

**PITTSFIELD ECONOMIC  
DEVELOPMENT AUTHORITY**

**Financial Statements and  
Supplementary Information**

**December 31, 2017**

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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, 2017, 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, 2017, 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 18 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 2016 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated March 4, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, 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 14, 2018, 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  
Pittsfield, MA

March 14, 2018

## PITTSFIELD ECONOMIC DEVELOPMENT AUTHORITY

### Management's Discussion and Analysis

December 31, 2017

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

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

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

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

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

### Financial Highlights

The assets of the Authority exceeded its liabilities at the close of the current fiscal year resulting in a net position of \$7,725,255. This includes \$279,050 in unrestricted net position available to meet the ongoing operations of the Authority, a restricted deficit of (\$4,000,000) recorded for the Natural Resources Damages obligation (consent decree) and \$11,446,205 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. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is increasing or decreasing.

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,**

	<u>2017</u>	<u>2016</u>	<u>Change</u>
<b>Assets</b>			
Cash and equivalents	\$ 3,639,978	\$ 3,852,457	\$ (212,479)
Receivables	---	2,364	(2,364)
Forgivable note receivable	150,000	200,000	(50,000)
Prepaid expenses	121,200	142,307	(21,107)
Capital assets, net	11,605,436	11,868,689	(263,253)
<b>Total assets</b>	<u>15,516,614</u>	<u>16,065,817</u>	<u>(549,203)</u>
<b>Liabilities</b>			
Accounts payables	2,940	5,256	(2,316)
Advanced revenue	3,309,476	3,614,230	(304,754)
Land purchase deposit	65,000	65,000	---
Long-term liabilities	4,159,231	4,124,217	35,014
Net pension liability	254,712	93,190	161,522
<b>Total liabilities</b>	<u>7,791,359</u>	<u>7,901,893</u>	<u>(110,534)</u>
<b>Net position</b>			
Invested in capital assets, net of related debt	11,446,205	11,744,472	(298,267)
Restricted for natural resource obligation (deficit)	(4,000,000)	(4,000,000)	---
Unrestricted	279,050	419,452	(140,402)
<b>Total net position</b>	<u>\$ 7,725,255</u>	<u>\$ 8,163,924</u>	<u>\$ (438,669)</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,**

	<u>2017</u>	<u>2016</u>	<u>Change</u>
<b>Operating revenues</b>			
General Electric Company	\$ 304,754	\$ 324,115	\$ (19,361)
Ground lease income	16,165	20,823	(4,658)
Maintenance fee income	4,664	11,358	(6,694)
Other revenue	---	8,992	(8,992)
In-kind rent	<u>25,000</u>	<u>25,000</u>	<u>---</u>
Total operating revenues	<u>350,583</u>	<u>390,288</u>	<u>(39,705)</u>
<b>Operating expenses</b>			
Management and general expenses	171,529	218,089	(46,560)
Pension expense (recovery)	184,937	(52,476)	237,413
Project development expenses	140,653	119,283	21,370
Forgiveness of note receivable	50,000	37,500	12,500
Depreciation	<u>263,253</u>	<u>172,343</u>	<u>90,910</u>
Total operating expenses	<u>810,372</u>	<u>494,739</u>	<u>315,633</u>
<b>Operating loss</b>	(459,789)	(104,451)	(355,338)
Nonoperating revenue - interest income	<u>21,120</u>	<u>13,432</u>	<u>7,688</u>
<b>Loss before in-kind contribution of property</b>	(438,669)	(91,019)	(347,650)
Woodlawn Avenue Bridge (see Note 3)	<u>---</u>	<u>1,232,296</u>	<u>(1,232,296)</u>
<b>Change in net position</b>	<u>\$ (438,669)</u>	<u>\$ 1,141,277</u>	<u>\$ (1,579,946)</u>

The Authority incurred an operating loss in fiscal year 2017 of \$(459,789). This operating loss is the result of the Authority recording:

