

CITY OF PITTSFIELD, MASSACHUSETTS

**Report on the Examination
Of Basic Financial Statements**

For the Year Ended June 30, 2017

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Independent Auditor's Report

To the Honorable Mayor and City Council
City of Pittsfield, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Pittsfield, Massachusetts, as of and for the year ended June 30, 2017, (except for the Pittsfield Contributory Retirement System, which is as of and for the year ended December 31, 2016), and the related notes to the financial statements, which collectively comprise the City of Pittsfield, Massachusetts' 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units

The financial statements of The Berkshire Athenaeum have not been audited and we were not engaged to audit The Berkshire Athenaeum financial statements as part of our audit of the City's basic financial statements. The Berkshire Athenaeum's financial activities are included in the City's basic financial statements as a discretely presented component and represent 100 percent of the assets, net position and revenues, respectively, of the City's aggregate discretely presented component units.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of the City of Pittsfield, Massachusetts, as of June 30, 2017, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pittsfield, Massachusetts, as of June 30, 2017, (except for the Pittsfield Contributory Retirement System, which is as of December 31, 2016), and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund 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, pension plan and other post employment benefit plan schedules as listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pittsfield, Massachusetts' basic financial statements. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2018, on our consideration of the City of Pittsfield Massachusetts' 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 the City of Pittsfield, Massachusetts' internal control over financial reporting and compliance.

Scanlon and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

March 15, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Pittsfield, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

- The City's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by \$17,460,510 (net position) for the fiscal year reported. This compares to the previous year when liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by \$43,241,895 or an increase of \$25,781,385 (60%).
- At the close of the current fiscal year, the City's governmental funds reported total ending fund balance of \$19,675,490, an increase of \$4,016,183 (26%).
- The General Fund's total fund balance increased by \$2,182,432 (18%) to \$14,223,475. The ending General fund balance is 9% of revenues, transfers in, sale of tax foreclosure property and premiums on bonds and notes, and 9% of expenditures and transfers out.
- Total liabilities of the City increased by \$34,003,077 (11%) to \$355,383,317 during the fiscal year. The increase was mainly attributed to increases in the other post employment benefit (OPEB) liability of \$5,708,470 and bonds payable of \$27,180,846 and a net decrease in bond anticipation notes of \$5,380,213 from the prior year.
- The City had free cash certified by the Department of Revenue in the amount of \$4,487,295. The key factors that attributed to the free cash amount for fiscal year 2017 were unexpended/unencumbered appropriations of \$820,300, amount over/(under) budget – state and local receipts of \$1,068,600, excess over budget – other financing sources and uses of \$833,100 and prior year free cash not appropriated of \$2,227,500.
- The City's enterprise funds certified free cash is as follows:
 - Sewer fund \$ 1,741,665.
 - Water fund \$ 1,217,227.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Pittsfield's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are

reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements include not only the City of Pittsfield itself (known as the *primary government*), but also includes other legally separate organizations which operate independently or provide services directly to the citizens, though the City remains accountable for their activities. One of these organizations, the Berkshire Athenaeum, is reported separately from the primary government and is included in the City's component units. The City also presents the financial information for a legally separate public employee retirement system, which is a blended *component unit* with its' financial information reported separately within the fiduciary fund statements. More comprehensive information about the City's component units can be found in Note 1A.

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

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

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

The City of Pittsfield adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The City maintains two types of proprietary funds.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sewer and water activities.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The City uses its internal service fund to account for health insurance. Because these services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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

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

Financial Highlights

Statement of Net Position Highlights

	Governmental Activities		
	2017	2016	Change
Assets:			
Current assets	\$ 79,465,100	\$ 61,095,461	\$ 18,369,639
Noncurrent assets (excluding capital)	5,989,811	7,757,565	(1,767,754)
Capital assets	167,339,329	123,276,398	44,062,931
Total assets	252,794,240	192,129,424	60,664,816
Deferred Outflows of Resources:			
Deferred outflows related to pensions	8,523,466	11,424,312	(2,900,846)
Liabilities:			
Current liabilities (excluding debt)	17,210,456	11,675,714	5,534,742
Current debt	32,637,077	23,895,438	8,741,639
Noncurrent liabilities (excluding debt)	197,119,930	196,156,127	963,803
Noncurrent debt	58,390,600	45,580,100	12,810,500
Total liabilities	305,358,063	277,307,379	28,050,684
Deferred Inflows of Resources:			
Deferred inflows related to pensions	2,855,306	4,203,340	(1,348,034)
Net Position:			
Net investment in capital assets	83,047,290	63,085,034	19,962,256
Restricted	38,365,532	27,510,231	10,855,301
Unrestricted	(168,308,485)	(168,552,248)	243,763
Total net position	\$ (46,895,663)	\$ (77,956,983)	\$ 31,061,320

	Business-Type Activities		
	2017	2016	Change
Assets:			
Current assets	\$ 10,067,915	\$ 12,896,386	\$ (2,828,471)
Capital assets	69,125,023	65,891,563	3,233,460
Total assets	79,192,938	78,787,949	404,989
Deferred Outflows of Resources:			
Deferred outflows related to pensions	402,205	-	402,205
Liabilities:			
Current liabilities (excluding debt)	783,177	614,924	168,253
Current debt	4,755,720	18,276,270	(13,520,550)
Noncurrent liabilities (excluding debt)	6,995,634	1,459,988	5,535,646
Noncurrent debt	37,490,723	23,721,679	13,769,044
Total liabilities	50,025,254	44,072,861	5,952,393
Deferred Inflows of Resources:			
Deferred inflows related to pensions	134,736	-	134,736
Net Position:			
Net investment in capital assets	26,878,580	23,893,614	2,984,966
Restricted	4,668,468	8,678,197	(4,009,729)
Unrestricted	(2,111,895)	2,143,277	(4,255,172)
Total net position	\$ 29,435,153	\$ 34,715,088	\$ (5,279,935)

Financial Highlights

Statement of Activities Highlights

	Governmental Activities		
	2017	2016	Change
Program Revenues:			
Charges for services	\$ 5,537,036	\$ 4,835,240	\$ 701,796
Operating grants and contributions	72,819,267	68,678,845	4,140,422
Capital grants and contributions	33,878,262	10,807,971	23,070,291
General Revenues:			
Property taxes	80,253,391	76,108,273	4,145,118
Motor vehicle and other excise taxes	5,336,470	5,296,401	40,069
Hotel room occupancy and meals taxes	1,432,689	1,334,691	97,998
Penalties and interest on taxes	500,683	483,275	17,408
Nonrestricted grants and contributions	10,675,147	9,006,157	1,668,990
Unrestricted investment income	106,547	82,908	23,639
Gain/(Loss) on sale of capital assets	(10,419)	-	(10,419)
Miscellaneous	179,882	40,489	139,393
Total revenues	210,708,955	176,674,250	34,034,705
Expenses:			
General government	9,285,987	9,083,724	202,263
Airport	1,427,405	1,333,212	94,193
Public safety	19,884,676	19,030,721	853,955
Public works	10,894,382	9,262,372	1,632,010
Education	73,056,218	71,800,067	1,256,151
Health and human services	2,758,382	2,604,994	153,388
Culture and recreation	2,376,454	2,339,595	36,859
Employee benefits and insurance	56,770,946	51,662,477	5,108,469
State assessments	5,873,908	5,541,934	331,974
Interest and costs	2,799,888	2,579,089	220,799
Total expenses	185,128,246	175,238,185	9,890,061
Transfers, net	5,480,611	-	5,480,611
Change in net position	31,061,320	1,436,065	24,144,644
Net position - beginning of year	(77,956,983)	(79,393,048)	1,436,065
Net position - end of year	\$ (46,895,663)	\$ (77,956,983)	\$ 25,580,709

	Business-Type Activities		
	2017	2016	Change
Program Revenues:			
Charges for services	\$ 10,176,110	\$ 9,977,671	\$ 198,439
Operating grants and contributions	-	266,809	(266,809)
Capital grants and contributions	1,013,176	-	1,013,176
Total Revenues	11,189,286	10,244,480	944,806
Expenses:			
Sewer	5,637,213	5,074,125	563,088
Water	5,351,397	4,857,565	493,832
Total expenses	10,988,610	9,931,690	1,056,920
Transfers, net	(5,480,611)	-	(5,480,611)
Change in net position	(5,279,935)	312,790	(5,592,725)
Net position - beginning of year	34,715,088	34,402,298	312,790
Net position - end of year	\$ 29,435,153	\$ 34,715,088	\$ (5,279,935)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$17,460,510 at the close of fiscal year 2017.

Net position of \$109,925,870 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position, \$43,034,000 represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$170,420,380).

At the end of the current fiscal year, the City is able to report positive balances in two categories of net position and a negative balance in the unrestricted category in the governmental activities, business-type activities and for the government as a whole. The unrestricted governmental activities, business-type activities and government as a whole resulted in a negative balance mainly due to the accrual of the OPEB obligation and net pension liabilities that are required under GASB to be recognized in the City's financial statements. These liabilities are presented on the statement of net position.

The governmental activities net position increased by \$31,061,320 (40%) during the current fiscal year. The key elements of the increase in net position for fiscal year 2017 was attributed to the acquisition of \$52,241,740 in new capital assets exceeding the sale of capital assets of \$22,921 and the depreciation expense (normally spread out over the useful life of the asset) for the year of \$8,155,888 and the change in the net pension liability of \$5,458,380; and decreases as a result of the net change in debt of \$12,954,494, in recognizing this year's OPEB obligation of \$6,011,717 and in the deferred outflow/(inflow) of resources related to pensions of \$1,552,812.

There was a decrease of \$5,279,935 (15%) in net position reported in connection with the sewer and water business-type activities. Of this, there were decreases of \$3,384,264 attributed to the sewer department and of \$1,895,671 attributed to the water department.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$19,675,490 an increase of \$4,016,183 (26%) in comparison with the prior year.

The breakdown of the governmental funds is as follows:

- Restricted fund balance – \$13,488,432 (68%).
- Committed fund balance – \$688,977 (3%).
- Assigned fund balance – \$4,043,103 (21%).
- Unassigned fund balance – \$1,494,978 (8%).

Major Governmental Funds

At the end of the fiscal year, the *General Fund* reported a fund balance of \$14,223,475 increasing \$2,182,432 (18%) from the prior year. Of the \$14,223,475, the unassigned amount is \$10,180,372 (72%) and the assigned amount of \$4,043,103 (28%). General fund revenues increased \$8,813,007 (8%) and expenditures also increased by \$8,465,060 (8%) over the prior fiscal year.

