PITTSFIELD ECONOMIC DEVELOPMENT AUTHORITY

Financial Statements and Supplementary Information

December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
PITTSFIELD ECONOMIC DEVELOPMENT AUTHORITY
81 Kellogg Street
Pittsfield, MA 01201

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Pittsfield Economic Development Authority as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Pittsfield Economic Development Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
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 an opinion 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 auditors' 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 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 our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Pittsfield Economic Development Authority as of December 31, 2018, and the respective changes in financial position and 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 the management's discussion and analysis on page 4 and the schedule of the Authority's proportionate share of net pension liability and pension contributions on page 19 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.

Report on Summarized Comparative Information

We have previously audited Pittsfield Economic Development Authority's 2017 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated March 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2019, on our consideration of Pittsfield Economic Development Authority'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 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 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 Pittsfield Economic Development Authority's internal control over financial reporting and compliance.

Adelson + Company PC

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February 13, 2019

PITTSFIELD ECONOMIC DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

December 31, 2018

As financial management of the Pittsfield Economic Development Authority (the Authority), we offer readers of these financial statements, an overview and analysis of the financial activities of the Authority. This narrative is designed to assist the reader in focusing on significant financial issues, identify changes in the Authority's financial position, identify any material deviations from the approved budget, and identify individual issues or concerns.

The Management's Discussion and Analysis is designed to focus on the current year's activities, resulting changes and currently known facts. It should be read in conjunction with the financial statements that follow.

The Authority was created by the Massachusetts Legislature in 1998 for the purpose of redeveloping brownfields properties and promoting economic development in the City of Pittsfield. The Authority, governed by a Board of Directors, is a quasi-public agency created by a special act of the Massachusetts State Legislature, for the purpose of being the recipient and redeveloper of approximately 52 acres of General Electric Company's former industrial facility located in the heart of Pittsfield, Massachusetts. This development, known today as the William Stanley Business Park, has three of its parcels occupied with ten prime building sites available for new business and industry.

The Authority's work must be transparent, fiscally and socially responsible, economically, socially and environmentally sustainable, consistent, inclusive, and equitable. The Authority will accomplish this by collaboration, market focus, clustering and accountability.

The Authority must work with businesses to pave the way for their development and expansion. It must work with citizen groups, environmental groups, and labor to ensure they participate in the economic growth of the area. In addition, the Authority must work closely with the City of Pittsfield, the Federal government (EPA), and State government (DEP), to ensure the public sector offers a supportive role for businesses and a regulatory level appropriate for the public safety and health of the Community.

Financial Highlights

The assets of the Authority exceeded its liabilities at the close of the current fiscal year resulting in a net position of $7,485,138. This includes $339,979 in unrestricted net position available to meet the ongoing operations of the Authority, a restricted deficit of ($4,000,000) recorded for the Natural Resources Damages obligation (consent decree) and $11,145,159 invested in capital assets, net of related debt.

Overview of the Financial Statements

Proprietary Fund

Proprietary funds report the enterprise, or business-type activities of the Authority. The Authority's financial statements consist of three main statements: Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position, and Statement of Cash Flows. Notes and supplementary information that disclose information about the nature of the Authority's business, accounting policies and additional information about specific statement amounts follow these statements.

The Authority's net position consists of its net investment in capital assets (e.g. land, infrastructure and office equipment), less any debt used to acquire those assets, and a restricted deficit set aside to meet the obligations for the Natural Resources Damages obligation (consent decree). Although the Authority's capital assets are 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. The Authority currently has no capital lease obligations.

The Statement of Revenues, Expenses and Changes in Fund Net Position report the results of both operating and non-operating activities.

The Statement of Cash Flows, which is presented using the direct method, accounts for the change in the cash and equivalents balance between January 1 and December 31. The cash flows statement provides the detail on the cash the Authority received from and paid for operating and non-operating, investing, and financing activities.

PITTSFIELD ECONOMIC DEVELOPMENT AUTHORITY
Summary Statement of Net Position
December 31,

	2018	2017	Change
Assets			
Cash and equivalents	$ 3,317,257	$ 3,639,978	$ (322,721)
Receivables	55,611	---	55,611
Forgivable note receivable	172,627	150,000	22,627
Prepaid expenses	106,821	121,200	(14,379)
Capital assets, net	11,342,460	11,605,436	(262,976)
Total assets	14,994,776	15,516,614	(521,838)
Liabilities			
Accounts payables	2,102	2,940	(838)
Advanced revenue	3,067,158	3,309,476	(242,318)
Land purchase deposit	---	65,000	(65,000)
Long-term debt	197,301	159,231	38,070
Natural resource obligation	4,000,000	4,000,000	---
Net pension liability	243,077	254,712	(11,635)
Total liabilities	7,509,638	7,791,359	(281,721)
Net position			
Invested in capital assets, net of related debt	11,145,159	11,446,205	(301,046)
Restricted for natural resource obligation (deficit)	(4,000,000)	(4,000,000)	---
Unrestricted	339,979	279,050	60,929
Total net position	$ 7,485,138	$ 7,725,255	$ (240,117)