- Depreciation expense of \$263,253, 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.
- Increase in the Authority's proportionate share of the Pittsfield Retirement System's pension expense of \$161,522, which is a non-reimbursable cost at this time. The net pension liability is based upon an actuarial valuation of Pittsfield Retirement System pension plan performed by the Public Employee Retirement Administration Commission.
- The Authority entered into a recoverable grant (loan) agreement with the Massachusetts Development Finance Agency to expend up to \$75,000 for engineering services associated with the 40's complex concrete slab study. The Authority is required to repay the loan without interest if the 40's site or any portion thereof is sold, conveyed, gifted, demised, ground leased, otherwise transferred, or refinanced. If no event indicated in the agreement requires payment within 30 years, then the agreement expires and the loan amount outstanding at that time will be forgiven. For the year ended December 31, 2017, the Authority expended \$35,014 of the grant which is reported as an expense in the statement of activities and as long-term debt in the statement of financial position.



## Budgetary Highlights

Explanation of significant budget vs actual variances are as follows:

	2017		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
General Electric Company revenue	\$ 269,930	\$ 304,754	\$ 34,824
Grant income	31,800	---	(31,800)
Pension expense	8,400	184,937	(176,537)
Advertising and marketing	38,400	7,207	31,193
Contract costs	76,500	101,235	(24,735)
Depreciation	141,946	263,253	(121,307)

### *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 2017, the Authority utilized \$304,754 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*

PEDA 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. Due to project and construction delays, no work has been completed in 2017, and therefore no grant funds have been received. Similarly, the expense side of the budget labeled "Contract costs" reflects the like disparity. These items will carry over to 2018 and beyond if necessary and matching income and expense will be reflected as projects are completed.

### *Pension expense*

The Authority's contractually required contribution to the City of Pittsfield Retirement pension plan was \$23,415 for 2017. The District budgeted \$8,400. Also, the Authority's proportionate share of the City of Pittsfield's Retirement System increased from 0.07% in 2016 to 0.19% in 2017, which increased the Authority's pension expense by \$161,522. This expense is an accounting estimate and is not a reimbursable cost at this time. Accordingly, the Authority does not budget for it.

### *Advertising and Marketing*

Early in 2017, the Authority began negotiations with the City of Pittsfield and the Pittsfield Economic Revitalization Corporation on an interagency agreement to create a new shared position of Business Development Manager. This collaboration was designed for the purpose of creating a single point of contact for all sales and marketing activities relating to economic development throughout the City. With this new coordinated effort on the horizon, the Authority did not execute on all its marketing plans for the year, choosing instead to hold all but the essentials until this new unified effort was formalized.

### *Contract costs*

As previously noted, the Authority secured a new, unplanned grant opportunity from Mass Development for engineering work on site 8 in the William Stanley Business Park. Although no cash was expended on this site readiness grant, the value of the work completed by year end was \$35,014 leading to the excess expense over budget.

### *Depreciation expense*

Upon completion of the Woodlawn Avenue bridge, the infrastructure is beginning to be depreciated. Depreciation on the bridge infrastructure was not included in the budget.

## **Natural Resource Obligation**

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

## **Long-term Debt**

The Authority's long-term debt consists of \$159,231 owed to the Massachusetts Development Finance Agency, which is described in detail in Note 10 to the financial statements.

## **Berkshire Innovation Center Project**

The City of Pittsfield was awarded \$9.67 million dollars in funding from the Massachusetts Life Science Center for the capital costs to build the Berkshire Innovation Center (BIC) at the William Stanley Business Park. The BIC is proposed as a 20,000 square foot accelerator facility allowing small and medium sized manufactures access to advanced research and development capabilities to enable them 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 will be constructed on the Authority's property in the William Stanley Business Park along East Street.

## **Contingent Land Purchase Agreement**

The Authority has 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 intends to construct a retail complex on the site and is in the process of securing a tenant(s) and will need to obtain the necessary governmental approvals and permits to proceed with any purchase and construction. As part of the agreements, the developer made a non-refundable deposit of \$65,000, to secure the property during this process. As of the date of the financial statements, the developer has not achieved the objectives necessary to proceed with a final purchase of the property.