The main components of the change in general fund revenues from the prior year were related to increases in property taxes of \$3,947,114 (5%), intergovernmental receipts of \$876,636 (2%) and with intergovernmental on-behalf payments of \$3,519,655 (34%) from the prior year.

The major changes with the general fund expenditures from the prior fiscal year were as follows:

- Increase in Public works expenditures of \$1,120,633 (16%).
- Increase in Education expenditures of \$912,718 (2%).
- Increase in Employee benefits and insurance expenditures of \$5,476,300 (13%).

The *economic revitalization development fund* has accumulated a fund balance of \$5,331,595. For the current fiscal year, the economic revitalization development fund shows an increase of \$10,497 (.2%) attributed to interest income revenue.

The *high school construction project fund* is used to account for construction of a new high school facility. The fund has a deficit balance of \$4,269,689 at the end of the fiscal year. The deficit increased by \$1,685,247 (65%). This amount was attributed to revenues from the Massachusetts School Building Administration (MSBA) of \$29,061,203, expenditures of \$40,749,236, transfers in of \$2,786 and proceeds from a bond of \$10 million. Additionally, the City has issued temporary debt of \$20 million for this project.

At the end of the fiscal year, the *Nonmajor Governmental Funds* reported a fund balance of \$4,390,109 increasing \$3,508,501% from the prior year. This change was mainly attributed to expenditures exceeding revenues by \$6,525,965, net transfers out of \$1,926,586, premiums on bonds and notes of \$364,814 and proceeds from bonds and notes of \$11,596,238.

Proprietary funds. The proprietary funds statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

Major Proprietary Funds

The *Sewer Fund* is the financing and operations of the City's sewer system. The sewer fund shows a decrease of \$3,384,264 (14%) in total operations. This change was mainly attributed to operating revenues exceeding current operating costs by \$521,915, other income of \$451,664, interest expense of \$628,206 and net transfers out of \$3,729,637. Operating revenues increased by \$315,344 (6%) while operating expenses also increased by \$424,950 (9%) from the prior year.

The *Water Fund* is the financing and operations of the City's water system. The water fund shows a decrease of \$1,895,671 (17%) in total operations. This change resulted from current operating costs exceeding operating revenues by \$142,650, other revenues of \$561,512, interest expense of \$563,559 and net transfers out of \$1,750,974. Operating revenues decreased by \$116,905 (2%) while operating expenses increased by \$400,212 (9%) from the prior year.

The activity of the *Internal Service Fund* represents a health insurance fund. The fund has accumulated a fund balance of \$1,821,435. The fund increased by \$3,633 (.2%) in total operations, the result of \$3,633 from interest income.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2017 was \$149,594,047. This was an increase of \$5,688,131 (4%) over the previous year's final budget.

There was an increase of \$629,167 between the original budget and the final amended budget. The changes are attributed to council votes during the year for various budget operating line items.

General fund expenditures were less than budgeted by \$3,863,359. Of the \$3,863,359 in under budget expenditures, \$3,043,103 has been carried over to fiscal year 2018.

There are negative variances in property taxes of \$793,369 as collections did not meet budgeted expectations for the year and in investment income of \$64,817 as a result of economic conditions.

There was a negative variance in state assessments of \$97,816 due to higher assessments in Mosquito Control of \$4,507, in the registry of motor vehicles non-renewal surcharges of \$700, in special education of \$4,945, and in the school choice sending tuitions of \$131,009 and lower assessments and in charter school sending tuitions of \$43,345 than actual payments.

The variance with the final budget was a positive \$1,095,531 consisting of a revenue surplus of \$275,275 and an appropriation surplus of \$820,256.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounts to \$167,339,329 and \$69,125,023, respectively.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure.

Primary capital events including projects completed during the current fiscal year in the governmental type funds include the following:

- Airport runway construction for \$542,672.
- Foreclosure property for \$38,292.
- City Hall improvements for \$78,652.
- Parking lot improvements for \$142,723.
- Parking garage improvements for \$80,196.
- Police department locker room improvements for \$48,513.

- Police vehicles purchases for \$120,661.
- Fire department vehicles and equipment purchases for \$949,896.
- Highway department vehicles and equipment purchases for \$346,476.
- Various road and street improvements for \$8,553,032.
- School vehicle purchase for \$42,105.
- Various Schools' improvements for \$375,337.
- Taconic High School new building construction for \$40,749,235.
- Durant Park improvements for \$71,703.
- Springside House restoration for \$102,248.

Capital events during the current fiscal year in the business type funds included the following:

Sewer Fund:

- Sewer vehicles and equipment purchases for \$108,106.
- Sewer infrastructure improvements for \$3,807,740.
- Wastewater treatment plant improvements for \$804,803.

Water Fund:

- Water vehicle and equipment purchases for \$92,738.
- Farnham Reservoir Dam improvements for \$605,185.
- Other Dam improvements for \$43,743.
- Water infrastructure improvements for \$204,696.

Debt Administration. The City's outstanding governmental long-term debt, as of June 30, 2017, totaled \$66,032,582, of which primarily \$26,130,100 is for various school projects, \$595,000 is for the landfill, \$2,035,000 is for airport land acquisitions, \$190,000 for the skate park redevelopment, \$12,810,000 is for road and street improvements, \$3,480,000 is for various building improvements, \$340,000 is for departmental equipment and \$20,452,482 is for municipal purpose loans of various other City projects.

The City's outstanding business-type debt as of June 30, 2017 totaled \$39,332,197 consisting of sewer debt for \$14,590,631 and water debt for \$24,741,566 that is fully supported by the rates and do not rely on a general fund subsidy.

The City also has \$27,909,341 in bond anticipation notes consisting of \$24,995,095 in governmental activity debt and \$2,914,246 in business-type activity debt outstanding at June 30, 2017.

Please refer to notes 3D, 3F and 3G for further discussion of the major capital and debt activity.

Next Year's Annual City Council Votes

The financial statements of the City of Pittsfield as of June 30, 2017 do not reflect the fiscal year 2018 budget approved by the City Council on June 13, 2017 and on November 28, 2017, except for the amount of free cash used to reduce tax rate.

The City Council has authorized a fiscal year 2018 operating and capital budget as follows:

Budget:	
Raise and Appropriate	\$ 144,053,091
From Other Available Funds:	
General Fund:	
Unassigned fund balance:	
Free cash	1,000,000
From Income/Rates:	
Sewer and Drains Department	460,844
Water Department	5,047,116
Wastewater Department	5,868,535
	<u>\$ 156,429,586</u>

Requests for Information

This financial report is designed to provide a general overview of the City of Pittsfield's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City Hall, 70 Allen Street, Pittsfield, Massachusetts.

BASIC FINANCIAL STATEMENTS

**CITY OF PITTSFIELD, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2017**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	The Berkshire Athenaeum (Unaudited)
ASSETS				
CURRENT:				
Cash and Cash Equivalents	\$ 50,881,808	\$ 8,283,320	\$ 59,165,128	\$ 80,878
Investments	-	-	-	3,042,867
Receivables, net of allowance for uncollectibles:				
Property Taxes	2,730,510	-	2,730,510	-
Tax Liens	3,941,845	-	3,941,845	-
Excise Taxes	881,571	-	881,571	-
User Charges	-	1,784,595	1,784,595	-
Departmental	1,260,979	-	1,260,979	-
Loans	1,889,885	-	1,889,885	-
Due from Other Governments	17,878,502	-	17,878,502	-
Total current assets	79,465,100	10,067,915	89,533,015	3,123,745
NONCURRENT:				
Receivables, net of allowance for uncollectibles:				
Loans	1,789,757	-	1,789,757	-
Due from Other Governments	4,200,054	-	4,200,054	-
Capital Assets, net of accumulated Depreciation				
Nondepreciable	63,135,558	10,040,819	73,176,377	-
Depreciable	104,203,771	59,084,204	163,287,975	61,625
Total noncurrent assets	173,329,140	69,125,023	242,454,163	61,625
Total Assets	252,794,240	79,192,938	331,987,178	3,185,370
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows Related to Pensions	\$ 8,523,466	\$ 402,205	\$ 8,925,671	\$ -

(Continued)

**CITY OF PITTSFIELD, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2017**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	The Berkshire Athenaeum (Unaudited)
LIABILITIES				
CURRENT:				
Warrants and Accounts Payable	\$ 4,626,993	\$ 125,636	\$ 4,752,629	\$ -
Accrued Payroll	7,638,150	42,314	7,680,464	-
Retainage Payable	1,912,005	-	1,912,005	-
Payroll Withholdings	889,726	-	889,726	-
Accrued Interest	818,521	524,023	1,342,544	-
Other	199,739	-	199,739	-
Compensated Absences	1,125,322	91,204	1,216,526	-
Notes Payable	24,995,095	2,914,246	27,909,341	-
Bonds Payable	7,641,982	1,841,474	9,483,456	-
Total current liabilities	<u>49,847,533</u>	<u>5,538,897</u>	<u>55,386,430</u>	<u>-</u>
NONCURRENT:				
Compensated Absences	5,351,393	96,299	5,447,692	-
OPEB Obligation Payable	68,051,852	1,061,395	69,113,247	-
Net Pension Liability	123,716,685	5,837,940	129,554,625	-
Bonds Payable	58,390,600	37,490,723	95,881,323	-
Total noncurrent liabilities	<u>255,510,530</u>	<u>44,486,357</u>	<u>299,996,887</u>	<u>-</u>
Total Liabilities	<u>305,358,063</u>	<u>50,025,254</u>	<u>355,383,317</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows Related to Pensions	2,855,306	134,736	2,990,042	-
NET POSITION				
Net Investment in Capital Assets	83,047,290	26,878,580	109,925,870	61,625
Restricted for:				
Capital Projects	18,635,955	4,668,468	23,304,423	-
Loans	3,679,642	-	3,679,642	-
Federal & State Grants	5,792,610	-	5,792,610	-
Permanent Funds:				
Expendable	-	-	-	508,987
Nonexpendable	-	-	-	341,011
Other Purposes	10,257,325	-	10,257,325	18,687
Unrestricted	(168,308,485)	(2,111,895)	(170,420,380)	2,255,060
Total Net Position	<u>\$ (46,895,663)</u>	<u>\$ 29,435,153</u>	<u>\$ (17,460,510)</u>	<u>\$ 3,185,370</u>