The table below provides a summary of the changes in net position for the year ended December 31:

PITTSFIELD ECONOMIC DEVELOPMENT AUTHORITY
Summary Change in Net Position
December 31,

	2018	2017	Change
Operating revenues			
General Electric Company	$ 242,318	$ 304,754	$ (62,436)
Ground lease income	16,542	16,165	377
Maintenance fee income	3,315	4,664	(1,349)
Rental income	7,500	---	7,500
Grant income	53,716	---	53,716
Other revenue	65,000	---	65,000
In-kind rent	25,000	25,000	---
Total operating revenues	413,391	350,583	62,808
Operating expenses			
Management and general expenses	193,467	171,529	21,938
Pension expense (recovery)	12,313	184,937	(172,624)
Project development expenses	184,045	140,653	43,392
Forgiveness of note receivable	50,000	50,000	---
Depreciation	262,976	263,253	(277)
Total operating expenses	702,801	810,372	(107,571)
Operating loss	(289,410)	(459,789)	170,379
Nonoperating revenue - interest income	49,293	21,120	28,173
Change in net position	$ (240,117)	$ (438,669)	$ 198,552

The Authority incurred an operating loss in fiscal year 2018 of $(289,410). This operating loss is the result of the Authority recording the following transactions:

- Depreciation expense of $262,976, which was incurred on fixed assets received from General Electric Company (GE) or purchased with GE funds, and is not allowed to be charged against current year funding received from GE.

- In 2017, the Authority entered into a recoverable grant (loan) agreement with the Massachusetts Development Finance Agency to expend up to $75,000 for engineering services associated with the 40’s complex concrete slab study. The Authority is required to repay the loan without interest if the 40’s site or any portion thereof is sold, conveyed, gifted, demised, ground leased, otherwise transferred, or refinanced. If no event indicated in the agreement requires payment within 30 years, then the agreement expires and the loan amount outstanding at that time will be forgiven. $35,014 was expended in 2017 and for the year ended December 31, 2018, the Authority expended $38,070 of the grant which is reported as an expense in the statement of activities and as long-term debt in the statement of financial position.

Budgetary Highlights

Explanation of significant budget vs actual variances are as follows:

	2018		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
General Electric Company revenue	$ 260,473	$ 242,318	$ (18,155)
Grant income	17,300	53,716	36,416
Other revenue	---	65,000	65,000
Contract costs	81,700	144,506	(62,806)

General Electric Company
The Authority utilizes General Electric Company funds for capital and operating costs. After applying other sources of operating revenues, such as lease income, maintenance fee income, and grants, the GE funds are used to subsidize the operations. For fiscal year 2018, the Authority utilized $242,318 of GE funds to subsidize its operating costs. Unused GE funds, which are reported on the Statement of Net Position as advanced revenue, are carried forward to be utilized in next year's operations. Additional information on the advanced GE funds is disclosed in Notes 7 and 8 of the financial statements.

Grant Income
The Authority had been awarded two brownfield grants from MassDevelopment for environmental projects in the William Stanley Business Park. These awards are reimbursable grants and require work to be completed prior to receiving payment. In the year ended December 31, 2018, $53,716 was expended for work done on the Berkshire Innovation Center (BIC) site and is reflected as a grant receivable on the balance sheet.

Other Revenue
The Authority had previously entered into an agreement with a private developer to sell a parcel of land, known as the "Teens" or "Site 9" at the William Stanley Business Park. As part of the agreement, the developer made a non-refundable deposit of $65,000 to secure the property during the process. In December 2018, the agreements with the developer expired, and the Authority recorded the non-refundable deposit as revenue.

Contract costs
As previously noted, the Authority secured a grant opportunity from MassDevelopment in 2017 for engineering work on site 8 in the William Stanley Business Park. Approximately half the work was accomplished in 2017 leading to an unplanned carryover into 2018. Although no cash was expended on this site readiness grant, the value of the work completed by year-end December 31, 2018 resulted in the excess expense over budget.

Natural Resource Obligation

The Authority was joined as a necessary party to a Consent Decree which placed certain obligations on the Authority with respect to payment of natural resource damages. The Authority is required to pay $4,000,000 consisting of in-kind services and/or a percentage of its net revenues to the federal government and the states of Connecticut and Massachusetts in accordance with the terms and conditions set forth in the Consent Decree. Additional information on the Natural Resource Obligation can be found in Note 9 to the financial statements.

Long-term Debt

The Authority's long-term debt consists of $197,301 owed to the Massachusetts Development Finance Agency, which is described in detail in Note 10 to the financial statements.

Berkshire Innovation Center Project

The Massachusetts Life Science Center, the City of Pittsfield, MassDevelopment, the Authority and the Berkshire Innovation Center (BIC) collaborated to complete the necessary financial and legal packages required, to fund the 20,000 square foot accelerator facility, and the $12 million dollar plus project is now under construction in the William Stanley Business Park. The BIC is designed for small and medium sized local manufacturers, affording them access to advanced research and development capabilities to accelerate new product development and innovation.

