 (gender distinct).
  - Post-retirement – reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).
  - Disability – assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).

### **Target Allocations**

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	4.90%
Core fixed income	15.00%	1.30%
Private equity	13.00%	8.20%
Portfolio completion strategies	11.00%	3.90%
Real estate	10.00%	3.60%
Value added fixed income	8.00%	4.70%
Timber/natural resources	<u>4.00%</u>	4.10%
Total	<u>100.00%</u>	

### **Discount Rate**

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### **Sensitivity Analysis**

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease	Current Discount Rate	1% Increase
<u>(6.25%)</u>	<u>(7.25%)</u>	<u>(8.25%)</u>
\$31,232,100	\$25,214,020	\$20,062,500

### ***Special Funding Situation***

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (GASB 68)* and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

### ***City Proportions***

In fiscal year 2019 (the most recent measurement period), the City's proportionate share of the MTRS' collective net pension liability was approximately \$122 million based on a proportionate share of 0.49%. As required by GASB 68, the City has recognized its portion of the Commonwealth's contribution of approximately \$7 million as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of \$15 million as both a revenue and expense in the governmental activities.

## **22. Other Post-Employment Benefits (GASB 75)**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2020.

### ***General Information about the OPEB Plan***

#### ***Plan Description***

The City provides post-employment healthcare benefits for retired employees through the City's plan. The City provides health insurance coverage to non-teachers through Cigna and teachers through the Massachusetts Group Insurance Commission (GIC). The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. The OPEB plan is not administered through a trust that meets the criteria in paragraph 4 of GASB 75.

#### ***Benefits Provided***

The City provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the City and meet the eligibility criteria will receive these benefits.

### *Funding Policy*

The City's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute.

### *Plan Membership*

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	1,428
Active employees	<u>1,152</u>
Total	<u>2,580</u>

### ***Actuarial Assumptions and Other Inputs***

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases:	
Group 1 (excluding teachers)	6.0% decreasing over 11 years to an ultimate level of 4.0%
Group 4	7.0% decreasing over 8 years to an ultimate level of 4.5%
Teachers	7.5% decreasing over 20 years to an ultimate level of 4.0%
Discount rate	2.21%
Healthcare cost trend rates	6.5% decreasing by .25% per year to an ultimate rate of 4.5% per year
Retirees' share of benefit-related costs	50%

The discount rate was based on the Bond Buyer 20-Bond General Obligation Index at June 30, 2020.

Mortality rates were based on:

- Non-teachers
  - Pre-retirement – reflects RP-2014 Blue Collar Employee table set forward 1 year for females projected generationally with Scale MP-2017.
  - Post-retirement – reflects RP-2014 Blue Collar Healthy Annuitant table set forward 1 year for females projected generationally with Scale MP-2017.
  - Disability – reflects RP-2014 Blue Collar Healthy Annuitant table set forward 1 year projected generationally with Scale MP-2017.

- Teachers
  - Pre-retirement – reflects Pub-2010 Teachers Employees Mortality Table (head-count weighted) projected generationally with Scale MP-2018.
  - Post-retirement/disability – reflects Pub 2010 Teachers Retirees Mortality Table (headcount weighted) projected generationally with Scale MP-2018.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 2.21%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

**Total OPEB Liability**

The City’s total OPEB liability of approximately \$296.5 million was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

**Changes in the Total OPEB Liability**

The following summarizes the changes in the total OPEB liability for the last year (in thousands):

	<u>Total OPEB Liability</u>
Balances, Beginning of Year	\$ 220,588
Changes for the year:	
Service cost	6,462
Interest	7,816
Difference between expected and actual experience	21,714
Change in benefit terms	(3,790)
Changes in assumptions	51,234
Benefit payment	<u>(7,523)</u>
Net Changes	<u>75,913</u>
Balances, End of Year	<u>\$ 296,501</u>

Changes in benefit terms reflects a switch in insurance carriers for the City.

Changes in assumptions reflects a change in the discount rate from 3.50% in 2019 to 2.21% in 2020. Trend and mortality assumptions were also updated.

