

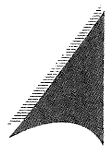
**PITTSFIELD ECONOMIC
DEVELOPMENT AUTHORITY**

**Financial Statements and
Supplementary Information**

December 31, 2015

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Adelson & Company PC

CERTIFIED PUBLIC ACCOUNTANTS

Established 1938

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors

PITTSFIELD ECONOMIC DEVELOPMENT AUTHORITY

81 Kellogg St.

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, 2015, 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, 2015, 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.

Change in Accounting Principle

As described in Note 5 to the financial statements, in 2015, Pittsfield Economic Development Authority adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

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, the budgetary comparison information on page 6, 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 2014 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated March 20, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, 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 March 15, 2016, 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
Pittsfield, MA

March 15, 2016

PITTSFIELD ECONOMIC DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION

December 31,

ASSETS	2015	Comparative 2014
Current assets		
Cash and equivalents	\$ 4,085,659	\$ 4,423,868
Rent receivable	6,259	1,235
Grant receivable	22,883	2,086
Forgivable note receivable, current portion	37,500	12,500
Due from City of Pittsfield	---	79,500
Prepaid expenses	156,541	177,120
Total current assets	4,308,842	4,696,309
Forgivable note receivable, less current portion	137,500	50,000
Capital assets, net	10,808,736	7,345,146
TOTAL ASSETS	15,255,078	12,091,455
LIABILITIES		
Accounts payable	8,787	15,515
Advanced General Electric Company revenue	3,938,345	4,246,103
Long-term debt	124,217	124,217
Natural resource obligation	4,000,000	4,000,000
Net pension liability	161,082	160,083
TOTAL LIABILITIES	8,232,431	8,545,918
NET POSITION		
Invested in capital assets, net of related debt	10,684,519	7,220,929
Restricted for natural resource obligation (deficit)	(4,000,000)	(4,000,000)
Unrestricted	338,128	324,608
TOTAL NET POSITION	\$ 7,022,647	\$ 3,545,537

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, 2015

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	Comparative 2014 Actual
Operating revenues				
General Electric Company	\$ 423,324	\$ 307,758	\$ (115,566)	\$ 287,851
Ground lease income	39,360	22,644	(16,716)	15,413
Grant income	500,000	46,043	(453,957)	2,086
Maintenance fee income	15,000	15,445	445	13,944
Rental income	10,250	10,326	76	22,107
Other revenue	100	577	477	---
In-kind rent	18,000	25,000	7,000	18,000
Total operating revenues	<u>1,006,034</u>	<u>427,793</u>	<u>(578,241)</u>	<u>359,401</u>
Operating expenses				
Management and General				
Payroll	82,100	80,025	2,075	87,280
Payroll taxes and fringe benefits	12,100	11,380	720	13,649
Administrative expenses	39,881	24,750	15,131	29,868
Advertising and marketing	39,100	15,622	23,478	21,200
Insurance	10,910	5,845	5,065	6,789
Maintenance and repairs	35,055	25,848	9,207	20,267
Professional fees	16,000	14,145	1,855	14,035
Telephone and utilities	5,900	4,249	1,651	4,217
Total management and general	<u>241,046</u>	<u>181,864</u>	<u>59,182</u>	<u>197,305</u>
Project Development				
Insurance	35,888	39,276	(3,388)	41,013
Contract costs	586,025	182,652	403,373	103,083
In-kind rent expense	18,000	25,000	(7,000)	18,000
Depreciation	141,946	141,946	---	141,946
Total project development costs	<u>781,859</u>	<u>388,874</u>	<u>392,985</u>	<u>304,042</u>
Total operating expenses	<u>1,022,905</u>	<u>570,738</u>	<u>452,167</u>	<u>501,347</u>
OPERATING LOSS	(16,871)	(142,945)	(126,074)	(141,946)
Non-operating revenue				
Interest income	10,200	14,519	4,319	15,750
LOSS BEFORE IN-KIND CONTRIBUTION OF PROPERTY	<u>\$ (6,671)</u>	(128,426)	<u>\$ (121,755)</u>	(126,196)
Woodlawn Avenue Bridge (see Note 3)		3,605,536		---
Property transferred from General Electric Company		---		5,500
CHANGE IN NET POSITION		3,477,110		(120,696)
Net position, beginning as restated		3,545,537		3,826,316
Prior period adjustment (see Note 5)		---		(160,083)
NET POSITION, ENDING		<u>\$ 7,022,647</u>		<u>\$ 3,545,537</u>

See notes to financial statements.