The facility will include $2 million in state of the art equipment, a video conferencing / training room, clean rooms, wet lab space, and flexible space for startup companies to commercialize projects. Workforce development will be supported by the educational partnerships, mentor companies and leading research institutions.

The facility is expected to be substantially completed by year-end 2019 and will open for business in the first quarter of 2020 on the authority's property at the corner of East Street and Woodlawn Avenue.

Contingent Land Purchase Agreement

The Authority had entered into multiple agreements with a private developer to sell a parcel of land, known as the "Teens" or "Site 9" at the William Stanley Business Park. The developer intended to construct a retail complex on the site, which never materialized. As part of the agreements, the developer made a non-refundable deposit of $65,000, to secure the property during this process. As of December, 15, 2018, the contract with the developer expired, and the Authority has recorded the $65,000 non-refundable deposit as revenue.

Economic Dependency

The Authority is heavily dependent on funds provided by General Electric Company under the Definitive Economic Development Agreement (DEDA) between General Electric Company and the City of Pittsfield and the Authority. As of December 31, 2018, there is $3,067,158 in advanced revenue which is available for future spending. Additional information can be found in Notes 7 and 8 of the financial statements.

Request for Information

This financial report is designed to provide a general overview of the Pittsfield Economic Development Authority for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, 81 Kellogg St., Pittsfield, MA 01201.

PITTSFIELD ECONOMIC DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION

December 31,

ASSETS	2018	Comparative 2017
Current assets		
Cash and equivalents	$ 3,317,257	$ 3,639,978
Rent receivable	1,895	---
Grant receivable	53,716	---
Forgivable note receivable, current portion	70,000	50,000
Prepaid expenses	106,821	121,200
Total current assets	3,549,689	3,811,178
Forgivable note receivable, less current portion	102,627	100,000
Capital assets, net	11,342,460	11,605,436
TOTAL ASSETS	14,994,776	15,516,614
LIABILITIES		
Accounts payable	2,102	2,940
Advanced General Electric Company revenue	3,067,158	3,309,476
Land purchase deposit	---	65,000
Long-term debt	197,301	159,231
Natural resource obligation	4,000,000	4,000,000
Net pension liability	243,077	254,712
TOTAL LIABILITIES	7,509,638	7,791,359
NET POSITION		
Invested in capital assets, net of related debt	11,145,159	11,446,205
Restricted for natural resource obligation (deficit)	(4,000,000)	(4,000,000)
Unrestricted	339,979	279,050
TOTAL NET POSITION	$ 7,485,138	$ 7,725,255

See notes to financial statements.

PITTSFIELD ECONOMIC DEVELOPMENT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

For the Year Ended December 31, 2018

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	Comparative 2017 Actual
Operating revenues				
General Electric Company	$ 260,473	$ 242,318	$ (18,155)	$ 304,754
Ground lease income	17,250	16,542	(708)	16,165
CAM management fee income	3,315	3,315	---	4,664
Rental income	---	7,500	7,500	---
Grant income	17,300	53,716	36,416	---
Other revenue	---	65,000	65,000	---
In-kind rent	25,000	25,000	---	25,000
Total operating revenues	323,338	413,391	90,053	350,583
Operating expenses				
Management and General				
Payroll	49,220	46,350	2,870	74,050
Payroll taxes	695	721	(26)	1,165
Pension expense	23,900	12,313	11,587	184,937
Administrative expenses	14,070	11,428	2,642	12,060
Advertising and marketing	12,000	5,991	6,009	7,207
Contracted services	40,169	42,295	(2,126)	---
Insurance	6,870	6,173	697	6,181
Maintenance and repairs	22,440	25,574	(3,134)	18,094
Professional fees	14,850	14,850	---	14,700
Telephone and utilities	12,800	15,085	(2,285)	13,072
In-kind rent expense	25,000	25,000	---	25,000
Total management and general	222,014	205,780	16,234	356,466
Project Development				
Insurance	41,699	39,539	2,160	39,418
Contract costs	81,700	144,506	(62,806)	101,235
Forgiveness of note receivable (see Note 6)	---	50,000	(50,000)	50,000
Depreciation	141,946	262,976	(121,030)	263,253
Total project development costs	265,345	497,021	(231,676)	453,906
Total operating expenses	487,359	702,801	(215,442)	810,372
OPERATING LOSS	(164,021)	(289,410)	(125,389)	(459,789)
Non-operating revenue				
Interest income	10,200	49,293	39,093	21,120
CHANGE IN NET POSITION	$ (153,821)	(240,117)	$ (86,296)	(438,669)
Net position, beginning		7,725,255		8,163,924
NET POSITION, ENDING		$ 7,485,138		$ 7,725,255

See notes to financial statements.