### **Economic Dependency**

The Authority is heavily dependent on the \$15.3 million of funds provided by General Electric under the Definitive Economic Development Agreement (DEDA) between General Electric and the City of Pittsfield and the Authority. As of December 31, 2017, there is \$1,925,463 in advanced revenue which is available for future spending. Additional information can be found in Notes 7 and 8 of the financial statements.

### **Request for Information**

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

**PITTSFIELD ECONOMIC DEVELOPMENT AUTHORITY**

**STATEMENT OF NET POSITION**

**December 31,**

ASSETS	<u>2017</u>	<u>Comparative 2016</u>
Current assets		
Cash and equivalents	\$ 3,639,978	\$ 3,852,457
Rent receivable	---	2,364
Forgivable note receivable, current portion	50,000	50,000
Prepaid expenses	<u>121,200</u>	<u>142,307</u>
Total current assets	3,811,178	4,047,128
Forgivable note receivable, less current portion	100,000	150,000
Capital assets, net	<u>11,605,436</u>	<u>11,868,689</u>
<b>TOTAL ASSETS</b>	<u>15,516,614</u>	<u>16,065,817</u>
LIABILITIES		
Accounts payable	2,940	5,256
Advanced General Electric Company revenue	3,309,476	3,614,230
Land purchase deposit	65,000	65,000
Long-term debt	159,231	124,217
Natural resource obligation	4,000,000	4,000,000
Net pension liability	<u>254,712</u>	<u>93,190</u>
<b>TOTAL LIABILITIES</b>	<u>7,791,359</u>	<u>7,901,893</u>
NET POSITION		
Invested in capital assets, net of related debt	11,446,205	11,744,472
Restricted for natural resource obligation (deficit)	(4,000,000)	(4,000,000)
Unrestricted	<u>279,050</u>	<u>419,452</u>
<b>TOTAL NET POSITION</b>	<u>\$ 7,725,255</u>	<u>\$ 8,163,924</u>

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, 2017**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	Comparative 2016 Actual
Operating revenues				
General Electric Company	\$ 269,930	\$ 304,754	\$ 34,824	\$ 324,115
Ground lease income	22,800	16,165	(6,635)	20,823
Grant income	31,800	---	(31,800)	---
CAM management fee income	4,500	4,664	164	11,358
Other revenue	---	---	---	8,992
In-kind rent	25,000	25,000	---	25,000
Total operating revenues	354,030	350,583	(3,447)	390,288
Operating expenses				
Management and General				
Payroll	83,500	74,050	9,450	79,143
Payroll taxes	1,500	1,165	335	1,154
Pension expense (recovery)	8,400	184,937	(176,537)	(52,476)
Administrative expenses	22,696	12,060	10,636	16,171
Advertising and marketing	38,400	7,207	31,193	33,655
Insurance	6,705	6,181	524	6,208
Maintenance and repairs	24,640	18,094	6,546	20,333
Professional fees	14,700	14,700	---	14,607
Telephone and utilities	12,500	13,072	(572)	10,778
In-kind rent expense	25,000	25,000	---	25,000
Bad debts	---	---	---	11,040
Total management and general	238,041	356,466	(118,425)	165,613
Project Development				
Insurance	41,288	39,418	1,870	39,285
Contract costs	76,500	101,235	(24,735)	79,998
Forgiveness of note receivable (see Note 6)	---	50,000	(50,000)	37,500
Depreciation	141,946	263,253	(121,307)	172,343
Total project development costs	259,734	453,906	(194,172)	329,126
Total operating expenses	497,775	810,372	(312,597)	494,739
OPERATING LOSS	(143,745)	(459,789)	(316,044)	(104,451)
Non-operating revenue				
Interest income	10,200	21,120	10,920	13,432
LOSS BEFORE IN-KIND CONTRIBUTION OF PROPERTY	\$ (133,545)	(438,669)	\$ (305,124)	(91,019)
Woodlawn Avenue Bridge (see Note 3)		---		1,232,296
CHANGE IN NET POSITION		(438,669)		1,141,277
Net position, beginning		8,163,924		7,022,647
NET POSITION, ENDING		\$ 7,725,255		\$ 8,163,924

See notes to financial statements.