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate (amounts in thousands):

1% Decrease	Current Discount Rate	1% Increase
<u>(1.21%)</u>	<u>(2.21%)</u>	<u>(3.21%)</u>
\$351,150	\$296,501	\$253,384

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates (amounts in thousands):

1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
<u>(5.50%)</u>	<u>(6.50%)</u>	<u>(7.50%)</u>
\$247,255	\$296,501	\$360,952

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2020, the City recognized an OPEB expense of approximately \$24 million. At June 30, 2020, the City reported deferred outflows and inflows of resources related to OPEB from the following source:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ 17,850	\$ -
Changes of assumptions	<u>48,876</u>	<u>(3,418)</u>
Total	\$ <u>66,726</u>	\$ <u>(3,418)</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2021	\$ 13,524
2022	13,524
2023	15,233
2024	12,980
2025	<u>8,047</u>
Total	\$ <u>63,308</u>

## 23. Subsequent Events

### ***Debt***

Subsequent to June 30, 2020, the City has incurred or rolled the following bond anticipation notes:

<u>Purpose</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
H.B Lawrence School Feasibility Study	\$ 135,600	2.00%	09/24/20	09/24/21
School Boiler and Window Replacement	1,737,937	2.00%	09/24/20	09/24/21
Traffic Signals Design and Construction	115,000	2.00%	09/24/20	09/24/21
Valley Arena Park Rehabilitation & Construction	52,521	2.00%	09/24/20	09/24/21
Pouliot Pool	160,000	2.00%	09/24/20	09/24/21
Public Safety Radio Network	157,257	2.00%	09/24/20	09/24/21
Tennis Courts	40,837	2.00%	09/24/20	09/24/21
Water System Improvements	3,500,000	2.00%	09/24/20	09/24/21
Traffic Signals Design & Construction	79,250	2.00%	06/24/21	09/24/21
Water System Improvements	1,000,000	2.00%	06/24/21	09/24/21
School Feasibility	270,000	2.00%	06/24/21	09/24/21
DPW & Fire Department Vehicles	1,216,500	2.00%	06/24/21	09/24/21
Police Cruisers	140,000	2.00%	06/24/21	09/24/21
Peck School Feasibility Study	<u>146,396</u>	2.00%	06/24/21	09/24/21
	<u>\$ 8,751,298</u>			

## 24. Commitments and Contingencies

### ***COVID-19***

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and the scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the City, employees, vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

### ***Outstanding Legal Issues***

On an ongoing basis, there are typically pending legal issues in which the City is involved. The City's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

### ***Grants***

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

***Debt Responsibility***

In fiscal year 2012, the City issued General Obligation State Qualified Refunding Bonds which included refunding of the 2001 Holyoke Gas & Electric revenue bonds that were previously issued by Holyoke Gas & Electric. If Holyoke Gas & Electric should default on their payments, the City would be responsible for repayment. At June 30, 2020 the outstanding principal balance was \$21,825,000.

***Combined Sewer Overflow***

CSO discharge locations along the Connecticut River bordering Holyoke have been identified. A portion of this work has been completed over the past 20 years, but significant additional work will be required in the future. The City will be beginning construction of the next phase of this work in the spring of 2021 known as the Jackson Street Area Sewer Separation Project. The estimated total cost of this project is approximately \$8.906 million. Work will take about 18 months to complete. The City has updated its Long-Term Control Plan (LTCP) and submitted it to EPA for review and approval. This draft plan has identified two additional sewer separation projects to be completed over the next 20 years at a total cost of \$26.2 million. It is possible that additional projects will be required over this year by EPA. An additional \$55.3 million in projects to address EPA requirements have been identified to be implemented following this 20-year period.

***Encumbrances***

At year-end the City's general fund has \$6,861,785 in encumbrances that will be honored in the next fiscal year.

**25. New Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, effective for the City beginning with its fiscal year ending June 30, 2021. This statement establishes guidance on how to address the categorization of fiduciary activities for financial reporting and how fiduciary activities are to be reported and may require reclassification of certain funds. Management has not evaluated the effect this standard will have on the financial statements.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the City beginning with its fiscal year ending June 30, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements. Management has not evaluated the effect this standard will have on the financial statements.