PITTSFIELD ECONOMIC DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS

For the Year Ended December 31,

	2018	Comparative 2017
Cash flows from operating activities:		
Receipts from rental and leasing activities	$ 25,462	$ 23,193
Payments for goods and services	(253,829)	(157,696)
Payments to employees	(71,020)	(99,096)
Net cash provided (used) by operating activities	(299,387)	(233,599)
Cash flows from investing activities:		
Issuance of forgivable note receivable	(72,627)	---
Interest income	49,293	21,120
Net cash provided (used) by investing activities	(23,334)	21,120
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(322,721)	(212,479)
Cash and equivalents, beginning	3,639,978	3,852,457
CASH AND EQUIVALENTS, ENDING	$ 3,317,257	$ 3,639,978
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating loss	$ (289,410)	$ (459,789)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	262,976	263,253
Forgiveness of note receivable	50,000	50,000
Noncash expense	38,070	35,014
Change in operating assets and liabilities:		
(Increase) decrease in rent receivable	(1,895)	2,364
(Increase) decrease in grant receivable	(53,716)	---
(Increase) decrease in prepaid expenses	14,379	21,107
Increase (decrease) in accounts payable	(838)	(2,316)
Increase (decrease) in advanced revenue	(242,318)	(304,754)
Increase (decrease) in land purchase deposit	(65,000)	---
Increase (decrease) in net pension liability	(11,635)	161,522
Net cash provided (used) by operating activities	$ (299,387)	$ (233,599)
SUPPLEMENTAL DATA		
Noncash transactions:		
Massachusetts Development Finance Agency Loan	$ 38,070	$ 35,014

See notes to financial statements.

PITTSFIELD ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Activities of the Authority

The Pittsfield Economic Development Authority (the "Authority") was created by the Massachusetts Legislature in 1998 (St. 1998, c.194, Section 268, as amended by St. 1998, c.486, Section 2 "Enabling Legislation") for the purpose of redeveloping brownfields properties and promoting economic development in the City of Pittsfield. The Authority is the owner of certain industrial real property formerly owned by the General Electric Company ("GE"). This acquisition of land was the result of a settlement embodied in a consent decree that was approved by the United States District Court, Western District of Massachusetts in October of 2000. The specific terms of the land transfer are set forth in a separate Definitive Economic Development Agreement (the "DEDA") between the Authority, GE, and the City of Pittsfield. Under the DEDA, as amended, GE transferred approximately 55 acres of land to the Authority, which it intends to develop for commercial/industrial space.

Economic Dependency

GE provided $15.3 million to the Authority to support redevelopment efforts on the transferred property (see Note 7). Additional committed funding from GE totaling $3,750,000 is outlined in Note 8. The Authority has also received, and expects to rely in the future upon, grants, loans, and other funding from the U.S. Environmental Protection Agency and the Commonwealth of Massachusetts.

Reporting Entity and Basis of Presentation

The accounts of the Authority are presented on the basis considered to be a separate accounting and legal entity. The Authority does not have any component units as defined by the Governmental Accounting Standards Board (GASB) to include in its financial statements. The operations of each fund are accounted for in a set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, expenditures or expenses and other financing sources and uses.

Basis of Accounting

An enterprise fund, which is a type of propriety fund, is used to account for the Authority's business-type operations. An enterprise fund is used when legal requirements, or management's policy requires, that the cost of providing services be recovered at least in part through fees or charges. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net position. The accrual basis of accounting is used by proprietary funds whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

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

NOTE 1 - (Continued)

Grants and Entitlement Revenue
Operating assistance and capital assistance are recorded at the time eligible expenditures under the terms of the grants are incurred.

Budgetary Data
The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Executive Director presents to the Authority's Board a draft budget for approval by January 1, each year, for the fiscal year commencing. The budget includes proposed expenditures and the means of financing them.

2. The budget may be amended during the year. There were no amendments to the original budget in fiscal year 2018.

Cash and Equivalents
For purposes of the statements of cash flows, the Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Property and Equipment
Property and equipment acquired are recorded at acquisition cost and depreciated using the straight-line method over three to forty year lives. In-kind contribution of property is recorded at fair market value at the date of the donation.

Accounting Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Subsequent Events
Management has evaluated subsequent events through February 13, 2019, the date the financial statements were available for issue, and has determined that there are no additional adjustments or disclosures required.

NOTE 2 - DEPOSITS AND INVESTMENTS

State and local statutes place certain limitations on the nature of deposits and investments available to the Authority. Deposits including demand deposits, money markets and certificates of deposit in any one financial institution, may not exceed certain levels unless collateralized by the financial 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 consist of such obligations. Other allowable investments include authorized bonds of all states, banker's acceptances, commercial paper rated within the three highest classifications established by rating agencies, and units in the Massachusetts Municipal Depository Trust (MMDT).

Custodial Credit Risk Related To Deposits
Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority carries deposits and short-term investments that are fully insured by FDIC insurance, DIF insurance, NCUA insurance, or collateralized. Bank deposits, as of December 31, 2018, were $3,319,771, all of which was insured and collateralized.

NOTE 2 - (Continued)

Concentration Risk
The Authority adheres to the provisions of M.G.L. c. 44, sec. 55 when managing concentration risk. M.G.L. c. 44, sec. 55 contains several restrictions limiting where and under what circumstances the Authority may deposit its funds. Pursuant to M.G.L. c. 44, sec. 55, cities, towns, and authorities in the Commonwealth may deposit available fund balances in banks, trust companies, or banking companies, provided that the amounts deposited do not exceed 60% of the capital and surplus of an institution unless satisfactory security for the amount in excess of 60% is provided by the depository.

