

**PITTSFIELD ECONOMIC
DEVELOPMENT AUTHORITY**

**Financial Statements and
Supplementary Information**

December 31, 2019

Table of Contents

	Page
Independent Auditors' Report	2 - 3
Management's Discussion and Analysis	4
Financial Statements	
Statement of Net Position	5
Statement of Revenues, Expenses and Changes in Fund Net Position	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 18
Required Supplementary Information	
Schedule of Authority's Proportionate Share of Net Pension Liability	19
Schedule of Authority's Pension Contributions	19
Other Information	
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	20 - 21



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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, 2019, 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.

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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated February 13, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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 20, 2020, 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

ADELSON & COMPANY PC

February 20, 2020

PITTSFIELD ECONOMIC DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

December 31, 2019

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 and one under contract, leaving nine prime building sites available with multiple building options 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, 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, and State government, 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 \$7,277,557. This includes \$395,374 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 \$10,882,183 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,

	2019	2018	Change
Assets			
Cash and equivalents	\$ 2,884,686	\$ 3,317,257	\$ (432,571)
Receivables	87,341	55,611	31,730
Forgivable notes receivable	330,000	172,627	157,373
Prepaid expenses	78,623	106,821	(28,198)
Capital assets, net	11,079,484	11,342,460	(262,976)
Deferred outflows related to pensions	34,232	---	34,232
Total assets and deferred outflows	<u>14,494,366</u>	<u>14,994,776</u>	<u>(500,410)</u>
Liabilities			
Accounts payables	1,185	2,102	(917)
Advanced revenue	2,734,083	3,067,158	(333,075)
Land purchase deposit	10,000	---	10,000
Long-term debt	197,301	197,301	---
Natural resource obligation	4,000,000	4,000,000	---
Net pension liability	270,165	243,077	27,088
Deferred inflows related to pensions	4,075	---	4,075
Total liabilities and deferred inflows	<u>7,216,809</u>	<u>7,509,638</u>	<u>(292,829)</u>
Net position			
Invested in capital assets, net of related debt	10,882,183	11,145,159	(262,976)
Restricted for natural resource obligation (deficit)	(4,000,000)	(4,000,000)	---
Unrestricted	395,374	339,979	55,395
Total net position	<u>\$ 7,277,557</u>	<u>\$ 7,485,138</u>	<u>\$ (207,581)</u>

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,

	2019	2018	Change
Operating revenues			
General Electric Company	\$ 333,075	\$ 242,318	\$ 90,757
Ground lease income	11,922	11,678	244
CAM management fee income	4,144	3,315	829
Rental income	30,612	12,364	18,248
Grant income	33,516	53,716	(20,200)
Other revenue	---	65,000	(65,000)
In-kind rent	25,000	25,000	---
Total operating revenues	<u>438,269</u>	<u>413,391</u>	<u>24,878</u>
Operating expenses			
Management and general expenses	178,184	193,467	(15,283)
Pension expense (recovery)	21,480	12,313	9,167
Project development expenses	165,536	184,045	(18,509)
Forgiveness of note receivable	70,000	50,000	20,000
Depreciation	262,976	262,976	---
Total operating expenses	<u>698,176</u>	<u>702,801</u>	<u>(4,625)</u>
Operating loss	(259,907)	(289,410)	29,503
Nonoperating revenue - interest income	<u>52,326</u>	<u>49,293</u>	<u>3,033</u>
Change in net position	<u>\$ (207,581)</u>	<u>\$ (240,117)</u>	<u>\$ 32,536</u>

The Authority incurred an operating loss in fiscal year 2019 of \$(259,907). This operating loss is the result of the Authority recording the following transactions:

- The Authority recorded 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.
- The Authority is required to report a long-term projected benefit obligation for its proportionate share of the Pittsfield Retirement System's net pension liability. Accordingly, the Authority recorded a decrease of \$3,069 in their estimated proportionate share of this net pension liability for 2019, which is a non-reimbursable cost at this time. Additional information on the net pension liability is disclosed in Note 4 to the financial statements.

Budgetary Highlights

Explanation of significant budget vs actual variances are as follows:

	2019		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
General Electric Company revenue	\$ 370,853	\$ 333,075	\$ (37,778)
Grant income	30,000	33,516	3,516
Contract costs	83,500	125,651	(42,151)

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 2019, the Authority utilized \$333,075 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, 2019, \$33,516 was expended for work done on the Berkshire Innovation Center (BIC) site.