**CITY OF HOLYOKE, MASSACHUSETTS**

Required Supplementary Information

General Fund

Schedule of Revenues, Expenditures and Other Sources (Uses) - Budget and Actual  
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
<b>Revenues</b>				
Property taxes	\$ 54,834,503	\$ 54,834,503	\$ 54,687,721	\$ (146,782)
Excises	3,160,000	3,160,000	2,977,526	(182,474)
Penalties, interest and other taxes	2,863,000	2,863,000	3,038,843	175,843
Charges for services	1,020,000	1,020,000	1,097,985	77,985
Intergovernmental	91,282,163	91,282,163	91,329,550	47,387
Licenses and permits	702,000	702,000	817,675	115,675
Fines and forfeitures	350,000	350,000	227,523	(122,477)
Investment income	125,000	125,000	100,641	(24,359)
Miscellaneous	<u>26,000</u>	<u>26,000</u>	<u>111,926</u>	<u>85,926</u>
Total Revenues	154,362,666	154,362,666	154,389,390	26,724
<b>Expenditures</b>				
General government	3,744,810	3,946,360	3,883,925	62,435
Public safety	22,593,031	23,095,481	22,586,839	508,642
Education	70,228,202	70,228,202	69,385,988	842,214
Public works	5,191,544	5,191,544	4,718,647	472,897
Health and human services	1,789,131	1,789,131	1,623,656	165,475
Culture and recreation	1,837,915	1,893,915	1,749,303	144,612
Employee benefits	24,709,300	24,799,300	24,521,859	277,441
Debt service	4,457,240	4,457,240	4,408,822	48,418
Intergovernmental	<u>18,310,486</u>	<u>18,310,486</u>	<u>18,517,898</u>	<u>(207,412)</u>
Total Expenditures	<u>152,861,659</u>	<u>153,711,659</u>	<u>151,396,937</u>	<u>2,314,722</u>
Excess of Revenues Over Expenditures	1,501,007	651,007	2,992,453	2,341,446
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	750,000	750,000	-
Transfers out	(1,501,007)	(1,501,007)	(1,529,268)	(28,261)
Other sources	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
Total Other Financing Sources (Uses)	<u>(1,501,007)</u>	<u>(651,007)</u>	<u>(779,268)</u>	<u>(128,261)</u>
Overall Budgetary Excess	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,213,185</u>	\$ <u>2,213,185</u>

See Independent Auditors' Report and notes to the Required Supplementary Information.

**Notes to the Required Supplementary Information  
For General Fund Budget**

***Budgetary Basis***

The General Fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations.

***Budget/GAAP Reconciliation***

The budgetary data for the General Fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues, expenditures and other financing sources (uses), to conform to the budgetary basis of accounting.

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
GAAP Basis	\$ 163,957,953	\$ 159,010,774	\$ 731,360
Remove the effect of adding the City's Stabilization fund per GASB 54	(2,566,400)	-	-
Reverse beginning of year appropriation carry- forwards from expenditures	-	(6,038,429)	-
Add end of year appropriation carryforwards to expenditures	-	6,861,785	-
Reverse the effect of non-budgeted State contributions for teachers retirement	(7,002,163)	(7,002,163)	-
Reverse the effect of non-budgeted capital lease issuance	-	-	(1,510,628)
Reverse GAAP accrual	-	(1,435,030)	-
Budgetary Basis	<u>\$ 154,389,390</u>	<u>\$ 151,396,937</u>	<u>\$ (779,268)</u>

**CITY OF HOLYOKE, MASSACHUSETTS**

Required Supplementary Information  
Schedule of Proportionate Share of the Net Pension Liability

(Unaudited)

(Amounts expressed in thousands)