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF PITTSFIELD, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Program Revenues</u>				<u>Primary Government</u>	<u>Component Units</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense)/ Revenue</u>	<u>Net (Expense)/ Revenue</u>
Primary Government:						
Governmental Activities:						
General Government	\$ 9,285,987	\$ 1,614,456	\$ 1,517,570	\$ -	\$ (6,153,961)	\$ -
Airport	1,427,405	134,642	114,326	217,787	(960,650)	-
Public Safety	19,884,676	1,767,837	1,613,761	-	(16,503,078)	-
Public Works	10,894,382	521,706	217,468	4,599,272	(5,555,936)	-
Education	73,056,218	986,351	51,705,801	29,061,203	8,697,137	-
Health and Human Services	2,758,382	483,650	1,398,392	-	(876,340)	-
Culture and Recreation	2,376,454	28,394	432,758	-	(1,915,302)	-
Employee Benefits and Insurance	56,770,946	-	15,267,388	-	(41,503,558)	-
State Assessments	5,873,908	-	-	-	(5,873,908)	-
Interest and Costs	2,799,888	-	551,803	-	(2,248,085)	-
Total Governmental Activities	185,128,246	5,537,036	72,819,267	33,878,262	(72,893,681)	-
Business-Type Activities:						
Sewer	5,637,213	5,530,922	-	451,664	345,373	-
Water	5,351,397	4,645,188	-	561,512	(144,697)	-
Total Business-Type Activities	10,988,610	10,176,110	-	1,013,176	200,676	-
Total Primary Government	\$ 196,116,856	\$ 15,713,146	\$ 72,819,267	\$ 34,891,438	\$ (72,693,005)	\$ -
Component Units:						
The Berkshire Athenaeum (Unaudited)	182,027	33,072	84,947	-	-	(64,008)
Total Component Units	\$ 182,027	\$ 33,072	\$ 84,947	\$ -	\$ -	\$ (64,008)

The Notes to the Financial Statements are an integral part of this Statement.

(Continued)

**CITY OF PITTSFIELD, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>The Berkshire Athenaeum (Unaudited)</u>
Changes in Net Position:				
Net (Expense)/Revenue (from previous page)	\$ (72,893,681)	\$ 200,676	\$ (72,693,005)	\$ (64,008)
General Revenues:				
Property taxes	80,253,391	-	80,253,391	-
Motor vehicle and other excise taxes	5,336,470	-	5,336,470	-
Hotel room occupancy and meals taxes	1,432,689	-	1,432,689	-
Penalties & interest on taxes	500,683	-	500,683	-
Grants & contributions not restricted to specific programs	10,675,147	-	10,675,147	-
Unrestricted investment income	106,547	-	106,547	195,988
Gain/(Loss) on Sale of Capital Assets	(10,419)	-	(10,419)	-
Miscellaneous	179,882	-	179,882	-
Transfers, net	5,480,611	(5,480,611)	-	-
Total General Revenues and Transfers	<u>103,955,001</u>	<u>(5,480,611)</u>	<u>98,474,390</u>	<u>195,988</u>
Change in Net Position	31,061,320	(5,279,935)	25,781,385	131,980
Net Position:				
Beginning of year (as restated)	<u>(77,956,983)</u>	<u>34,715,088</u>	<u>(43,241,895)</u>	<u>3,053,390</u>
End of year	<u>\$ (46,895,663)</u>	<u>\$ 29,435,153</u>	<u>\$ (17,460,510)</u>	<u>\$ 3,185,370</u>

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF PITTSFIELD, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General Fund	Economic Revitalization Development Fund	High School Construction Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 22,205,805	\$ 5,331,595	\$ 14,920,366	\$ 6,602,607	\$ 49,060,373
Receivables, net of allowance for uncollectibles:					
Property Taxes	2,730,510	-	-	-	2,730,510
Tax Liens	3,941,845	-	-	-	3,941,845
Excise Taxes	881,571	-	-	-	881,571
Departmental	370,283	-	-	890,696	1,260,979
Loans	-	-	-	3,679,642	3,679,642
Due from Other Governments	8,143,358	-	7,059,143	6,876,055	22,078,556
Total Assets	\$ 38,273,372	\$ 5,331,595	\$ 21,979,509	\$ 18,049,000	\$ 83,633,476
Liabilities:					
Warrants and Accounts Payable	\$ 266,912	\$ -	\$ 4,337,193	\$ 22,888	\$ 4,626,993
Accrued Payroll	7,604,641	-	-	33,509	7,638,150
Retainage Payable	-	-	1,912,005	-	1,912,005
Employee Withholdings	889,612	-	-	-	889,612
Other	199,739	-	-	-	199,739
Notes Payable	-	-	20,000,000	4,995,095	24,995,095
Total Liabilities	8,960,904	-	26,249,198	5,051,492	40,261,594
Deferred Inflows of Resources:					
Unavailable Revenue	15,088,993	-	-	8,607,399	23,696,392
Fund Balance:					
Restricted	-	5,331,595	-	8,116,837	13,448,432
Committed	-	-	-	688,977	688,977
Assigned	4,043,103	-	-	-	4,043,103
Unassigned	10,180,372	-	(4,269,689)	(4,415,705)	1,494,978
Total Fund Balance	14,223,475	5,331,595	(4,269,689)	4,390,109	19,675,490
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 38,273,372	\$ 5,331,595	\$ 21,979,509	\$ 18,049,000	\$ 83,633,476

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF PITTSFIELD, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund	Economic Revitalization Fund	High School Construction Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 79,669,245	\$ -	\$ -	\$ -	\$ 79,669,245
Intergovernmental	55,185,386	-	29,061,203	19,333,541	103,580,130
Excise and Other Taxes	5,327,678	-	-	-	5,327,678
Hotel Room Occupancy and Meals Taxes	1,432,689	-	-	-	1,432,689
Licenses, Permits, Fees	3,183,016	-	-	-	3,183,016
Charges for Services	-	-	-	1,986,934	1,986,934
Interest on Taxes	500,683	-	-	-	500,683
Investment Income	106,547	10,497	-	648	117,692
Other	-	-	-	605,450	605,450
Intergovernmental - "On-behalf" Payments	14,019,099	-	-	-	14,019,099
Total Revenues	159,424,343	10,497	29,061,203	21,926,573	210,422,616
Expenditures:					
Current:					
General Government	6,794,150	-	-	2,065,119	8,859,269
Airport	202,036	-	-	625,855	827,891
Public Safety	16,758,664	-	-	3,688,235	20,446,899
Public Works	8,322,241	-	-	8,900,178	17,222,419
Education	59,118,136	-	40,749,236	11,998,941	111,866,313
Health and Human Services	1,946,668	-	-	704,733	2,651,401
Culture and Recreation	1,551,628	-	-	469,477	2,021,105
Employee Benefits and Insurance	49,191,437	-	-	-	49,191,437
State Assessments	5,873,908	-	-	-	5,873,908
Debt Service:					
Principal	7,497,988	-	-	-	7,497,988
Interest and Costs	2,492,931	-	-	-	2,492,931
Total Expenditures	159,749,787	-	40,749,236	28,452,538	228,951,561
Excess of Revenues Over (Under) Expenditures	(325,444)	10,497	(11,688,033)	(6,525,965)	(18,528,945)
Other Financing Sources (Uses):					
Operating Transfers In	1,942,401	-	2,786	11,350	1,956,537
Operating Transfers Out	(11,350)	-	-	(1,937,936)	(1,949,286)
Sale of Tax Foreclosure Property	12,502	-	-	-	12,502
Premium on Bonds and Notes	564,323	-	-	364,814	929,137
Proceeds from Bonds and Notes	-	-	10,000,000	11,596,238	21,596,238
Total Other Financing Sources (Uses)	2,507,876	-	10,002,786	10,034,466	22,545,128
Net Change in Fund Balances	2,182,432	10,497	(1,685,247)	3,508,501	4,016,183
Fund Balances, Beginning of Year	12,041,043	5,321,098	(2,584,442)	881,608	15,659,307
Fund Balances, End of Year	\$ 14,223,475	\$ 5,331,595	\$ (4,269,689)	\$ 4,390,109	\$ 19,675,490

The Notes to the Financial Statements are an integral part of this Statement.

CITY OF PITTSFIELD, MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Position
For the Year Ended June 30, 2017

Total Governmental Fund Balances		\$	19,675,490
Capital Assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.			167,339,329
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.			23,696,278
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.			5,668,160
Internal Service funds are used by management to account for Health Insurance activities. The assets and liabilities of the Internal Service funds are included in the Governmental activities in the Statement of Net Position.			1,821,435
Long Term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:			
Bonds and Notes Payable	\$	(66,032,582)	
Other Post Employment Benefits Payable		(68,051,852)	
Net Pension Liability		(123,716,685)	
Compensated Absences		(6,476,715)	(264,277,834)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds interest is not reported until due.			(818,521)
Net Position of Governmental Activities		\$	(46,895,663)

The Notes to the Financial Statements are an integral part of this Statement.

CITY OF PITTSFIELD, MASSACHUSETTS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 4,016,183

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

Capital Outlay Purchases	\$ 52,241,740	
Sale of Capital Assets	(22,921)	
Depreciation	<u>(8,155,888)</u>	44,062,931

Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue. (1,231,712)

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

Repayment of Debt Principal	8,046,044	
Proceeds from Bonds and Notes	<u>(21,000,538)</u>	(12,954,494)

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

Net Change in Compensated Absences	(421,608)	
Net Change in Other Post Employment Benefits	(6,011,717)	
Net Change in Net Pension Liability	5,458,380	
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	(1,552,812)	
Net Change in Accrued Interest on Long-Term Debt	<u>(307,464)</u>	(2,835,221)

Internal Service funds are used by management to account for Health Insurance activities.
The net activity of Internal Service Funds is reported with Governmental Activities 3,633