Contract costs

Two projects of significance were undertaken in 2019 that had not been contemplated in the budget process. The first was an unforeseen removal and mitigation effort to control an invasive water chestnut infestation in our storm water retention basin and prevent its spread into adjacent Silver Lake. Considering the failure of the Waterstone project and the termination of their option to purchase site 9 in the Park, the second significant variant was approved to undertake additional engineering studies and collect more data on that 16-acre parcel. This process involved, civil, structural, environmental and railroad engineers, designed to give the Authority a better knowledge of actual construction costs for this site and to create a flexible phased subdivision concept plan that would support readiness grant funding opportunities and enhance our marketing efforts to attract new construction investments.

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. The Authority and the City of Pittsfield have submitted for approval, a package of qualifying project investments and in-kind services valued significantly higher than the current obligation. A decision by the Trustees to accept these projects in full satisfaction of the stated liability is expected by the second quarter of 2020. 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 received a temporary certificate of occupancy in October of 2019 and officially opened for business on February 28, 2020 on the Authority's property in the William Stanley Business Park, 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 had recorded the \$65,000 non-refundable deposit as revenue in the year ended December 31, 2018.

During 2019, the Authority entered into an agreement to sell a parcel of land known as Site 4 at the William Stanley Business Park. The purchaser is in the process of obtaining the necessary permits and licenses to proceed with the purchase. As part of the agreement, the purchaser made a \$10,000 nonrefundable deposit to secure the property. The Option Term ends on October 1, 2020, but may be mutually extended to October 1, 2021 in exchange for an additional \$20,000 nonrefundable deposit. Upon execution of a land sale, any nonrefundable deposit retained is to be applied towards the purchase price.

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, 2019, there is \$2,734,083 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,

	2019	Comparative 2018
ASSETS		
Current assets		
Cash and equivalents	\$ 2,884,686	\$ 3,317,257
Rent receivable	109	1,895
Grant receivable	87,232	53,716
Forgivable note receivable, current portion	57,500	70,000
Prepaid expenses	78,623	106,821
Total current assets	3,108,150	3,549,689
Forgivable note receivable, less current portion	272,500	102,627
Capital assets, net	11,079,484	11,342,460
TOTAL ASSETS	14,460,134	14,994,776
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	34,232	---
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	14,494,366	14,994,776
LIABILITIES		
Accounts payable	1,185	2,102
Advanced General Electric Company revenue	2,734,083	3,067,158
Land purchase deposit	10,000	---
Long-term debt	197,301	197,301
Natural resource obligation	4,000,000	4,000,000
Net pension liability	270,165	243,077
TOTAL LIABILITIES	7,212,734	7,509,638
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	4,075	---
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	7,216,809	7,509,638
NET POSITION		
Invested in capital assets, net of related debt	10,882,183	11,145,159
Restricted for natural resource obligation (deficit)	(4,000,000)	(4,000,000)
Unrestricted	395,374	339,979
TOTAL NET POSITION	\$ 7,277,557	\$ 7,485,138

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, 2019

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	Comparative 2018 Actual
Operating revenues				
General Electric Company	\$ 370,853	\$ 333,075	\$ (37,778)	\$ 242,318
Ground lease income	11,922	11,922	---	11,678
CAM management fee income	3,600	4,144	544	3,315
Rental income	31,845	30,612	(1,233)	12,364
Grant income	30,000	33,516	3,516	53,716
Other revenue	---	---	---	65,000
In-kind rent	25,000	25,000	---	25,000
Total operating revenues	<u>473,220</u>	<u>438,269</u>	<u>(34,951)</u>	<u>413,391</u>
Operating expenses				
Management and General				
Payroll	49,700	45,940	3,760	46,350
Payroll taxes	695	714	(19)	721
Pension expense	24,500	21,480	3,020	12,313
Administrative expenses	11,870	13,115	(1,245)	11,428
Advertising and marketing	7,100	4,870	2,230	5,991
Contracted services	32,500	39,420	(6,920)	42,295
Insurance	6,177	6,198	(21)	6,173
Maintenance and repairs	18,840	14,961	3,879	25,574
Professional fees	14,950	14,950	---	14,850
Telephone and utilities	15,300	13,016	2,284	15,085
In-kind rent expense	25,000	25,000	---	25,000
Total management and general	<u>206,632</u>	<u>199,664</u>	<u>6,968</u>	<u>205,780</u>
Project Development				
Insurance	40,388	39,885	503	39,539
Contract costs	83,500	125,651	(42,151)	144,506
Forgiveness of note receivable (see Note 6)	160,000	70,000	90,000	50,000
Depreciation	153,400	262,976	(109,576)	262,976
Total project development costs	<u>437,288</u>	<u>498,512</u>	<u>(61,224)</u>	<u>497,021</u>
Total operating expenses	<u>643,920</u>	<u>698,176</u>	<u>(54,256)</u>	<u>702,801</u>
OPERATING LOSS	(170,700)	(259,907)	(89,207)	(289,410)
Non-operating revenue				
Interest income	17,300	52,326	35,026	49,293
CHANGE IN NET POSITION	<u>\$ (153,400)</u>	<u>(207,581)</u>	<u>\$ (54,181)</u>	<u>(240,117)</u>
Net position, beginning		<u>7,485,138</u>		<u>7,725,255</u>
NET POSITION, ENDING		<u>\$ 7,277,557</u>		<u>\$ 7,485,138</u>