NOTE 3 - CAPITAL ASSETS

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 2,415,829	$ ---	$ ---	$ 2,415,829
Total capital assets, not being depreciated	2,415,829	---	---	2,415,829
Capital assets, being depreciated:				
Infrastructure	10,519,025	---	---	10,519,025
Office furniture and equipment	3,883	---	---	3,883
Total capital, assets being depreciated	10,522,908	---	---	10,522,908
Less accumulated depreciation for :				
Infrastructure	(1,329,419)	(262,976)	---	(1,592,395)
Office furniture and equipment	(3,882)	---	---	(3,882)
Total accumulated depreciation	(1,333,301)	(262,976)	---	(1,596,277)
Capital assets, net	$ 11,605,436	$ (262,976)	$ ---	$ 11,342,460

The Authority's capital assets, including land and infrastructure, were acquired through transfers from the General Electric Company (GE), transfers from Eversource (formerly the Western Massachusetts Electric Company), acquisitions by eminent domain, by purchase with the use of GE funds, and in-kind contribution from the Commonwealth of Massachusetts. Depreciation expense incurred on assets received by in-kind contribution, GE or purchased with GE funds is not charged against the funding received from GE.

NOTE 4 - PENSION PLAN

Plan description
The Authority participates in the Pittsfield Retirement System (the Plan) which is a cost-sharing multiple-employer public employee retirement system. The Plan provides pensions for eligible employees of 4 participating employers. The Plan is governed and operated by an independent Retirement Board, which is governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements and a uniform accounting and funds structure. Participation in the Plan is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal or intermittent employment is governed by regulations promulgated by the Retirement Board, and approved by the Public Employee Retirement Administration Commission (PERAC).

NOTE 4 - (Continued)

Results of the Plan are based on liabilities developed in an actuarial valuation performed as of January 1, 2017 and rolled forward to the Plan's measurement date of December 31, 2017. The Pittsfield Retirement System did not have an independent audit performed for the plan year ended December 31, 2017. The effect of the pension expense and liability is not considered material to the Authority's financial statements.

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

Plan Membership
There are three classes of membership in the Plan:

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

At December 31, 2017, pension plan membership consisted of the following:

Active members	955
Retired members and beneficiaries	770
Inactive members entitled to a return of employee contributions	196
Inactive members with a vested right to a deferred or immediate benefit	17
Total	1,938
Number of participating employers	4

Benefits
The Plan provides pension benefits, deferred allowances, and death and disability benefits. A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his or her creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year (or five year salary for persons who became members on or after April 2, 2012) average salary. For veterans as defined in MGL Chapter 32, there is an additional benefit per year for each year of creditable service, up to a stated maximum as defined in the Plan.

There is no mandatory retirement age for employees in Group 1. Group 2 and Group 4 members who are employed in certain public safety positions are required to retire at age 65.

A person who became a member before April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- Completion of 20 years of service, or
- Attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- Attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

NOTE 4 - (Continued)

A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- Attainment of age 60 with 10 years of service if classified in Group 1, or
- Attainment of age 55 with 10 years of service if classified in Group 2, or
- Attainment of age 55 if hired prior to 1978, or if classified in Group 4

Contributions
Contributions to provide benefits under the Plan are made by the Authority under the "pay-as-you-go" method by annually contributing the amount determined by the State Public Employee Retirement Administration Commission. The contribution is calculated as the amount necessary to provide for the following year's retirement benefits. Member contributions vary depending on the most recent date of membership:

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
1979 to present:	an additional 2% of regular compensation in excess of $30,000.

In addition, members of Group 1 who join the system on or after April 2, 2012 will have their withholding rate reduced to 6% after achieving 30 years of creditable service.

Pension Liabilities, Expense and Deferred Inflows and Outflows of Resources
At December 31, 2018, the Authority reported a liability of $243,077 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2017, the Authority's proportion was 0.19%. Net pension liability, deferred outflows/inflows of resources and pension expense are allocated to each employer based on its proportionate share of total employer contributions. For the year ended December 31, 2018, the Authority recognized pension expense of $12,313. Contributions made subsequent to the measurement date of December 31, 2017 were not material to the financial statements. The deferred inflows and outflows of resources related to pensions are immaterial to the Authority's financial statements at December 31, 2018.

Actuarial Assumptions
The total pension liability was determined by an actuarial valuation as of January 1, 2017, rolled forward to the measurement date of December 31, 2017 using the following actuarial assumptions, applied to all periods included in the measurement date:

Investment rate of return:	7.50% net of pension plan investment expense, including inflation.
Salary increases:	Select and ultimate by job group; ultimate rates 4.25% for Group 1 and 4.75% for Group 4.
Inflation:	Not explicitly assumed.
Cost of Living Adjustment	3% of first $14,000.