Change in Net Position of Governmental Activities \$ 31,061,320

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF PITTSFIELD, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGETARY BASIS -
(NON-GAAP) - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>			<u>Actual</u> <u>Budgetary</u> <u>Basis</u>	<u>Amounts</u> <u>Carried</u> <u>Forward to</u> <u>Next Year</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Amounts</u> <u>Carried</u>		<u>Final</u> <u>Budget</u>			
	<u>Forward from</u> <u>Prior Year</u>	<u>Original</u> <u>Budget</u>				
Revenues:						
Property Taxes	\$ -	\$ 80,506,614	\$ 80,506,614	\$ 79,713,245	\$ -	\$ (793,369)
Intergovernmental	-	54,909,405	54,909,405	55,185,386	-	275,981
Excise and Other Taxes	-	5,012,600	5,012,600	5,327,678	-	315,078
Hotel Room Occupancy and Meals Taxes	-	1,140,000	1,140,000	1,432,689	-	292,689
Licenses, Permits, Fees	-	2,938,040	2,938,040	3,183,016	-	244,976
Interest on Taxes	-	565,500	565,500	500,683	-	(64,817)
Investment Income	-	90,000	90,000	94,737	-	4,737
Total Revenues	-	145,162,159	145,162,159	145,437,434	-	275,275
Expenditures:						
Current:						
General Government	360,501	7,228,007	7,400,196	6,794,150	358,558	247,488
Airport	4,070	203,296	207,367	202,036	4,770	561
Public Safety	20,411	17,361,594	16,986,005	16,758,664	79,849	147,492
Public Works	256,715	7,400,161	8,767,876	8,322,241	424,832	20,803
Education	1,128,752	60,316,338	61,445,090	59,118,136	2,124,076	202,878
Health and Human Services	2,509	1,901,542	1,989,051	1,946,668	24,186	18,197
Culture and Recreation	18,524	1,609,192	1,627,716	1,551,628	26,832	49,256
Employee Benefits and Insurance	-	35,060,433	35,341,366	35,172,338	-	169,028
State Assessments	-	5,776,092	5,776,092	5,873,908	-	(97,816)
Debt Service:						
Principal	-	7,714,469	7,510,829	7,497,988	-	12,841
Interest and Costs	11,239	2,591,035	2,542,459	2,492,931	-	49,528
Total Expenditures	1,802,721	147,162,159	149,594,047	145,730,688	3,043,103	820,256
Excess of Revenues Over						
(Under) Expenditures	(1,802,721)	(2,000,000)	(4,431,888)	(293,254)	(3,043,103)	1,095,531
Other Financing Sources (Uses):						
Operating Transfers In	-	-	22,532	290,204	-	267,672
Operating Transfers Out	-	-	-	(11,350)	-	(11,350)
Sale of Tax Foreclosure Property	-	-	-	12,502	-	12,502
Premium on Bonds and Notes	-	-	-	564,323	-	564,323
Total Other Financing Sources (Uses)	-	-	22,532	855,679	-	833,147
Net Change in Budgetary Fund Balance	(1,802,721)	(2,000,000)	(4,409,356)	\$ 562,425	\$ (3,043,103)	\$ 1,928,678
Other Budgetary Items:						
Free Cash and Other Reserves	-	2,000,000	2,606,635			
Prior Year Encumbrances	1,802,721	-	1,802,721			
Total Other Budgetary Items	1,802,721	2,000,000	4,409,356			
NET BUDGET	\$ -	\$ -	\$ -			

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF PITTSFIELD, MASSACHUSETTS
 Reconciliation of Revenues and Expenditures
 from Budgetary Basis to GAAP Basis
 For the Year Ended June 30, 2017**

	Revenues	Expenditures
Reported on a Budgetary Basis	\$ 145,437,434	\$ 145,730,688
<i>Adjustments:</i>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	11,810	-
Net Increase in Revenue from recording Refund Taxes Payable	15,000	-
Recognition of Intergovernmental Revenue - "on behalf payments"	14,019,099	-
Recognition of Expenditures - "on behalf payments"	-	14,019,099
Net Decrease in Revenue from Recording 60-Day Receipts	(59,000)	-
Reported on a GAAP Basis	\$ 159,424,343	\$ 159,749,787

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF PITTSFIELD, MASSACHUSETTS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2017**

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Total	
ASSETS				
CURRENT:				
Cash and Cash Equivalents	\$ 4,827,093	\$ 3,456,227	\$ 8,283,320	\$ 1,821,435
User Charges, net of allowance for uncollectibles	871,579	913,016	1,784,595	-
Total current assets	<u>5,698,672</u>	<u>4,369,243</u>	<u>10,067,915</u>	<u>1,821,435</u>
NONCURRENT:				
Capital Assets, net of accumulated Depreciation				
Nondepreciable	9,264,327	776,492	10,040,819	-
Depreciable	32,767,087	26,317,117	59,084,204	-
Total noncurrent assets	<u>42,031,414</u>	<u>27,093,609</u>	<u>69,125,023</u>	<u>-</u>
Total Assets	<u>47,730,086</u>	<u>31,462,852</u>	<u>79,192,938</u>	<u>1,821,435</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows Related to Pensions	274,069	128,136	402,205	-
LIABILITIES				
CURRENT:				
Accounts Payable	85,043	40,593	125,636	-
Accrued Payroll	25,624	16,690	42,314	-
Accrued Interest	250,863	273,160	524,023	-
Compensated Absences	57,355	33,849	91,204	-
Notes Payable	2,593,336	320,910	2,914,246	-
Bonds Payable	889,386	952,088	1,841,474	-
Total current liabilities	<u>3,901,607</u>	<u>1,637,290</u>	<u>5,538,897</u>	<u>-</u>
NONCURRENT:				
Compensated Absences	58,171	38,128	96,299	-
OPEB Obligation Payable	315,232	746,163	1,061,395	-
Net Pension Liability	3,978,068	1,859,872	5,837,940	-
Bonds Payable	19,651,245	17,839,478	37,490,723	-
Total noncurrent liabilities	<u>24,002,716</u>	<u>20,483,641</u>	<u>44,486,357</u>	<u>-</u>
Total Liabilities	<u>27,904,323</u>	<u>22,120,931</u>	<u>50,025,254</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows Related to Pensions	91,811	42,925	134,736	-
NET POSITION				
Net Investment in Capital Assets	18,897,447	7,981,133	26,878,580	-
Restricted for Capital Projects	2,751,088	1,917,380	4,668,468	-
Unrestricted	(1,640,514)	(471,381)	(2,111,895)	1,821,435
Total Net Position	<u>\$ 20,008,021</u>	<u>\$ 9,427,132</u>	<u>\$ 29,435,153</u>	<u>\$ 1,821,435</u>

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF PITTSFIELD, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Total	
Operating Revenues:				
Charges for Services	\$ 5,393,502	\$ 4,522,918	\$ 9,916,420	\$ -
Other	137,420	122,270	259,690	-
Total Operating Revenues	5,530,922	4,645,188	10,176,110	-
Operating Expenses:				
Salaries & Wages	1,309,433	829,010	2,138,443	-
Operating Expenses	2,547,758	2,677,093	5,224,851	-
Depreciation	1,151,816	1,281,735	2,433,551	-
Total Operating Expenses	5,009,007	4,787,838	9,796,845	-
Operating Income (Loss)	521,915	(142,650)	379,265	-
Non-Operating Revenues (Expenses):				
Interest Income	-	-	-	3,633
Other	451,664	561,512	1,013,176	-
Interest Expense	(628,206)	(563,559)	(1,191,765)	-
Total Non-Operating Revenues (Expenses)	(176,542)	(2,047)	(178,589)	3,633
Income (Loss) Before Operating Transfers	345,373	(144,697)	200,676	3,633
Operating Transfers:				
Transfer Out	(3,729,637)	(1,750,974)	(5,480,611)	-
Total Operating Transfers	(3,729,637)	(1,750,974)	(5,480,611)	-
Change in Net Position	(3,384,264)	(1,895,671)	(5,279,935)	3,633
Net Position at Beginning of Year	23,392,285	11,322,803	34,715,088	1,817,802
Net Position at End of Year	\$ 20,008,021	\$ 9,427,132	\$ 29,435,153	\$ 1,821,435

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF PITTSFIELD, MASSACHUSETTS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Total	
Cash Flows From Operating Activities:				
Receipts from Customers and Users	\$ 5,204,584	\$ 4,454,584	\$ 9,659,168	\$ -
Receipts from Other Revenues	137,420	122,270	259,690	-
Payments to Vendors	(2,766,852)	(2,723,220)	(5,490,072)	-
Payments to Employees	(1,302,825)	(823,329)	(2,126,154)	-
Net Cash Provided by (Used for) Operating Activities	1,272,327	1,030,305	2,302,632	-
Cash Flows from Noncapital Financing Activities:				
Transfers from (to) Other Funds	-	(7,251)	(7,251)	-
Net Cash Provided by (Used for) Noncapital Financing Activities	-	(7,251)	(7,251)	-
Cash Flows from Capital and Related Financing Activities:				
Premium on Bonds and Notes	451,664	561,512	1,013,176	-
Proceeds from the Issuance of Bonds and Notes	10,213,740	8,900,910	19,114,650	-
Acquisition and Construction of Capital Assets	(4,720,649)	(946,362)	(5,667,011)	-
Principal Payments on Bonds and Notes	(9,399,447)	(9,466,709)	(18,866,156)	-
Interest Expense	(536,873)	(438,890)	(975,763)	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(3,991,565)	(1,389,539)	(5,381,104)	-
Cash Flows from Investing Activities:				
Investment Income	-	-	-	3,633
Net Cash Provided by (Used for) Investing Activities	-	-	-	3,633
Net Increase (Decrease) in Cash and Cash Equivalents	(2,719,238)	(366,485)	(3,085,723)	3,633
Cash and Cash Equivalents at Beginning of Year	7,546,331	3,822,712	11,369,043	1,817,802
Cash and Cash Equivalents at End of Year	\$ 4,827,093	\$ 3,456,227	\$ 8,283,320	\$ 1,821,435

(Continued)

**CITY OF PITTSFIELD, MASSACHUSETTS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:				
Operating Income (Loss)	\$ 521,915	\$ (142,650)	379,265	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,151,816	1,281,735	2,433,551	-
Deferred (Outflows)/Inflows of Resources Related to Pension	38,576	18,036	56,612	-
Change in Assets and Liabilities:				
Increase (Decrease) in Warrants Payable	(6,264)	(52,821)	(59,085)	-
Increase (Decrease) in Accrued Payroll	5,464	4,969	10,433	-
Increase (Decrease) in Compensated Absences	1,144	712	1,856	-
Increase (Decrease) in OPEB Obligation Payable	(279,003)	(24,244)	(303,247)	-
Increase (Decrease) in Net Pension Liability	27,597	12,902	40,499	-
Decrease (Increase) in User Charges Receivable	(188,918)	(68,334)	(257,252)	-
Total Adjustments	750,412	1,172,955	1,923,367	-
Net Cash Provided by (Used for) Operating Activities	\$ 1,272,327	\$ 1,030,305	\$ 2,302,632	\$ -

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF PITTSFIELD, MASSACHUSETTS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017**