See notes to financial statements.

PITTSFIELD ECONOMIC DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS

For the Year Ended December 31,

	<u>2019</u>	<u>Comparative 2018</u>
Cash flows from operating activities:		
Receipts from rental and leasing activities	\$ 48,464	\$ 25,462
Payments for goods and services	(244,785)	(253,829)
Payments to employees	(71,203)	(71,020)
Net cash provided (used) by operating activities	<u>(257,524)</u>	<u>(299,387)</u>
Cash flows from investing activities:		
Issuance of forgivable note receivable	(227,373)	(72,627)
Interest income	52,326	49,293
Net cash provided (used) by investing activities	<u>(175,047)</u>	<u>(23,334)</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(432,571)	(322,721)
Cash and equivalents, beginning	<u>3,317,257</u>	<u>3,639,978</u>
CASH AND EQUIVALENTS, ENDING	<u>\$ 2,884,686</u>	<u>\$ 3,317,257</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating loss	\$ (259,907)	\$ (289,410)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	262,976	262,976
Forgiveness of note receivable	70,000	50,000
Noncash expense	---	38,070
Change in operating assets and liabilities:		
(Increase) decrease in rent receivable	1,786	(1,895)
(Increase) decrease in grant receivable	(33,516)	(53,716)
(Increase) decrease in prepaid expenses	28,198	14,379
Increase (decrease) in accounts payable	(917)	(838)
Increase (decrease) in advanced revenue	(333,075)	(242,318)
Increase (decrease) in land purchase deposit	10,000	(65,000)
Increase (decrease) in net pension liability	(3,069)	(11,635)
Net cash provided (used) by operating activities	<u>\$ (257,524)</u>	<u>\$ (299,387)</u>
SUPPLEMENTAL DATA		
Noncash transactions:		
Massachusetts Development Finance Agency Loan	<u>\$ ---</u>	<u>\$ 38,070</u>

See notes to financial statements.

PITTSFIELD ECONOMIC DEVELOPMENT AUTHORITY**NOTES TO FINANCIAL STATEMENTS****December 31, 2019****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 proprietary 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 2019.

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 20, 2020, 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, 2019, were \$2,895,883, 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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,415,829	\$ ---	\$ ---	\$ 2,415,829
Total capital assets, not being depreciated	<u>2,415,829</u>	<u>---</u>	<u>---</u>	<u>2,415,829</u>
Capital assets, being depreciated:				
Infrastructure	10,519,025	---	---	10,519,025
Office furniture and equipment	<u>3,883</u>	<u>---</u>	<u>---</u>	<u>3,883</u>
Total capital, assets being depreciated	<u>10,522,908</u>	<u>---</u>	<u>---</u>	<u>10,522,908</u>
Less accumulated depreciation for :				
Infrastructure	(1,592,395)	(262,976)	---	(1,855,371)
Office furniture and equipment	<u>(3,882)</u>	<u>---</u>	<u>---</u>	<u>(3,882)</u>
Total accumulated depreciation	<u>(1,333,301)</u>	<u>(262,976)</u>	<u>---</u>	<u>(1,859,253)</u>
Capital assets, net	<u>\$ 11,342,460</u>	<u>\$ (262,976)</u>	<u>\$ ---</u>	<u>\$ 11,079,484</u>

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, 2018. The Pittsfield Retirement System did not have an independent audit performed for the plan year ended December 31, 2018. 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, 2018, pension plan membership consisted of the following:

Active members	917
Retired members and beneficiaries	797
Inactive members entitled to a return of employee contributions	193
Inactive members with a vested right to a deferred or immediate benefit	<u>25</u>
Total	<u><u>1,932</u></u>
Number of participating employers	<u><u>4</u></u>

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, 2019, the Authority reported a net pension liability of \$270,165, deferred outflows of resources of \$34,232, and deferred inflows of resources of \$4,075 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, 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, 2018, the Authority’s proportion was 0.18%. 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, 2019, the Authority recognized pension expense of \$21,480. Contributions made subsequent to the measurement date of December 31, 2018 were not material to the financial statements.