NOTE 4 - (Continued)

Actuarial Assumptions

Mortality

Pre-retirement rates reflect the RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct).

Post retirement rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct).

For disabled retirees, the rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2012 (gender distinct).

The investment return assumption is a long-term assumption and is based on capital market expectations by asset class, historical returns, and professional judgment. The market expectations analysis used a building block approach which included expected returns by asset class and the target asset allocation.

Changes in net pension liability

	Pittsfield Retirement Board 100% Increase (Decrease)			Pittsfield Economic Development Authority 0.19% Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2017	$ 257,594,000	$ 123,535,000	$ 134,059,000	$ 489,429	$ 234,717	$ 254,712
Net changes	11,672,000	17,796,000	(6,124,000)	22,177	33,812	(11,635)
Balances at December 31, 2017	$ 269,266,000	$ 141,331,000	$ 127,935,000	$ 511,606	$ 268,529	$ 243,077

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected 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 of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Authority's proportionate share of the net pension liability	$ 299,165	$ 243,077	$ 195,552

NOTE 4 - (Continued)

Pension Plan Fiduciary Net Position
The Plan does not issue separate financial statements. An actuarial valuation is performed every two years, which is available through the Massachusetts Public Employee Retirement Administration Commission.

Payable to Pension Plan
At December 31, 2018, the Authority reported a payable of $-0- for outstanding amounts of contributions to the pension plan.

NOTE 5 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. As of the date of the financial statements, the Authority is not aware of any expenditure that may be disallowed by a grantor.

NOTE 6 - FORGIVABLE NOTES RECEIVABLE

Berkshire Innovation Center Note Receivable # 1
In 2014, the Authority entered into an Economic Development Grant Agreement with the Berkshire Innovation Center, Inc. (BIC), a Massachusetts not-for-profit corporation, to provide up to a maximum amount of $250,000 of grant assistance in the form of a forgivable note receivable. The term of the note shall be ten years with no repayment under the note required. Twenty percent of the outstanding note receivable shall be forgiven by the Authority each year on the anniversary date until the outstanding principal amount is zero. BIC is to establish the operation of the Berkshire Innovation Center in a facility to be constructed by the City of Pittsfield on land to be leased from the Authority at the corner of Woodlawn Avenue and East Street. The Authority's disbursement of the funds and subsequent amounts forgiven are subject to certain benchmarks, matching, and other compliance requirements.

Berkshire Innovation Center Note Receivable # 2
In 2018, the Authority entered into a second Recoverable Grant Agreement with BIC, to provide up to a maximum amount of $300,000 grant assistance in the form of a forgivable note receivable, in support of BIC operating costs. The term of the note shall be 15 years, with $20,000 to be forgiven annually until the outstanding principal is zero. The Authority's disbursement of the funds and subsequent amounts forgiven are subject to certain benchmarks and other compliance requirements.

Total funding disbursed and forgiven as of December 31, 2018 is as follows:

	BIC Note 1	BIC Note 2	Total
Total funds granted in the form of a forgivable note receivable	$ 250,000	$ 72,627	$ 322,627
Total amount forgiven	(150,000)	---	(150,000)
Balance of note receivable as of December 31, 2018	$ 100,000	$ 72,627	$ 172,627

NOTE 6 - (Continued)

The balance of the forgivable notes receivable has the following maturities during the years ended December 31:

	BIC Note 1	BIC Note 2	Total
2019	$ 50,000	$ 20,000	$ 70,000
2020	37,500	20,000	57,500
2021	12,500	20,000	32,500
2022	---	12,627	12,627
Total	$ 100,000	$ 72,627	$ 172,627

NOTE 7 - ADVANCED REVENUE

General Electric Company agreed to make fifteen million three hundred thousand dollars ($15,300,000) available to the Authority for economic redevelopment as stated in the Definitive Economic Development Agreement. The amount drawn down, utilized and available is as follows:

	Beginning Balance	Current Year Activity	Ending Balance
Total funds drawn down in prior years	$ 15,300,000		$ 15,300,000
Revenue earned and expended on operations	(7,714,991)	$ (242,318)	(7,957,309)
Revenue earned and expended on capital projects	(2,919,740)		(2,919,740)
Revenue applied to capital loan repayment	(2,739,806)		(2,739,806)
Advanced settlement revenue	1,925,463	(242,318)	1,683,145
Other advanced revenue (see Note 8):			
Landscaping fund	634,013		634,013
Foundations fund	750,000		750,000
Total advanced revenue	$ 3,309,476	$ (242,318)	$ 3,067,158

NOTE 8 - LANDSCAPING AND FOUNDATION FUND

Landscaping Fund
General Electric Company (GE) agreed to make three million dollars available for landscaping as stated in the Definitive Economic Development agreement. The landscaping fund can be utilized by GE as well as the Authority. As of December 31, 2018, the Authority has drawn down $1,392,815 and GE has used $-0-. The details of the amount drawn down, utilized and available is shown below.