	PITTSFIELD			
	Employee Retirement System Pension Trust Fund (as of December 31, 2016)			
	System Pension Trust Fund (as of December 31, 2016)	Other Post Employment Benefits Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash and Cash Equivalents	\$ 6,842,540	\$ 301,340	\$ 328,746	\$ 412,824
Investments	116,675,509	-	-	-
Accounts Receivable	22,524	-	-	-
Total Assets	123,540,573	301,340	328,746	412,824
LIABILITIES				
Warrants Payable	5,216	-	-	39,292
Due to Others	-	-	-	49,232
Due to Student Groups	-	-	-	263,525
Deposits and Escrows	-	-	-	60,775
Total Liabilities	5,216	-	-	412,824
NET POSITION				
Held in Trust for Pension Benefits and Other Purposes	\$ 123,535,357	\$ 301,340	\$ 328,746	\$ -

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF PITTSFIELD, MASSACHUSETTS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	PITTSFIELD		
	Employee Retirement		
	System Pension	Other	Private
	Trust Fund	Post Employment	Purpose
	(as of December	Benefits	Trust Funds
	31, 2016)	Trust Fund	Trust Funds
Additions			
Contributions:			
Employers	\$ 12,057,600	\$ 7,193,084	\$ -
Plan Members	3,246,794	-	-
Transfers/Reimbursements from Other Systems	477,453	-	-
Federal Grant Reimbursements	166,725	-	-
Commonwealth of Massachusetts - COLA	570,998	-	-
Private Donations	-	-	8,775
Total Contributions	16,519,570	7,193,084	8,775
Investment Income:			
Interest & Dividends	3,256,587	1,340	605
Net Change in Fair Value of Investments	5,581,399	-	-
Total Investment Earnings	8,837,986	1,340	605
Less Investment Expense	(610,330)	-	-
Net Investment Earnings	8,227,656	1,340	605
Total Additions	24,747,226	7,194,424	9,380
Deductions:			
Benefit Payments to Plan Members and Beneficiaries	16,074,325	7,093,084	-
Refunds to Members	463,656	-	-
Transfers to Other Systems	791,405	-	-
General Expenses	237,886	-	-
Educational Scholarships	-	-	11,150
Total Deductions	17,567,272	7,093,084	11,150
Change in Net Position	7,179,954	101,340	(1,770)
Net Position at Beginning of Year	116,355,403	200,000	330,516
Net Position at End of Year	\$ 123,535,357	\$ 301,340	\$ 328,746

The Notes to the Financial Statements are an integral part of this Statement.

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the City of Pittsfield, Massachusetts (the City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant City accounting policies are described herein.

A. Reporting Entity

The City of Pittsfield, Massachusetts is a municipality in which citizens elect the mayor, seven council members and four at-large council members.

For financial reporting purposes, the City has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The City has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the basic financial statements to be misleading or incomplete.

Blended component units are entities that are legally separate from the City, but are so related that they are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. The following component unit is blended within the primary government in the fiduciary funds:

The Pittsfield Contributory Retirement System (the System) was established to provide retirement benefits to City employees, the City Housing Authority, the Pittsfield Economic Development Authority and their beneficiaries. The System is governed by a five-member board comprised of the Director of Finance/Treasurer (ex-officio), two members elected by the System's participants, one member appointed by the Mayor and one member appointed by the Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

The system did not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 70 Allen Street Room #109, Pittsfield, Massachusetts.

Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. The following component unit is presented as discretely presented component unit:

The Berkshire Athenaeum (the Corporation) is a corporation established under Chapter 129 of the Acts of 1871 of the Commonwealth of Massachusetts. The purpose of the Corporation is to maintain and operate a public library and to provide library services and library materials to the inhabitants of the City. The Corporation has fifteen trustees, seven trustees that are elected at the annual meeting, four trustees appointed by the mayor with the approval of the City Council and four ex officio trustees consisting of the mayor, president of the city council, city treasurer, and one member of the school committee elected from its members. The Corporation is presented as a component unit. The component unit is presented as unaudited.

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The City is responsible for electing the governing board and/or committee members of the Pittsfield Housing Authority and the Pittsfield Economic Development Authority. These related organizations are excluded from the financial reporting entity because the City's accountability does not extend beyond the City electing the board and/or committee members. Audited financial statements are available from the respective organizations. Descriptions of the related organizations are as follows:

Pittsfield Housing Authority – A public housing agency that provides housing assistance to eligible and qualified low and moderate income families, the elderly and handicapped. The housing authority is an autonomous and self-sufficient agency under the State Executive Office of Communities and Development. The City has no significant influence over management, budget or policies of the authority.

Pittsfield Economic Development Authority – An authority established by Section 268 of Chapter 194 of the Acts of 1998 of the Commonwealth of Massachusetts, the purpose of which shall be to acquire properties contaminated by oil or hazardous material, conduct response actions thereon and construct, develop, maintain, lease, convey or otherwise transfer such property for the beneficial reuse or development of property to promote economic development on behalf of the City of Pittsfield. The authority is under the management and control of the Pittsfield Economic Development Board. Although the mayor of the City appoints the board, the City has no significant influence over management, budget or policies of the authority.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

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

Fund financial statements

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

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net position and change in net position.

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental funds),

and
- If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental funds are at least 5 percent of the corresponding element for all governmental funds combined.

Additionally, any other governmental fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Proprietary and fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported.

Fund financial statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Under the modified accrual basis concept, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The City reports the following major governmental funds:

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

The *economic revitalization development fund* is a special revenue fund used to account for the appropriation of funds originally funded by the General Electric Company. These funds provide resources for economic development in the City upon City Council approval.

The *high school construction project fund* is used to account for the construction of the new Taconic High School facility.

The City reports the following major proprietary funds:

The *sewer fund* is used to account for the sewer activities.

The *water fund* is used to account for the water activities.

The *internal service fund* is used to account for the activity in the health insurance fund.

The non-major governmental fund consists of other special revenue, capital projects and permanent funds that are aggregated and presented in the *non-major governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Additionally, the City reports the following fund types:

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government programs.

The *Pittsfield Employees Retirement System Pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *Other Post Employment Benefit (OPEB) Trust Fund* is used to account for the assets held by the City in trust for the payment of future retiree health insurance benefits. The assets of the OPEB Trust Fund cannot be used to support the City's operations.

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a purely custodial capacity.

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 operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. The City maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

Excluding the permanent funds, investment income derived from major and non-major governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Laws (MGL).

Investment income from proprietary funds is maintained in those funds.

E. Investments

The City maintains investments according to Massachusetts General Laws and adopted policies. Investments are reported according to the fair value hierarchy established by generally accepted accounting principles. Investments are defined as securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are assumptions that market participants would use when pricing an asset or a liability, including assumptions about risk.

Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 inputs are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are indirectly observable for the asset or liability.

Level 3 inputs are unobservable for the asset or liability.

Certain investments, such as money market investments and 2a7-like external investment pools, are reported at amortized cost. 2a7-like pools are external investment pools that operate in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended and should be measured at the net asset value per share provided by the pool.

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Additional investment disclosures are presented in these Notes.

Investments in the Pittsfield Employee Retirement System consist of marketable securities, bonds and short-term money market investments. All investments are carried at fair market value.

F. Receivables

The recognition of revenues related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Property Taxes and Tax Liens

Property taxes are based on assessments as of January 1, 2016 and include betterments, special assessments and liens. Taxes are used to finance the operations of the City for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The City has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the City sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The City has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The City mailed preliminary tax bills for the fiscal year 2017 on June 29, 2016, that were due on August 1, 2016 and November 1, 2016 and actual bills on December 29, 2016, that were due on February 1, 2017 and May 1, 2017.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a City. The legal levy limit under Proposition 2 1/2 for fiscal year 2017 is \$84,001,992.

The total amount raised by taxation was \$81,004,318.

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis.

Excise and Other Taxes

Excise taxes consist of motor vehicle excise. Excise taxes are assessed annually for each vehicle registered in the City, and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair market value of those vehicles.

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The tax calculation is the fair market value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

User Charges

User charges and fees consist of water and sewer and are levied quarterly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed each year and are included as a lien on the property owner's tax bill. Water and sewer charges and liens are recorded as receivables in the fiscal year of the levy.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Departmental

Departmental receivables consist primarily of school tuition, parking fees, police outside detail fees, demolition liens, solid waste fees and other immaterial fees and are recorded as receivables in the fiscal year.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Special Assessments

Special assessments consist of sewer betterments in the business-type funds.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Loans

The Community Development office administers loan programs that provide housing assistance to residents of the City and commercial loans to businesses. Upon issuance, a receivable is recorded for the principal amount of the loan.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Due from Other Governments

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

G. Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, machinery, equipment and other, and infrastructure assets (e.g. roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value.

All purchase of equipment in excess of \$15,000 and construction costs of in excess of \$50,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

Capital Asset Type	Years
Buildings and renovations	10-40
Machinery, equipment and other	3-20
Infrastructure	20-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

H. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers net."

In the fund financial statements, operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

I. Deferred Outflows and Inflows of Resources

Government-wide financial statements

The government-wide financial statements *Statement of Net Position* includes a separate section, listed below total assets, for *deferred outflows of resources*. This represents the usage of net position applicable for future period(s) and will not be recognized as expenditures until the future period to which it applies. Currently, the only item in this category is *deferred outflows related to pensions*.

In addition to liabilities, the *Statement of Net Position* will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the only item in this category is *deferred inflows related to pensions*.

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Fund financial statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for the City's property and excise taxes; departmental revenue, loans and intergovernmental grants. These amounts are deferred and are recognized as an inflow of resources in the period that the amounts become available.

J. Net Position and Fund Balances

In the Government-Wide financial statements, the difference between the City's total assets, deferred outflows of resources, total liabilities and deferred inflows of resources represents net position. Net position displays three components – net investment in capital assets, restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net position available for future operations.

Net position classified as net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Net position has been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

"Loans" represents community development outstanding loan receivable balances.

"Federal and state grants" represents amounts restricted by the federal and state government for various programs.

"Permanent funds – expendable" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"Permanent funds – nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

"Other purposes" represents restrictions placed on assets from outside parties.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of those resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority, which is the City Council action and can be modified or rescinded only through these actions. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it employed to previously commit.

Assigned fund balance. This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. Department heads and City board/committees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When the restricted and other fund balance resources are available for use, it is the City's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

K. Long-term Debt

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position.

The face amount of governmental funds long-term debt is reported as other financing sources.

L. Compensated Absences

The City grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Individuals are provided for a maximum in a range of 105 to 140 days depending on the union contract. Upon retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at 50% of their current rates of pay.

M. Pension Benefits

For purposes of measuring the net pension liability, deferred outflows of resources related to pensions and pension expense, information about the fiduciary net position of the Pittsfield Contributory Retirement System (the System) and the Massachusetts Teachers Retirement System (MTRS) are provided. Additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable according with the benefit terms. Investments are reported at their fair value.

N. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 85% share of insurance premiums for PPO plans and HMO plans in the general fund in the fiscal year paid.

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

O. Use of Estimates

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

P. Total Column

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted for the City's General Fund. Although legislative approval is required for the acceptance of grants, capital projects and borrowing authorizations, annual budgets are not prepared for any other fund; therefore comparison of budget to actual is only presented for the General Fund.

The City must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non-property tax revenues estimated to be received, including available funds. Supplemental appropriations may be made from available funds after the setting of the tax rate. Appropriations may be transferred between departments with the City Council approval.

The City follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

- The Mayor presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1st to the City Council.
- The budget is legally enacted by vote of the City Council prior to the end of the fiscal year.
- Throughout the fiscal year, any unencumbered appropriation, balance or portion thereof, may be transferred from one department, commission, board or office, to another by City Council vote.

Massachusetts law requires cities and towns to provide for a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . ."

For fiscal year 2017, the City incurred a final budget deficit of \$4,409,356 for the General Fund.

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The City voted from the following sources to fund the deficit budget during the fiscal year:

Unassigned fund balance:		
Free cash votes	\$	2,298,000
Overlay surplus		308,635
Prior year's encumbrances		1,802,721
		1,802,721
	\$	4,409,356

B. Deficit Fund Balances

The following funds have deficits at June 30, 2017 as measured by the balances of unreserved fund balance:

- The high school construction project fund, a major fund, has a deficit of \$4,269,689. This project is partially funded by the Massachusetts School Building Authority (MSBA). The City has additional authorizations for debt totaling \$90.8 million and has temporary notes outstanding of \$20 million. The deficit will be eliminated upon the future receipt of funds or upon the issuance of permanent debt.
- Various capital project funds are overdrawn for a total of \$4,415,705. The City has various temporary notes totaling \$4,995,095 for these capital projects. The deficits will be eliminated upon the issuance of permanent debt.

3. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks – Deposits – City Financials

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial credit risk. Deposits at June 30, 2017 were \$62,341,010. Of these, \$8,232,440 are exposed to custodial credit risk as uninsured and uncollateralized.

Custodial Credit Risks – Deposits – Pittsfield Contributory Retirement System

Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned. The System does not have a deposit policy for custodial credit risk. Deposits at December 31, 2016 were \$7,134,827. None are exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies – City Financials

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less. The MMDT is an external investment pool that meets the criteria established under GASB Statement No. 79 to report its investments at amortized cost.

As of June 30, 2017, the City had no investments that met the above criteria.

Investment Policies – Pittsfield Contributory Retirement System

Under the Public Employee's Retirement Administration Commission (PERAC) regulations, every retirement board shall file a statement of investment objectives with PERAC. Among the information to be filed are the investment policy, the rate of return expected, the expected level of risk, the asset mix, the degree of diversification, and other pertinent financial information. At all times, the Board's investments are subject to certain limitations set forth in Massachusetts General Laws, Chapter 32. Any investment not specifically addressed in these guidelines is not allowed.

Specific policies for investments of funds for the system that have been approved by PERAC, are as follows:

- Equities of foreign corporations, including American Depository Receipts, listed on the New York Stock Exchange provided that all such investments are denominated in U. S. currency, and that the total of all such investments shall not exceed 10% of the total book value of equity investments.
- Bonds shall have a minimum quality rating of Baa or equivalent as rated by one or more recognized bond rating services, however, 10% of the market value of fixed income investments may be invested in bonds with a minimum quality rating of Ba or equivalent as rated by one or more recognized bond rating services.
- Fixed income holdings which are downgraded by one or more recognized rating services to below a Baa or equivalent rating must be sold within a reasonable period of time not to exceed one year, however, 10% of the market value of fixed income investments may be invested in bonds with a minimum quality rating of Ba or equivalent.
- Sales of fixed income investments with maturities exceeding one year shall not exceed 150% of the market value of all fixed income obligations in any twelve-month period, excluding cash and short term obligations.
- Sales of equity investments shall not exceed 100% of the average market value of all equity holdings in any twelve-month period.
- Equities in foreign corporations, including American Depository Receipts listed on a United States stock exchange or traded over the counter in the United States, provided that all such investments are denominated in the U. S. currency, and that the total of all such investments shall not exceed 10% of total book value of equity investments.
- Commingled real estate shall not exceed 5% of the total book value of the portfolio at the time of purchase provided that: (a) the retirement board does not participate in the selection of personnel responsible for making real estate investments and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action; (b) such personnel retain authority in the decision making process, and (c) should an investment in real estate result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture is prudent.

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

- Equity investments shall not exceed 60% of the portfolio value at market, including international equities which shall not exceed 5% of the portfolio valued at market. At least 40% but not more than 80% of the total portfolio valued at market, shall consist of fixed income investments with a maturity of more than one year including Yankee bonds which shall be limited to 10% of the total fixed income portfolio value at market.
- In accordance with PERAC Investment Guideline 99-2, the Board may invest in the Freedom Equity Style Fund. Proceeds will come from a large cap equity value separate account managed by Freedom Capital Management. As long as the fund maintains its value focus, there is no change in investment strategy or in the universe of securities to be considered. Since the fund invests in an index rather than in individual securities, this modification affords reduced fees to the System.
- In accordance with PERAC Investment Guideline 99-2, the Board may make a modest modification to its fixed income management mandate with Freedom Capital Management. Under this modification, the manager may invest up to 15% of the account's assets in high yield securities on an opportunistic basis. The Board has had a successful relationship with Freedom Capital as a fixed income manager since 1986 and it is satisfied that the company has sufficient capability in the high-yield market to accomplish the modified mandate.
- The System may modify its investment with Freedom Capital Management in accordance with Investment Guideline 99-2. In order to achieve cost savings deriving from economies of scale, the System's Core Plus Fixed Income and Large Cap Value mandates with Freedom Capital will change from separately managed accounts to participation in commingled funds.

The System's investments are in pooled funds (the Pension Reserves Investment Trust (PRIT) Fund and the Real Estate Fund). The PRIT fund and the real estate fund are pooled investment funds created under the supervision of the Pension Reserves Investment Management (PRIM) Board. The PRIT and the real estate fund are external investment pools that meet the criteria established under GASB Statement No. 79. As of December 31, 2016, the System had the following investments and maturities:

Investment Type	Fair Value
Other Investments:	
PRIT pooled funds	116,426,906
Pooled real estate	248,603
	\$ 116,675,509

Custodial Credit Risks - Investments

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the System's \$116,675,509 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the System's name. The System has no policy on custodial credit risk.

Interest Rate Risk

The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Credit Risk

The System limits investments in bonds with a minimum quality rating of Baa or equivalent as rated by one or more recognized bond rating services, however, 10% of the market value of fixed income investments may be invested in bonds with a minimum quality rating of Ba or equivalent as rated by one or more recognized bond rating services.

The System does not have any investments which are exposed to credit risk.

Concentration of Credit Risk

The System places no limit on the amount the System may invest in one issuer.

Fair Value of Retirement Investments

The retiree pension defined benefit plan holds significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of the plan's activities, the plan shows greater disaggregation in its disclosures. The plan chooses a tabular format for disclosing the levels within the fair value hierarchy.

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The System has the following recurring fair value measurements as of December 31, 2016:

Investment Type	Fair Value	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Pooled real estate funds	\$ 248,603	\$ -	\$ -	\$ 248,603
Investments Measured at the net asset value (NAV):				
External Investment Pools (PRIT)	<u>116,426,906</u>			
Total Investments	<u>\$ 116,675,509</u>			

Pooled Alternative Investments and Pooled Real Estate Funds classified in level 3 are valued using either a discounted cash flow or market comparable company's technique.

PRIT investments are valued using the net asset value (NAV) method. This investment pool was created by the Commonwealth of Massachusetts under the supervision of the State Treasurer's office. PRIT is administered by the Pension Reserves Investment Management (PRIM) Board. The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

B. Receivables

At June 30, 2017, receivables for the individual major governmental funds, non-major governmental funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and non-major governmental funds:			
Property taxes	\$ 2,785,978	\$ (55,468)	\$ 2,730,510
Tax liens	4,858,026	(916,181)	3,941,845
Excise taxes	931,771	(50,200)	881,571
Departmental	1,621,957	(360,978)	1,260,979
Loans	3,679,642	-	3,679,642
Due from other governments	22,078,556	-	22,078,556
Fiduciary funds:			
<i>Pittsfield Employee Retirement System (at December 31, 2016):</i>			
Accounts receivable	22,524	-	22,524
	<u>\$ 35,978,454</u>	<u>\$ (1,382,827)</u>	<u>\$ 34,595,627</u>

At June 30, 2017, receivables for the sewer and water enterprise consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer Fund:			
User charges	\$ 514,467	\$ (5,000)	\$ 509,467
Tax liens	204,483	-	204,483
Departmental	158,224	(1,000)	157,224
Special assessments	405	-	405
Water Fund:			
User charges	546,523	(5,000)	541,523
Tax liens	369,680	-	369,680
Departmental	2,813	(1,000)	1,813
	<u>\$ 1,796,595</u>	<u>\$ (12,000)</u>	<u>\$ 1,784,595</u>

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The composition of amounts due from other governments as of June 30, 2017 for governmental funds is as follows:

General Fund:

Commonwealth of Massachusetts:

Department of Revenue:		
Urban renewal excise	\$	389,435
Department of Veterans Services:		
Veterans benefits		1,018,285
Massachusetts School Building Authority:		
School Building Assistance - Capital portion	<u>6,735,638</u>	\$ 8,143,358

High School Construction Project Fund:

Commonwealth of Massachusetts:

Massachusetts School Building Authority:		
School Building Assistance - Capital portion		7,059,143

Nonmajor Governmental Funds:

U.S. Department of Agriculture:

School lunch	541,979
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U.S. Department of Education:

School title grants	605,104
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U.S. Department of Homeland Security

31,379

U.S. Department of Housing and Urban Development:

Community Development Block Grant	729,585
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U.S. Environmental Protection Agency

Brownfields assessment grant	88,983
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U.S. Corporation for National & Community Service

781

Commonwealth of Massachusetts:

Department of Elementary and Secondary Education:

School lunch	14,070
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School title grants	92,684
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Department of Fire Services	74,474
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Executive Office of Environmental Affairs	8,565
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Executive Office of Public Safety & Homeland Security	20,401
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Massachusetts Cultural Council	6,300
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Massachusetts Department of Transportation:

Aeronautics Commission	9,784
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Highway Department	4,566,607
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Massachusetts Emergency Management Agency	2,151
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Secretary of State	77,000
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Other: Private grants