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, 2018 using the following actuarial assumptions, applied to all periods included in the measurement date:

Investment rate of return:	7.25% 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-2014 Blue Collar Employees table projected generationally with Scale MP-2018 (gender distinct).

Post retirement rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2018 (gender distinct).

For disabled retirees, the rates reflect the RP-2014 Blue Collar Healthy Annuitant table set forward 1 year projected generationally with Scale MP-2018 (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			Pittsfield Economic Development Authority		
	100%			0.18%		
	Increase (Decrease)			Increase (Decrease)		
Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	
(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)	
Balances at January 1, 2018	\$ 269,266,000	\$ 141,331,000	\$ 127,935,000	\$ 511,605	\$ 268,528	\$ 243,077
Net changes	17,108,000	(5,049,000)	22,157,000	3,868	(23,220)	27,088
Balances at December 31, 2018	<u>\$ 286,374,000</u>	<u>\$ 136,282,000</u>	<u>\$ 150,092,000</u>	<u>\$ 515,473</u>	<u>\$ 245,308</u>	<u>\$ 270,165</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 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 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 of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	Current		
	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Authority's proportionate share of the net pension liability	\$ 325,289	\$ 270,165	\$ 223,425

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, 2019, 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, and provided \$250,000 of grant assistance in the form of a forgivable note receivable. The term of the note is 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. The unforgiven balance at December 31, 2019 is \$50,000.

Berkshire Innovation Center Note Receivable # 2

In 2018, the Authority entered into a second Recoverable Grant Agreement with BIC, and provided \$300,000 of grant assistance in the form of a forgivable note receivable, in support of BIC operating costs (\$72,627 provided in 2018 and \$227,373 provided in 2019). The term of the note is 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. The unforgiven balance at December 31, 2019 is \$280,000.

Total funding provided, amounts forgiven, and unforgiven balances as of December 31, 2019 is as follows:

	<u>BIC Note 1</u>	<u>BIC Note 2</u>	<u>Total</u>
Total funds granted in the form of a forgivable note receivable	\$ 250,000	\$ 300,000	\$ 550,000
Total amount forgiven in prior years	(150,000)	---	(150,000)
Total amount forgiven in current year	<u>(50,000)</u>	<u>(20,000)</u>	<u>(70,000)</u>
Balances as of December 31, 2019	<u>\$ 50,000</u>	<u>\$ 280,000</u>	<u>\$ 330,000</u>

NOTE 6 - (Continued)

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

	<u>BIC Note 1</u>	<u>BIC Note 2</u>	<u>Total</u>
2020	\$ 37,500	\$ 20,000	\$ 57,500
2021	12,500	20,000	32,500
2022	---	20,000	20,000
2023	---	20,000	20,000
2024	---	20,000	20,000
Thereafter	---	180,000	180,000
Total	<u>\$ 50,000</u>	<u>\$ 280,000</u>	<u>\$ 330,000</u>

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:

	<u>Beginning Balance</u>	<u>Current Year Activity</u>	<u>Ending Balance</u>
Total funds drawn down in prior years	\$ 15,300,000		\$ 15,300,000
Revenue earned and expended on operations	(7,957,309)	\$ (333,075)	(8,290,384)
Revenue earned and expended on capital projects	(2,919,740)		(2,919,740)
Revenue applied to capital loan repayment	<u>(2,739,806)</u>		<u>(2,739,806)</u>
Advanced settlement revenue	1,683,145	(333,075)	1,350,070
Other advanced revenue (see Note 8):			
Landscaping fund	634,013		634,013
Foundations fund	<u>750,000</u>		<u>750,000</u>
Total advanced revenue	<u>\$ 3,067,158</u>	<u>\$ (333,075)</u>	<u>\$ 2,734,083</u>

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, 2019, 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 in the following schedule.

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 in the following schedule.