PITTSFIELD ECONOMIC DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS

For the Year Ended December 31,

	<u>2015</u>	<u>Comparative 2014</u>
Cash flows from operating activities:		
Receipts from rental and leasing activities	\$ 43,391	\$ 50,621
Receipts from grant	25,246	---
Receipts from other income	577	---
Payments for goods and services	(298,536)	(199,275)
Payments to employees	(90,406)	(100,929)
Net cash provided (used) by operating activities	<u>(319,728)</u>	<u>(249,583)</u>
Cash flows from investing activities:		
(Increase) decrease in advance to City of Pittsfield	79,500	(79,500)
Issuance of forgivable note receivable	(125,000)	(62,500)
Forgiveness of note receivable	12,500	---
Interest income	14,519	15,750
Net cash provided (used) by investing activities	<u>(18,481)</u>	<u>(126,250)</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(338,209)	(375,833)
Cash and equivalents, beginning	<u>4,423,868</u>	<u>4,799,701</u>
CASH AND EQUIVALENTS, ENDING	<u>\$ 4,085,659</u>	<u>\$ 4,423,868</u>
Reconciliation of operating income to net cash provided (used)		
by operating activities:		
Operating loss	\$ (142,945)	\$ (141,946)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	141,946	141,946
Change in operating assets and liabilities:		
(Increase) decrease in rent receivable	(5,024)	(841)
(Increase) decrease in grant receivable	(20,797)	(2,086)
(Increase) decrease in prepaid expenses	20,579	27,546
Increase (decrease) in accounts payable	(6,728)	13,649
Increase (decrease) in advanced revenue	(307,758)	(287,851)
Increase (decrease) in net pension liability	999	---
Net cash provided (used) by operating activities	<u>\$ (319,728)</u>	<u>\$ (249,583)</u>
SUPPLEMENTAL DATA		
Noncash transactions:		
Woodlawn Avenue Bridge	\$ 3,605,536	
Property transferred from General Electric Company		\$ 5,500
Total noncash transactions	<u>\$ 3,605,536</u>	<u>\$ 5,500</u>

See notes to financial statements.

PITTSFIELD ECONOMIC DEVELOPMENT AUTHORITY**NOTES TO FINANCIAL STATEMENTS****December 31, 2015****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 8). Additional committed funding from GE totaling \$3,750,000 is outlined in Note 9. 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 2015.

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 March 15, 2016, 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 or collateralized. Bank deposits, as of December 31, 2015, were \$4,092,944, 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
Infrastructure in process	25,530	3,605,536	---	3,631,066
Total capital assets, not being depreciated	<u>2,441,359</u>	<u>3,605,536</u>	<u>---</u>	<u>6,046,895</u>
Capital assets, being depreciated:				
Infrastructure	5,655,663	---	---	5,655,663
Office furniture and equipment	3,883	---	---	3,883
Total capital, assets being depreciated	<u>5,659,546</u>	<u>---</u>	<u>---</u>	<u>5,659,546</u>
Less accumulated depreciation for :				
Infrastructure	(753,264)	(141,391)	---	(894,655)
Office furniture and equipment	(2,495)	(555)	---	(3,050)
Total accumulated depreciation	<u>(755,759)</u>	<u>(141,946)</u>	<u>---</u>	<u>(897,705)</u>
Capital assets, net	<u>\$ 7,345,146</u>	<u>\$ 3,463,590</u>	<u>\$ ---</u>	<u>\$ 10,808,736</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.

Woodlawn Avenue Bridge

During 2015, the Authority recorded \$3,605,536 of infrastructure in process for the replacement of the Woodlawn Avenue Bridge, connecting Woodlawn Avenue and East Street, and providing access to the Authority's industrial property for future development. The project is being funded and managed by the Massachusetts Department of Transportation, which the Authority is recording in-kind revenue for. The project is expected to be completed in fiscal year 2016.

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).

Results of the Plan are based on liabilities developed in an actuarial valuation performed as of January 1, 2013 and rolled forward to the Plan's measurement date of December 31, 2014. The Pittsfield Retirement System did not have an independent audit performed for the plan year ended December 31, 2014. 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, 2014, pension plan membership consisted of the following:

Active members	918
Retired members and beneficiaries	757
Inactive members entitled to a return of employee contributions	211
Inactive members with a vested right to a deferred or immediate benefit	<u>29</u>
Total	<u>1,915</u>
Number of participating employers	<u>4</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.