6,208 6,876,055

\$ 22,078,556

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

C. Deferred Inflows of Resources – Unavailable Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds are as follows:

General Fund:			
Property taxes	\$	2,339,510	
Tax liens		3,941,845	
Excise taxes		881,571	
Departmental		723,947	
Due from other governments		7,202,120	\$ 15,088,993
Nonmajor governmental funds:			
Departmental		890,697	
Loans		3,479,642	
Notes receivable		200,000	
Due from other governments		4,037,060	8,607,399
			\$ 23,696,392

D. Capital Assets

Capital asset activity for the governmental and business-type activities for the year ended June 30, 2017, are as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 6,402,767	\$ 38,292	\$ (22,920)	\$ 6,418,139
Construction in Progress	21,074,273	50,345,701	(14,702,555)	56,717,419
Total capital assets not being depreciated	27,477,040	50,383,993	(14,725,475)	63,135,558
Capital assets being depreciated:				
Buildings and Renovations	116,756,915	738,431	-	117,495,346
Machinery, equipment and other	20,839,616	1,459,137	(93,000)	22,205,753
Infrastructure	61,183,075	14,362,734	-	75,545,809
Total capital assets being depreciated	198,779,606	16,560,302	(93,000)	215,246,908
Less accumulated depreciation for:				
Buildings and Renovations	73,967,988	3,604,517	-	77,572,505
Machinery, equipment and other	15,491,605	1,155,885	(93,000)	16,554,490
Infrastructure	13,520,655	3,395,487	-	16,916,142
Total accumulated depreciation	102,980,248	8,155,889	(93,000)	111,043,137
Total capital assets being depreciated, net	95,799,358	8,404,413	-	104,203,771
Total governmental activities capital assets, net	\$ 123,276,398	\$ 58,788,406	\$ (14,725,475)	\$ 167,339,329

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 99,825	\$ -	\$ -	\$ 99,825
Construction in Progress	15,461,089	3,872,247	(9,392,342)	9,940,994
Total capital assets not being depreciated	15,560,914	3,872,247	(9,392,342)	10,040,819
Capital assets being depreciated:				
Machinery, equipment and other	3,030,220	200,844	-	3,231,064
Infrastructure	81,167,529	10,986,262	-	92,153,791
Total capital assets being depreciated	84,197,749	11,187,106	-	95,384,855
Less accumulated depreciation for:				
Machinery, equipment and other	2,591,759	142,982	-	2,734,741
Infrastructure	31,275,341	2,290,569	-	33,565,910
Total accumulated depreciation	33,867,100	2,433,551	-	36,300,651
Total capital assets being depreciated, net	50,330,649	8,753,555	-	59,084,204
Total business-type activities capital assets, net	\$ 65,891,563	\$ 12,625,802	\$ (9,392,342)	\$ 69,125,023

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government	\$ 761,932
Airport	1,142,127
Public safety	526,222
Public works	2,570,100
Education	2,521,300
Health and human services	106,167
Culture and recreation	528,041
Total depreciation expense - governmental activities	<u>\$ 8,155,889</u>

Business-Type Activities:

Sewer fund	\$ 1,151,816
Water fund	1,281,735
Total depreciation expense - business-type activities	<u>\$ 2,433,551</u>

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

E. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2017, are summarized below:

Transfers Out:	Transfers In:			Total
	General fund	High School Construction Project fund	Nonmajor Governmental fund	
General fund	\$ -	\$ -	\$ 11,350	\$ 11,350
Nonmajor governmental funds	1,935,150	2,786	-	1,937,936
Business-type fund	7,251	-	-	7,251
Total transfers out	\$ 1,942,401	\$ 2,786	\$ 11,350	\$ 1,956,537

The remaining \$5,473,360 of transfers to the governmental activities from the business-type activities shown on the Statement of Activities represents the net pension liabilities for the enterprise funds.

F. Short-Term Financing

Under the general laws of the Commonwealth and with the appropriate local authorization the City is authorized to borrow funds on a temporary basis to (1) fund current operations prior to the collection of revenues, by issuing revenue anticipation notes, (2) fund grants prior to reimbursements, by issuing grant anticipation notes, and (3) fund capital projects costs incurred prior to selling permanent debt by issuing bond anticipation notes.

Details related to the short-term debt activity of the governmental type fund activity are as follows:

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2016	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2017
Nonmajor Governmental Funds:						
<i>Bond Anticipation Notes:</i>						
MPL 2016, General projects	1.50%	2/4/2017	\$ 30,000	\$ -	\$ 30,000	\$ -
MPL 2016, Airport improvements	1.50%	2/4/2017	1,059,624	-	1,059,624	-
MPL 2016, General projects	2.00%	10/28/2016	11,509,635	-	11,509,635	-
MPL 2016, Airport improvements	2.00%	10/28/2016	50,000	-	50,000	-
MPL 2016, General projects	2.00%	6/30/2017	3,576,191	-	3,576,191	-
MPL 2016, Airport improvements	2.00%	6/30/2017	172,000	-	172,000	-
MPL 2016, General projects	1.75%	10/27/2017	-	6,095,097	-	6,095,097
MPL 2017, Airport improvements	1.75%	6/30/2017	-	1,059,624	1,059,624	-
MPL 2017, General projects	2.00%	2/2/2018	-	15,000,000	-	15,000,000
MPL 2017, General projects	2.00%	2/2/2018	-	2,840,374	-	2,840,374
MPL 2017, Airport improvements	2.00%	2/2/2018	-	1,059,624	-	1,059,624
Total Governmental Activities			\$ 16,397,450	\$ 26,054,719	\$ 17,457,074	\$ 24,995,095

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Details related to the short-term debt activity of the business-type activity are as follows:

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2016	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2017
Bond anticipation notes:						
Sewer Fund:						
Municipal Purpose Loan 2016:						
Wastewater Treatment Plant	1.50%	2/4/2017	\$ 602,686	\$ -	\$ 602,686	\$ -
Wastewater Treatment Plant	2.00%	10/28/2016	7,030,518	-	7,030,518	-
Wastewater Treatment Plant	2.00%	6/30/2017	486,000	-	486,000	-
Municipal Purpose Loan 2017:						
Wastewater Treatment Plant	1.75%	6/30/2017	-	589,886	589,886	-
Wastewater Treatment Plant	2.00%	2/2/2018	-	2,593,336	-	2,593,336
			8,119,204	3,183,222	8,709,090	2,593,336
Water Fund:						
Municipal Purpose Loan 2016	2.00%	10/28/2016	8,580,000	-	8,580,000	-
Municipal Purpose Loan 2016	2.00%	6/30/2017	192,900	-	192,900	-
Municipal Purpose Loan 2017	2.00%	2/2/2018	-	320,910	-	320,910
			8,772,900	320,910	8,772,900	320,910
Total Business-type activities			\$ 16,892,104	\$ 3,504,132	\$ 17,481,990	\$ 2,914,246

G. Long Term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

General obligation bonds currently outstanding of the governmental type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2017
Inside Debt:					
Municipal Purpose Loan - 2008	4.61%	3/1/2008	3/1/2028	\$ 5,747,190	\$ 1,595,000
Municipal Purpose Refunding	3.00-5.00%	7/1/2010	3/1/2022	3,165,100	1,360,100
Departmental equipment	2.00-4.50%	10/1/2010	9/1/2030	924,712	200,000
School building improvements	2.00-4.50%	10/1/2010	9/1/2030	933,708	555,000
DPW road and street improvements	2.00-4.50%	10/1/2010	9/1/2030	5,898,790	4,145,000
Building improvements	2.00-4.50%	10/1/2010	9/1/2030	982,447	645,000
Departmental equipment	2.00-4.00%	1/15/2011	12/1/2028	695,500	140,000
High school roof replacement	2.00-4.00%	1/15/2011	12/1/2028	1,550,000	1,170,000
Landfill drainage & engineering	2.00-4.00%	1/15/2011	12/1/2028	200,000	140,000
Building improvements	2.00-4.00%	1/15/2011	12/1/2028	659,500	370,000
DPW road and street improvements	2.43%	1/26/2012	12/1/2031	2,995,700	1,690,000
Various city projects	2.43%	1/26/2012	12/1/2031	237,300	25,000
Landfill drainage & engineering	2.43%	1/26/2012	12/1/2031	69,000	45,000
School projects	2.43%	1/26/2012	12/1/2031	80,000	30,000
DPW road and street improvements	3.32%	6/27/2013	6/1/2033	2,340,000	1,515,000
Various city projects	3.32%	6/27/2013	6/1/2033	1,210,059	510,000
Common/Skate Park Redevelopment	3.32%	6/27/2013	6/1/2033	250,000	190,000
DPW road and street improvements	3.00-5.00%	1/23/2014	6/1/2034	6,650,000	5,460,000
Various city projects	3.00-5.00%	1/23/2014	6/1/2034	2,613,250	1,930,000
School projects	3.00-5.00%	1/23/2014	6/1/2034	491,750	375,000
Municipal Purpose Loan - 2015	2.0-4.0%	2/5/2015	12/1/2034	7,001,312	5,930,000
Municipal Purpose Loan - 2016	2.42%	2/11/2016	12/1/2035	2,643,488	2,475,000
Municipal Purpose Loan - 2016	2.66%	10/27/2016	9/1/2036	3,996,482	3,996,482
Municipal Purpose Loan - 2017	2.58%	6/29/2017	6/1/2037	6,456,000	6,456,000
Total Inside Debt					<u>40,947,582</u>
Outside Debt:					
Landfill	3.00-4.0%	3/12/2009	12/15/2018	2,145,000	410,000
Municipal Purpose Refunding:					
School construction	3.00-5.00%	7/1/2010	3/1/2022	29,843,200	12,640,000
Airport Land Acquisition	2.00-4.50%	10/1/2010	9/1/2030	263,343	170,000
Airport Land Acquisition	2.00-4.00%	1/15/2011	12/1/2028	76,000	50,000
Airport Land Acquisition	3.00-5.00%	1/23/2014	6/1/2034	2,000,000	1,815,000
Taconic High School construction	3.60%	2/2/2018	3/1/2042	10,000,000	10,000,000
Total Outside Debt					<u>25,085,000</u>
Total Governmental Type Debt					<u>\$ 66,032,582</u>