**PITTSFIELD ECONOMIC DEVELOPMENT AUTHORITY**

**STATEMENT OF CASH FLOWS**

**For the Year Ended December 31,**

	<u>2017</u>	<u>Comparative 2016</u>
Cash flows from operating activities:		
Receipts from rental and leasing activities	\$ 23,193	\$ 33,757
Receipts from grant	---	22,883
Receipts from other income	---	272
Payments for goods and services	(157,696)	(209,094)
Payments to employees	(99,096)	(96,952)
Net cash provided (used) by operating activities	<u>(233,599)</u>	<u>(249,134)</u>
Cash flows from capital and related financing activities:		
Receipt from land deposit	---	65,000
Net cash provided (used) by capital and related financing activities	<u>---</u>	<u>65,000</u>
Cash flows from investing activities:		
Issuance of forgivable note receivable	---	(62,500)
Interest income	21,120	13,432
Net cash provided (used) by investing activities	<u>21,120</u>	<u>(49,068)</u>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	<b>(212,479)</b>	<b>(233,202)</b>
Cash and equivalents, beginning	<u>3,852,457</u>	<u>4,085,659</u>
<b>CASH AND EQUIVALENTS, ENDING</b>	<b><u>\$ 3,639,978</u></b>	<b><u>\$ 3,852,457</u></b>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating loss	\$ (459,789)	\$ (104,451)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	263,253	172,343
Forgiveness of note receivable	50,000	37,500
Noncash expense	35,014	---
Change in operating assets and liabilities:		
(Increase) decrease in rent receivable	2,364	3,895
(Increase) decrease in grant receivable	---	22,883
(Increase) decrease in prepaid expenses	21,107	14,234
Increase (decrease) in accounts payable	(2,316)	(3,531)
Increase (decrease) in advanced revenue	(304,754)	(324,115)
Increase (decrease) in net pension liability	161,522	(67,892)
Net cash provided (used) by operating activities	<u>\$ (233,599)</u>	<u>\$ (249,134)</u>
<b>SUPPLEMENTAL DATA</b>		
Noncash transactions:		
Woodlawn Avenue Bridge	<u>\$ ---</u>	<u>\$ 1,232,296</u>
Massachusetts Development Finance Agency Loan	<u>\$ 35,014</u>	<u>\$ ---</u>

See notes to financial statements.

**PITTSFIELD ECONOMIC DEVELOPMENT AUTHORITY****NOTES TO FINANCIAL STATEMENTS****December 31, 2017****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 2017.

**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 14, 2018, 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, 2017, were \$3,645,650, 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	3,883	---	---	3,883
Total capital, assets being depreciated	<u>10,522,908</u>	<u>---</u>	<u>---</u>	<u>10,522,908</u>
Less accumulated depreciation for :				
Infrastructure	(1,066,443)	(262,976)	---	(1,329,419)
Office furniture and equipment	(3,605)	(277)	---	(3,882)
Total accumulated depreciation	<u>(1,070,048)</u>	<u>(263,253)</u>	<u>---</u>	<u>(1,333,301)</u>
Capital assets, net	<u>\$ 11,868,689</u>	<u>\$ (263,253)</u>	<u>\$ ---</u>	<u>\$ 11,605,436</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, 2015 and rolled forward to the Plan's measurement date of December 31, 2016. The Pittsfield Retirement System did not have an independent audit performed for the plan year ended December 31, 2016. 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, 2016, pension plan membership consisted of the following:

Active members	927
Retired members and beneficiaries	758
Inactive members entitled to a return of employee contributions	225
Inactive members with a vested right to a deferred or immediate benefit	<u>18</u>
Total	<u><u>1,928</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, 2017, the Authority reported a liability of \$254,712 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, 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, 2016, the Authority’s proportion was 0.07%. 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, 2017, the Authority recognized pension expense of \$184,937. Contributions made subsequent to the measurement date of December 31, 2016 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, 2017.

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of January 1, 2015, rolled forward to the measurement date of December 31, 2016 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.