Foundation Fund
During 2011, the Authority entered into an agreement regarding foundations with GE, whereby GE made additional funds available in consideration of the Authority's future need to develop certain property (Teen's Complex) without being unreasonably constrained by the configuration of existing building foundations. The additional funds are available to the Authority for the same purposes and subject to the same terms and conditions as specified in the DEDA. In exchange for the funds, the Authority agreed that GE has fully satisfied their obligations under Section II.F of the DEDA, including but not limited to GE's obligation to provide the Authority at least 350,000 square feet of existing building foundations or appropriate sites for new foundations. The details of the amount drawn down, utilized and available is shown below.

(Continued)

NOTE 8 - (Continued)

	Landscaping Fund	Foundations Fund	Total
Settlement amount	$ 3,000,000	$ 750,000	$ 3,750,000
Funds drawn down in prior years	1,392,815	750,000	2,142,815
Funds drawn down in 2018	---	---	---
Total funds drawn down	1,392,815	750,000	2,142,815
Balance available to draw	$ 1,607,185	$ ---	$ 1,607,185
Total funds drawn down	$ 1,392,815	$ 750,000	$ 2,142,815
Revenue earned and expended on operations	(758,802)	---	(758,802)
Advanced revenue	$ 634,013	$ 750,000	$ 1,384,013

NOTE 9 - NATURAL RESOURCE OBLIGATION/ RESTRICTED DEFICIT

The Authority was joined as a necessary party to a Consent Decree entered by the United States District Court for the District of Massachusetts on October 27, 2000 in United States of America, et, al. vs. General Electric Company, civil Action No. 99-30225 MAP (D.Mass) and entered into by the United States, the Commonwealth of Massachusetts, the State of Connecticut, the General Electric Company, the Authority, and the City of Pittsfield (the "Consent Decree"). Under the Consent Decree, the Authority has certain obligations with respect to the payment of natural resource damages. The Authority is required to pay a total of $4,000,000 consisting of in-kind services and/or a percentage of its net revenues to the federal government and the states of Connecticut and Massachusetts, subject to the terms and conditions set forth in the Consent Decree. This resulted in a deficit restricted for the natural resources obligation of $4,000,000 which the Authority plans to raise through future development of the property. The key provision of the Consent Decree dealing with the Authority's natural resource damages obligations is paragraph 124 of this three hundred page document.

NOTE 10 - LONG-TERM DEBT

The Authority entered into a loan agreement on November 4, 2002 with the Massachusetts Development Finance Agency and received uncollateralized loan proceeds of $124,217 to cover the Authority's 10% share of a 10 year environmental insurance policy premium of $1,243,710 which expired on August 21, 2012. The Authority agrees to repay the loan within 30 days of the first land sale without interest. As of December 31, 2018, the Authority has not made any land sales, and accordingly, no payments on this note are due.

The Authority entered into a recoverable grant (loan) agreement on June 30, 2017 with the Massachusetts Development Finance Agency to expend up to $75,000 for engineering services associated with the 40's complex concrete slab study. The Authority is required to repay the loan without interest if the 40's site or any portion thereof is sold, conveyed, gifted, demised, ground leased, otherwise transferred, or refinanced. If no event indicated in the agreement requires payment within 30 years, then the agreement expires and the loan amount outstanding at that time will be forgiven. For the year ended December 31, 2018, the Authority expended $38,070 of the grant which is reported as an expense in the statement of activities and is added to the long-term debt in the statement of financial position. As of December 31, 2018, the project is complete, and no additional expenditures are expected.

NOTE 10 - (Continued)

	Maturity	Interest Rate	Beginning Balance	Additions	Ending Balance
Mass Development Finance Agency					
Environmental Insurance Premium	N/A	None	$ 124,217	$ ---	$ 124,217
Recoverable loan agreement	N/A	None	35,014	38,070	73,084
Total			$ 159,231	$ 38,070	$ 197,301

NOTE 11 - OPERATING LEASES

Office space
The Authority has an agreement with General Electric Company to lease office space located at 81 Kellogg Street in Pittsfield, Massachusetts at no charge in accordance with the Definitive Economic Development Agreement. As of December 31, 2018, the Authority is continuing to lease the space on a month-to-month basis. The Authority is responsible for utility costs at the property. The Authority recorded $25,000 of in kind rental income and expense on its books for the year ended December 31, 2018. Total utility costs were $12,816 for the year ended December 31, 2018.

Parking space
During 2012, the Authority entered into a 25 year agreement to lease a parking lot from General Electric Company at the corner of Woodlawn Avenue and Kellogg Street at no charge. The Authority is responsible for all maintenance, repaving and lighting.

NOTE 12 - LEASE AGREEMENTS

Pittsfield Stanley Works
During 2011, the Authority entered into a lease agreement with Pittsfield Stanley Works, LLC to lease a parcel of land, designated as Parcel 2 at the William Stanley Business Park which is redeveloped land owned by the Authority. The initial term of the lease is fifty-one (51) years. The lease term may be extended for two additional periods of twenty-four years each. The Lessee is also responsible for its share of Common Area Maintenance costs as described in the lease agreement. Total lease income was $11,678 and common area maintenance income was $3,315 for the year ended December 31, 2018.