NOTE 8 - (Continued)

	<u>Landscaping Fund</u>	<u>Foundations Fund</u>	<u>Total</u>
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 2019	<u>---</u>	<u>---</u>	<u>---</u>
Total funds drawn down	<u>1,392,815</u>	<u>750,000</u>	<u>2,142,815</u>
Balance available to draw	<u>\$ 1,607,185</u>	<u>\$ ---</u>	<u>\$ 1,607,185</u>
Total funds drawn down	\$ 1,392,815	\$ 750,000	\$ 2,142,815
Revenue earned and expended on operations	<u>(758,802)</u>	<u>---</u>	<u>(758,802)</u>
Advanced revenue	<u>\$ 634,013</u>	<u>\$ 750,000</u>	<u>\$ 1,384,013</u>

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, 2019, 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 project was completed in 2018 and the total amount expended under the grant was \$73,084. The Authority is required to repay the loan balance of \$73,084 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.

NOTE 10 - (Continued)

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Mass Development Finance Agency					
Environmental Insurance Premium	N/A	None	\$ 124,217	\$ ---	\$ 124,217
Recoverable loan agreement	N/A	None	73,084	---	73,084
Total			<u>\$ 197,301</u>	<u>\$ ---</u>	<u>\$ 197,301</u>

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, 2019, 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, 2019.

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*MountainOne (previously Pittsfield Stanley Works, LLC)*

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. On June 5, 2019, the lease was assumed by MountainOne Bank. There were no changes to the terms of the lease agreement. 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 \$11,922 and common area maintenance income was \$4,144 for the year ended December 31, 2019.

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

2020	\$	11,964
2021	\$	11,964
2022	\$	11,964
2023	\$	11,964
2024	\$	11,964

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*

The Authority subleases various portions of its parking lots to various entities. Total sublease income was \$18,112 for the year ended December 31, 2019.

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 was for one year. The sublease was extended through November 2019. The subtenant paid rent of \$1,250 per month. The subtenant was also responsible for reimbursing the Authority for its electrical usage, as well as a portion of insurance, and common area maintenance costs for the property at 81 Kellogg Street. Total sublease income was \$12,500 for the year ended December 31, 2019.

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

During 2018, 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.

During 2019, the Authority entered into an agreement to sell a parcel of land known as Site 4 at the William Stanley Business Park. The purchaser is in the process of obtaining the necessary permits and licenses to proceed with the purchase. As part of the agreement, the purchaser made a \$10,000 nonrefundable deposit to secure the property. The Option Term ends on October 1, 2020, but may be mutually extended to October 1, 2021 in exchange for an additional \$20,000 nonrefundable deposit. Upon execution of a land sale, any nonrefundable deposit retained is to be applied towards the purchase price.

PITTSFIELD ECONOMIC DEVELOPMENT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2019

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

	Plan Year Ended December 31,				
	2018	2017	2016	2015	2014
Pittsfield Retirement System net pension liability	\$ 150,092,000	\$ 127,935,000	\$ 134,059,000	\$ 133,129,000	\$ 123,909,000
Authority's proportion of the net pension liability	0.18%	0.19%	0.19%	0.07%	0.13%
Authority's proportionate share of the net pension liability	\$ 270,165	\$ 243,077	\$ 254,712	\$ 93,190	\$ 161,082
Authority's covered-employee payroll	\$ 33,750	\$ 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	800.49%	396.86%	377.35%	143.37%	247.82%
Plan fiduciary net position as a percentage of the total pension liability	47.59%	52.49%	47.96%	46.64%	48.43%

Schedule of Authority Pension Contributions

	Plan Year Ended December 31,				
	2018	2017	2016	2015	2014
Pittsfield Retirement System contractually required contribution	\$ 13,318,798	\$ 12,672,500	\$ 12,057,600	\$ 11,472,529	\$ 11,010,977
Authority's contractually required contribution	\$ 23,899	\$ 23,999	\$ 22,830	\$ 8,002	\$ 7,679
Authority's contributions in relation to the contractually required contribution	(23,899)	(23,999)	(22,830)	(8,002)	(7,679)
Contribution deficiency (excess)	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Authority's covered-employee payroll	\$ 33,750	\$ 61,250	\$ 67,500	\$ 65,000	\$ 65,000
Contributions as a percentage of covered-employee payroll	70.81%	39.18%	33.82%	12.31%	11.81%

Notes to the Required Supplementary Information

Changes of benefit terms: None

Changes of assumptions: Investment rate of return decreased from 7.50% to 7.25%

Last 10 years: Only plan years 2014 through 2018 available

See independent auditors' report.

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, 2019, 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 20, 2020.

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.

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.

Adelson + Company PC

ADELSON & COMPANY PC

February 20, 2020