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

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

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

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

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

**Changes in net pension liability**

	<b>Pittsfield Retirement Board</b>			<b>Pittsfield Economic Development Authority</b>		
	<b>100%</b>			<b>0.19%</b>		
	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, 2016	\$ 249,484,000	\$ 116,355,000	\$ 133,129,000	\$ 174,639	\$ 81,449	\$ 93,190
Net changes	8,110,000	7,180,000	930,000	314,790	153,268	161,522
Balances at December 31, 2016	<u>\$ 257,594,000</u>	<u>\$ 123,535,000</u>	<u>\$ 134,059,000</u>	<u>\$ 489,429</u>	<u>\$ 234,717</u>	<u>\$ 254,712</u>

**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	\$ 309,953	\$ 254,712	\$ 207,957

**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, 2017, 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 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, 2017 is as follows:

Total funds granted in the form of a forgivable note receivable	\$ 250,000
Total amount forgiven	<u>(100,000)</u>
Balance of note receivable as of December 31, 2017	<u>\$ 150,000</u>

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

2018	\$ 50,000
2019	50,000
2020	37,500
2021	<u>12,500</u>
Total	<u>\$ 150,000</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	(7,410,237)	\$ (304,754)	(7,714,991)
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	2,230,217	(304,754)	1,925,463
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>\$ 3,614,230</u>	<u>\$ (304,754)</u>	<u>\$ 3,309,476</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, 2017, the Authority has drawn down \$1,392,815 and GE has used \$-0-. The details of the amount drawn down, utilized and available is shown below.

*Foundation Fund*

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

	<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 2017	---	---	---
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, 2017, the Authority has not made any land sales, and accordingly, no payments on this note are due.

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

	<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		35,014	35,014
Total			<u>\$ 124,217</u>	<u>\$ 35,014</u>	<u>\$ 159,231</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, which expires in 2017. Beginning in 2015, the Authority became 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, 2017. Total utility costs were \$10,220 for the year ended December 31, 2017.

*Parking space*

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

**NOTE 12 - LEASE AGREEMENTS***Pittsfield Stanley Works*

During 2011, the Authority entered into a lease agreement with Pittsfield Stanley Works, LLC to lease a parcel of land, designated as Parcel 2 at the William Stanley Business Park which is redeveloped land owned by the Authority. The initial term of the lease is fifty-one (51) years. The lease term may be extended for two additional periods of twenty-four years each. The Lessee is also responsible for its share of Common Area Maintenance costs as described in the lease agreement. Total lease income was \$11,388 and common area maintenance income was \$4,664 for the year ended December 31, 2017.

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

2018	\$	11,496
2019	\$	11,496
2020	\$	11,496
2021	\$	11,496
2022	\$	11,496

*City of Pittsfield*

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 13 - SUBLEASE AGREEMENTS***Parking space*

In June 2013, the Authority entered into an agreement to sublease a portion of its parking lot at the corner of Woodlawn Avenue and Kellogg Street, which expires in 2018. Total sublease income was \$4,777 for the year ended December 31, 2017.

**NOTE 14 - RISKS TRANSFERRED TO THIRD PARTIES**

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

**NOTE 15 - CONTINGENT LAND PURCHASE AGREEMENT**

The Authority has 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 intends to construct a retail complex on the site and is in the process of securing a tenant(s) and will need to obtain the necessary governmental approvals and permits to proceed with any purchase and construction. As part of the agreements, the developer made a non-refundable deposit of \$65,000, to secure the property during this process. As of the date of the financial statements, the developer has not achieved the objectives necessary to proceed with a final purchase of the property.



**PITTSFIELD ECONOMIC DEVELOPMENT AUTHORITY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**December 31, 2017**

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

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

**Schedule of Authority Pension Contributions**

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

**Notes to the Required Supplementary Information**

Changes of benefit terms: None

Changes of assumptions: Changes in economic and demographic assumptions

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



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 Carol Leibinger-Healey, CPA  
 David M. Irwin, Jr., CPA

**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, 2017, 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 14, 2018.

**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  
Pittsfield, MA

March 14, 2018