The future minimum lease income expected to be received over the next five years are as follows:

2019	$	11,712
2020	$	11,712
2021	$	11,712
2022	$	11,712
2023	$	11,712

Berkshire Innovation Center
During 2018, the Authority entered into a lease agreement with the Berkshire Innovation Center (previously with the City of Pittsfield from August 2015 through June 2018) to lease a parcel of land at the corner of Woodlawn Avenue and East Street for the purpose of constructing a facility to promote growth of existing businesses in Berkshire County. The initial term of the lease is fifty-one (51) years. The lease term may be extended for two additional periods of twenty-four (24) years each. The lessee shall pay annual rent of $1. Upon occupancy of the building, the Berkshire Innovation Center will be responsible for its share of common area maintenance costs in accordance with the agreement.

NOTE 13 - SUBLEASE AGREEMENTS

Parking space
In June 2013, the Authority entered into an agreement to sublease a portion of its parking lot at the corner of Woodlawn Avenue and Kellogg Street, which expires in 2019. Total sublease income was $4,864 for the year ended December 31, 2018.

Office space
In June 2018, the Authority entered into an agreement to sublease a portion of its office space at 81 Kellogg Street to a third party. The initial term of the sublease is for one year. After the first six months of the lease, the agreement may be terminated by the subtenant, provided notice of 30 days is given. If not terminated by the end of the first year, the lease may be extended for an additional term of one year. The subtenant shall pay rent of $1,250 per month for the first year, increasing to $1,288 per month during the extension period, if executed. The subtenant is also responsible for reimbursing the Authority for its electrical usage, as well as a portion of real estate taxes, insurance, and common area maintenance costs for the property at 81 Kellogg Street. Total sublease income was $7,500 for the year ended December 31, 2018.

NOTE 14 - RISKS TRANSFERRED TO THIRD PARTIES

The Authority is exposed to various risks of loss relating to torts; theft or damage of, and destruction of assets; errors and omissions; injuries; and natural disasters. The Authority has obtained a variety of commercial and environmental liability insurance policies, which pass the risks of loss listed above to independent third parties. Settlement claims resulting from these risks have not exceeded commercial or environmental insurance coverage in any of the past three fiscal years.

NOTE 15 - CONTINGENT LAND PURCHASE AGREEMENT

The Authority had entered into multiple agreements with a private developer to sell a parcel of land, known as the “Teens” or “Site 9” at the William Stanley Business Park. The developer intended to construct a retail complex on the site and attempted to secure a tenant(s) and to obtain the necessary governmental approvals and permits to proceed with any purchase and construction. As part of the agreements, the developer made a nonrefundable deposit of $65,000, to secure the property during this process. The developer did not achieve the objectives by the required due date, and accordingly, the nonrefundable deposit of $65,000 was retained by the Authority and reported in income during the year ended December 31, 2018.

PITTSFIELD ECONOMIC DEVELOPMENT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2018

Schedule of the Authority's Proportionate Share of the Net Pension Liability

	Plan Year Ended December 31,			
	2017	2016	2015	2014
Pittsfield Retirement System net pension liability	$ 127,935,000	$ 134,059,000	$ 133,129,000	$ 123,909,000
Authority's proportion of the net pension liability	0.19%	0.19%	0.07%	0.13%
Authority's proportionate share of the net pension liability	$ 243,077	$ 254,712	$ 93,190	$ 161,082
Authority's covered-employee payroll	$ 61,250	$ 67,500	$ 65,000	$ 65,000
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	396.86%	377.35%	143.37%	247.82%
Plan fiduciary net position as a percentage of the total pension liability	52.49%	47.96%	46.64%	48.43%

Schedule of Authority Pension Contributions

	Plan Year Ended December 31,			
	2017	2016	2015	2014
Pittsfield Retirement System contractually required contribution	$ 12,672,500	$ 12,057,600	$ 11,472,529	$ 11,010,977
Authority's contractually required contribution	$ 23,999	$ 22,830	$ 8,002	$ 7,679
Authority's contributions in relation to the contractually required contribution	(23,999)	(22,830)	(8,002)	(7,679)
Contribution deficiency (excess)	$ ---	$ ---	$ ---	$ ---
Authority's covered-employee payroll	$ 61,250	$ 67,500	$ 65,000	$ 65,000
Contributions as a percentage of covered-employee payroll	39.18%	33.82%	12.31%	11.81%

Notes to the Required Supplementary Information

Changes of benefit terms: None

Changes of assumptions: Changes in economic and demographic assumptions. Investment rate of return decreased from 7.75% to 7.50%.

Last 10 years: Only plan years 2014, 2015, 2016 and 2017 available

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
PITTSFIELD ECONOMIC DEVELOPMENT AUTHORITY
81 Kellogg Street
Pittsfield, MA 01201

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Pittsfield Economic Development Authority, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Pittsfield Economic Development Authority's basic financial statements, and have issued our report thereon dated February 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pittsfield Economic Development Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pittsfield Economic Development Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pittsfield Economic Development Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pittsfield Economic Development Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing* Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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February 13, 2019