NOTE 4 - (Continued)

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

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, 2015, the Authority reported a liability of \$161,082 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, 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 relative to the projected contributions of all participating Plan employers, actuarially determined. At December 31, 2014, the Authority’s proportion was 0.13%. 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, 2015, the Authority recognized pension expense of \$8,840. Contributions made subsequent to the measurement date of December 31, 2014 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, 2015.

NOTE 4 - (Continued)**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of January 1, 2013, rolled forward to the measurement date of December 31, 2014 using the following actuarial assumptions, applied to all periods included in the measurement date:

Investment rate of return:	7.75% 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.
Mortality	Pre-retirement rates reflect the RP-2000 Employees table projected 20 years with Scale AA (gender distinct). Post retirement rates reflect the RP-2000 Healthy Annuitant table projected 15 years with Scale AA (gender distinct). For disabled retirees, this table is set forward 2 years.

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%			Pittsfield Economic Development Authority 0.13%		
	Increase (Decrease)			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, 2014	\$232,420,000	\$109,279,000	\$123,141,000	\$ 302,146	\$ 142,063	\$ 160,083
Changes for the year:						
Service cost	5,127,000		5,127,000	6,665		6,665
Interest	17,825,000		17,825,000	23,173		23,173
Changes in benefit terms						
Differences between actual and expected experience	---		---	---		---
Contributions - employer		11,111,000	(11,111,000)		14,444	(14,444)
Contributions - member		3,293,000	(3,293,000)		4,281	(4,281)
Other additions		7,000	(7,000)		9	(9)
Net investment income		7,975,000	(7,975,000)		10,368	(10,368)
Benefit payments, including refunds of member contributions	(15,104,000)	(15,104,000)	---	(19,635)	(19,635)	---
Administrative expense		(202,000)	202,000		(263)	263
Net changes	7,848,000	7,080,000	768,000	10,203	9,204	999
Balances at December 31, 2014	\$240,268,000	\$116,359,000	\$123,909,000	\$ 312,349	\$ 151,267	\$ 161,082

NOTE 4 - (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. 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 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Authority's proportionate share of the net pension liability	\$ 194,177	\$ 161,082	\$ 132,491

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, 2015, the Authority reported a payable of \$-0- for outstanding amounts of contributions to the pension plan.

NOTE 5 - CHANGE IN ACCOUNTING PRINCIPLE

Net position as of December 31, 2014 has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Net position as previously reported at December 31, 2014	\$ 3,705,620
Prior period adjustment Reporting for pensions (measurement date as of December 31, 2014)	<u>(160,083)</u>
Net position as restated, December 31, 2014	<u>\$ 3,545,537</u>

NOTE 6 - 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 7 - FORGIVABLE NOTE RECEIVABLE

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 on the one-year anniversary date of the note and on each anniversary date thereafter 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.

Total funding disbursed and forgiven as of December 31, 2015 is as follows:

Funds granted in the form of a forgivable note receivable	\$ 187,500
Amount forgiven	<u>(12,500)</u>
Balance of note receivable as of December 31, 2015	<u>\$ 175,000</u>

The balance of the forgivable note receivable has the following maturities at December 31:

2016	\$ 37,500
2017	37,500
2018	37,500
2019	37,500
2020	<u>25,000</u>
Total	<u>\$ 175,000</u>

NOTE 8 - 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:

Settlement amount	<u>\$ 15,300,000</u>
Total funds drawn down	\$ 15,300,000
Revenue earned / utilized on operations	(7,086,122)
Revenue expended on capital projects	(2,919,740)
Advanced revenue applied to capital loan repayment	<u>(2,739,806)</u>
Advanced settlement revenue	2,554,332
Other advanced revenue (see Note 9):	
Landscaping fund	634,013
Foundations fund	<u>750,000</u>
Total advanced revenue	<u>\$ 3,938,345</u>

NOTE 9 - 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, 2015, 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 (19'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.

	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 2015	---	---	---
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 / utilized 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 10 - 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 11 - 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, 2015, the Authority has not made any land sales, and accordingly, no payments on this note are due.