**Holyoke Contributory Retirement System**

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2020	December 31, 2019	68.00%	\$88,041	\$40,575	216.98%	71.79%
June 30, 2019	December 31, 2018	68.96%	\$104,233	\$40,344	258.36%	64.90%
June 30, 2018	December 31, 2017	69.61%	\$82,542	\$38,681	213.39%	71.67%
June 30, 2017	December 31, 2016	70.19%	\$102,342	\$40,169	254.78%	64.26%
June 30, 2016	December 31, 2015	70.64%	\$104,568	\$38,390	272.38%	62.55%
June 30, 2015	December 31, 2014	70.87%	\$94,335	\$39,079	241.40%	64.47%

**Massachusetts Teachers' Retirement System**

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the City</u>	<u>Total Net Pension Liability Associated with the City</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2020	June 30, 2019	0.49%	\$ -	\$122,291	\$122,291	\$35,295	\$ -	53.95%
June 30, 2019	June 30, 2018	0.49%	\$ -	\$115,595	\$115,595	\$34,237	\$ -	54.84%
June 30, 2018	June 30, 2017	0.52%	\$ -	\$118,191	\$118,191	\$35,069	\$ -	54.25%
June 30, 2017	June 30, 2016	0.54%	\$ -	\$120,809	\$120,809	\$35,542	\$ -	52.73%
June 30, 2016	June 30, 2015	0.59%	\$ -	\$121,903	\$121,903	\$37,399	\$ -	55.38%
June 30, 2015	June 30, 2014	0.67%	\$ -	\$105,865	\$105,865	\$40,834	\$ -	61.64%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

See Independent Auditors' Report.

**CITY OF HOLYOKE, MASSACHUSETTS**

Required Supplementary Information  
Schedule of Pension Contributions

(Unaudited)

(Amounts expressed in thousands)

**Holyoke Contributory Retirement System**

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2020	December 31, 2019	\$11,757	(\$11,776)	(\$19)	\$40,575	29.02%
June 30, 2019	December 31, 2018	\$11,922	(\$11,938)	(\$16)	\$40,344	29.59%
June 30, 2018	December 31, 2017	\$12,034	(\$12,049)	(\$15)	\$38,681	31.15%
June 30, 2017	December 31, 2016	\$12,135	(\$12,135)	\$-	\$40,169	30.21%
June 30, 2016	December 31, 2015	\$12,064	(\$12,193)	(\$129)	\$38,390	31.76%
June 30, 2015	December 31, 2014	\$12,051	(\$12,082)	(\$31)	\$39,079	30.92%

**Massachusetts Teachers' Retirement System**

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2020	June 30, 2019	\$7,002	(\$7,002)	\$-	\$35,295	19.84%
June 30, 2019	June 30, 2018	\$6,410	(\$6,410)	\$-	\$34,237	18.72%
June 30, 2018	June 30, 2017	\$6,381	(\$6,381)	\$-	\$35,069	18.20%
June 30, 2017	June 30, 2016	\$6,077	(\$6,077)	\$-	\$35,542	17.10%
June 30, 2016	June 30, 2015	\$6,080	(\$6,080)	\$-	\$37,399	16.26%
June 30, 2015	June 30, 2014	\$6,243	(\$6,243)	\$-	\$40,834	15.29%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

See Independent Auditors' Report.

**CITY OF HOLYOKE, MASSACHUSETTS**  
Required Supplementary Information  
Other Post-Employment Benefits (OPEB)  
Schedules of Changes in the Total OPEB Liability  
(Unaudited)  
(Amounts expressed in thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Changes in Total OPEB liability</b>			
Service cost	\$ 6,462	\$ 6,204	\$ 6,556
Interest	7,816	7,932	7,493
Changes of benefit terms	(3,790)	-	(2,670)
Difference between expected and actual experience	21,714	-	-
Changes of assumptions	51,234	11,264	(8,546)
Benefit payments, including refunds of member contributions	<u>(7,523)</u>	<u>(7,070)</u>	<u>(6,605)</u>
Net Change in Total OPEB Liability	75,913	18,330	(3,772)
Total OPEB Liability - Beginning	<u>220,588</u>	<u>202,258</u>	<u>206,030</u>
<b>Total OPEB Liability - Ending</b>	<b>\$ <u>296,501</u></b>	<b>\$ <u>220,588</u></b>	<b>\$ <u>202,258</u></b>

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

See notes to the City's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.