	Serial Maturity Through	Interest Rates %	Outstanding December 31, 2014	Additions	Reductions	Outstanding December 31, 2015
Massachusetts Development Finance Agency	NA	None	\$ 124,217	\$ ---	\$ ---	\$ 124,217
Total			\$ 124,217	\$ ---	\$ ---	\$ 124,217

NOTE 12 - OPERATING LEASES

During 2013, the Authority entered into a 3 year operating lease for a photocopier. Annual lease expense was \$2,397 for the year ended December 31, 2015.

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. During 2012, the Authority extended the lease for an additional 5 years. Beginning in 2015, the Authority is responsible for utility costs, which had previously been paid by General Electric. The Authority recorded \$25,000 of in kind rental income and expense on its books for the year ended December 31, 2015. The Authority sub-leases a portion of this facility to a third party (see Note 14).

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. The Authority sub-leases a portion of the parking lot to a third party (see Note 14).

NOTE 13 - LEASE AGREEMENTS

During 2011, the Authority entered into a lease agreement with the 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 shall pay \$905 per month, adjusted for inflation in years 6-51, in accordance with the lease agreement. The Lessee is also responsible for its share of Common Area Maintenance costs as described in the lease agreement. Total lease income was \$10,860 and common area maintenance income was \$9,453 for the year ended December 31, 2015.

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

2016	\$	10,860
2017	\$	10,860
2018	\$	10,860
2019	\$	10,860
2020	\$	10,860

NOTE 13 - (Continued)

In April 2015, the Authority entered into a short-term license agreement to allow Ruport Realty, LLC (Northern Construction Services, LLC) access to land adjacent to Woodlawn Avenue for the purpose of parking of vehicles, and storage of equipment, supplies and non-hazardous construction materials in conjunction with reconstruction of the Woodlawn Avenue Bridge. The licensee shall pay rent of \$750 per month until termination of the agreement, which is expected upon completion of construction in 2016. Total lease income was \$7,125 for the year ended December 31, 2015.

In August 2015, the Authority entered into a lease agreement with the City of Pittsfield to lease a parcel of land at the corner of Woodlawn Avenue and East Street. Under this agreement, the City will sublease the space to the Berkshire Innovation Center, Inc., (BIC) a non-profit organization, 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 completion of the project, the City will convey its interest in the ground lease and building to BIC, at which time BIC will be responsible for rent and its share of common area maintenance costs.

NOTE 14 - SUBLEASE AGREEMENTS*Office space*

In 2012, the Authority entered into an agreement to sublease a portion of its office space at 81 Kellogg Street to a third party. In October 2014, the sublease was extended for two additional years. Under the terms of the extension, the Lessee shall pay rent of \$855 per month for the first 12 months, adjusted for inflation to \$872 per month beginning with the 13th month of the extension. The Lessee is also responsible for its share of Common Area Maintenance costs as described in the lease agreement. Total sublease income was \$10,326 and common area maintenance income was \$5,992 for the year ended December 31, 2015.

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. In 2015, the sublease was extended for one additional year. Under the terms of the extension, the lessee shall pay rent of \$390 per month. Total sublease income was \$4,659 for the year ended December 31, 2015.

The future minimum sublease income expected to be received over the next year is as follows:

	Office	Parking	Total
2016	\$ 7,848	\$ 1,950	\$ 9,798

NOTE 15 - 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.

PITTSFIELD ECONOMIC DEVELOPMENT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2015

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

	Plan Year End December 31, 2014	
	Pittsfield Retirement Board (100%)	Pittsfield Economic Development Authority (0.13%)
Authority's proportion of the net pension liability	100.00%	0.13%
Authority's proportionate share of the net pension liability	\$ 123,909,000	\$ 161,082
Authority's covered-employee payroll	\$ 32,265,000	\$ 65,000
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	384.04%	247.82%
Plan fiduciary net position as a percentage of the total pension liability	48.43%	48.43%

Schedule of Authority Pension Contributions

	Plan Year End December 31, 2014	
	Pittsfield Retirement Board (100%)	Pittsfield Economic Development Authority (0.13%)
Contractually required contribution	\$ 10,555,614	\$ 13,668
Contributions in relation to the contractually required contribution	(10,555,614)	(13,668)
Contribution deficiency (excess)	\$ ---	\$ ---
Authority's covered-employee payroll	\$ 32,265,000	\$ 65,000
Contributions as a percentage of covered-employee payroll	32.72%	21.03%

Notes to the Required Supplementary Information

Changes of benefit terms: None

Changes of assumptions: None

Last 10 years: only plan year 2014 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 St.
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, 2015, 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 March 15, 2016.

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
Pittsfield, MA

March 16, 2016