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

General obligation bonds currently outstanding of the business-type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2017
Inside Debt:					
Sewer Fund:					
Municipal Purpose Loan - 2008	4.61%	3/1/2008	3/1/2028	\$ 3,380,000	\$ 1,820,000
Municipal Purpose Refunding	3.00-5.00%	7/1/2010	3/1/2022	75,100	32,000
Wastewater collection system	2.43%	1/26/2012	12/1/2031	650,000	520,000
Wastewater treatment plant	2.43%	1/26/2012	12/1/2031	660,000	525,000
Wastewater collection system	3.32%	6/27/2013	6/1/2033	1,150,000	985,000
Wastewater treatment plant	2.0-4.0%	2/5/2015	12/1/2034	1,000,000	935,000
Wastewater treatment plant	2.75%	10/27/2016	9/1/2036	1,080,518	1,080,518
Massachusetts Clean Water Trust:					
Wastewater treatment plant	2.00%	7/8/2010	7/15/2030	2,101,403	1,556,654
Wastewater treatment plant:					
Energy efficiency improvements	2.00%	5/22/2013	1/15/2033	677,334	366,762
Energy efficiency improvements	2.00%	1/7/2015	1/15/2035	4,100,000	3,764,697
Total Inside Debt					<u>11,585,631</u>
Outside Debt:					
Sewer Fund:					
Solar Photovoltaic	2.0-4.0%	2/5/2015	12/1/2034	225,688	210,000
Wastewater treatment plant	2.59%	2/11/2016	12/1/2035	2,867,512	2,795,000
Wastewater treatment plant	2.75%	10/27/2016	9/1/2036	4,500,000	4,500,000
Wastewater treatment plant	2.75%	10/27/2016	9/1/2036	850,000	850,000
Wastewater collection system	2.75%	10/27/2016	9/1/2036	600,000	600,000
Water Fund:					
Municipal Purpose Loan - 2008	4.61%	3/1/2008	3/1/2028	2,944,810	1,595,000
Municipal Purpose Refunding	3.00-5.00%	7/1/2010	3/1/2022	54,600	22,900
Public water dams	2.43%	1/26/2012	12/1/2031	2,500,000	1,925,000
Public water dams	3.32%	6/27/2013	6/1/2033	900,000	485,000
Municipal Purpose Loan - 2015:					
Water Main Improvements	2.0-4.0%	2/5/2015	12/1/2034	1,000,000	935,000
Hancock Road water main	2.0-4.0%	2/5/2015	12/1/2034	400,000	375,000
Benedict Road water tank I	2.0-4.0%	2/5/2015	12/1/2034	500,000	465,000
Benedict Road water tank II	2.0-4.0%	2/5/2015	12/1/2034	1,500,000	1,405,000
Municipal Purpose Loan - 2016:					
Benedict Road water tank	2.59%	2/11/2016	12/1/2035	270,000	265,000
YMCA water tank	1.67%	2/11/2016	12/1/2025	100,000	90,000
Public water dams	1.63%	10/27/2016	9/1/2036	600,000	600,000
Hancock Road water main	2.75%	10/27/2016	9/1/2036	450,000	450,000
Famham Dam improvement	2.75%	10/27/2016	9/1/2036	3,500,000	3,500,000
Famham Dam improvement	2.75%	10/27/2016	9/1/2036	3,300,000	3,300,000
YMCA water tank	2.75%	10/27/2016	9/1/2036	730,000	730,000
Massachusetts Clean Water Trust:					
SCADA System	2.00%	7/8/2010	7/15/2030	748,583	554,513
Coltsville system improvements	2.00%	7/8/2010	7/15/2030	2,826,999	2,094,153
Total Outside Debt					<u>27,746,566</u>
Total business-type debt					<u>\$ 39,332,197</u>

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Future Debt Service

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2017 are as follows:

Year	Principal	Interest	Total
2018	\$ 7,641,982	\$ 2,646,004	\$ 10,287,986
2019	7,798,500	2,242,213	10,040,713
2020	4,912,300	1,900,625	6,812,925
2021	4,627,300	1,687,585	6,314,885
2022	4,297,500	1,484,689	5,782,189
2023-2027	18,355,000	5,081,019	23,436,019
2028-2032	11,020,000	2,268,736	13,288,736
2033-2037	4,195,000	1,012,175	5,207,175
2038-2042	3,185,000	392,200	3,577,200
	<u>\$ 66,032,582</u>	<u>\$ 18,715,246</u>	<u>\$ 84,747,828</u>

The annual principal and interest payments to retire all business-type long-term debt outstanding as of June 30, 2017 are as follows:

Year	Principal	Interest	Total
2018	\$ 1,841,474	\$ 1,445,650	\$ 3,287,124
2019	2,066,451	1,186,677	3,253,128
2020	2,097,347	1,112,867	3,210,214
2021	2,182,242	1,035,534	3,217,776
2022	2,102,146	956,058	3,058,204
2023-2027	11,157,319	3,668,813	14,826,132
2028-2032	10,485,625	1,852,883	12,338,508
2033-2037	7,399,593	496,508	7,896,101
	<u>\$ 39,332,197</u>	<u>\$ 11,754,990</u>	<u>\$ 51,087,187</u>

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

A summary of the changes in governmental activities long term liabilities during the year is as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due within One Year
Governmental activities:					
Bonds Payable:					
General obligation bonds	\$ 53,078,088	\$ 56,515,482	\$ 43,560,988	\$ 66,032,582	\$ 7,641,982
Compensated absences	6,055,107	421,608	-	6,476,715	1,125,322
OPEB liability obligation	62,040,135	6,011,717	-	68,051,852	-
Net pension liability	129,175,065	14,980	5,473,360	123,716,685	-
Governmental activity					
Long-term liabilities	<u>\$ 250,348,395</u>	<u>\$ 62,963,787</u>	<u>\$ 49,034,348</u>	<u>\$ 264,277,834</u>	<u>\$ 8,767,304</u>
Business-type activities:					
Bonds Payable:					
General obligation bonds	\$ 16,322,912	\$ 15,610,518	\$ 938,012	\$ 30,995,418	\$ 1,386,018
Massachusetts Clean Water Trust bonds	8,782,933	-	446,154	8,336,779	455,456
Compensated absences	185,647	1,856	-	187,503	91,204
OPEB liability obligation	1,364,642	-	303,247	1,061,395	-
Net pension liability	-	5,837,940	-	5,837,940	-
Business-type activity					
Long-term liabilities	<u>\$ 26,656,134</u>	<u>\$ 21,450,314</u>	<u>\$ 1,687,413</u>	<u>\$ 46,419,035</u>	<u>\$ 1,932,678</u>

Massachusetts Clean Water Trust (MCWT)

The City is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of \$10,454,299 and interest costs of \$2,338,056 for five loans which the City has borrowed from MCWT. The gross amount outstanding at June 30, 2017 for principal and interest combined for the loans is \$9,777,276. Since the City is legally obligated for the total amount of the debt, such amounts for the gross principal have been recorded on the financial statements. There are no principal and interest subsidies.

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws, a City may authorize indebtedness up to a limit of 5 percent of the equalized valuation of the City. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The City's inside debt at June 30, 2017, totaled \$61,488,213.

In addition, the City is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The following is a computation of the legal debt limit as of June 30, 2017:

Equalized Valuation-Real Estate and Personal Property (2016)		<u>\$ 3,465,640,800</u>
Debt Limit: 5 % of Equalized value		173,282,040
Total Debt Outstanding	\$ 105,364,779	
Less: Debt Outside Debt Limit	<u>(43,876,566)</u>	<u>61,488,213</u>
 Inside Debt Excess Borrowing Capacity at June 30, 2017		 <u><u>\$ 111,793,827</u></u>

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts, a City must authorize debt at a City Council meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or City Council votes to rescind the authorized debt.

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The loan authorizations of the general fund as of June 30, 2017, which are not reflected in the City's financial statements, are as follows:

Date of Council meeting	Description	Amount
6/23/2009	Public Water Dams	\$ 500,000
6/23/2009	Public Water Distribution System	1,030,000
6/23/2009	Wastewater Treatment Plant	159,482
6/23/2009	Drinking Water System Improvements	20,294
5/25/2010	Airport Runway Construction	5,199,505
8/17/2010	MSBA New High School Feasibility Study	82,550
8/9/2011	Wastewater Treatment Plant Improvements	4,159,960
10/11/2011	Runway Extension at the Pittsfield Municipal Airport	13,700,000
6/26/2012	Fiscal Year 2013 Capital Expenditures	1,395,790
5/20/2013	Feasibility Study at Taconic High School	240,000
6/28/2013	Fiscal Year 2014 Capital Expenditures	39,698
9/3/2013	Water Main & Tank Improvements	1,303,300
9/3/2013	Wastewater Treatment Plant Improvements	789,870
4/22/2014	Purchase of School Buses	575,880
9/23/2014	Downtown Parking Management Improvement	41,739
9/23/2014	Airport Hazard Beacon Replacement	1,166,750
11/12/2014	Oil Tank Removal at Taconic High School	25,000
11/12/2014	Door Replacements	18,475
11/12/2014	Artificial Turf Athletic Field	200,000
2/10/2015	CAMA Software Upgrade	195,600
4/14/2015	New Taconic High School	90,800,000
6/23/2015	Berkshire Innovation Center	7,670,000
6/23/2015	Fiscal Year 2016 Capital Expenditures	5,361,928
6/28/2016	Fiscal Year 2017 Capital Expenditures	9,110,661
3/31/2017	Wastewater Treatment Plant Upgrade	4,900,000
6/20/2017	Fiscal Year 2018 General Capital Expenditures	8,193,000
6/20/2017	Fiscal Year 2018 Water Capital Expenditures	3,490,000
6/20/2017	Fiscal Year 2018 Sewer Capital Expenditures	10,900,000
		<u>\$ 171,269,482</u>

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

H. Fund Balances

The following is a summary of the City's Governmental Fund balances at the year ended June 30, 2017:

	General Fund	Economic Revitalization Development Fund	High School Construction Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:					
City federal, state and local grants	\$ -	\$ -	\$ -	\$ 633,856	\$ 633,856
School federal, state and local grants	-	-	-	480,881	480,881
Economic revitalization	-	5,331,595	-	-	5,331,595
School revolving funds	-	-	-	3,522,960	3,522,960
City revolving funds	-	-	-	160,267	160,267
Donations and gifts	-	-	-	228,755	228,755
Capital projects	-	-	-	2,326,255	2,326,255
Other	-	-	-	763,863	763,863
	-	5,331,595	-	8,116,837	13,448,432
Committed:					
Insurance Reimbursements	-	-	-	617,066	617,066
Parking funds	-	-	-	44,968	44,968
Workers Compensation	-	-	-	26,943	26,943
	-	-	-	688,977	688,977
Assigned:					
General government	358,558	-	-	-	358,558
Airport	4,770	-	-	-	4,770
Public safety	79,849	-	-	-	79,849
Public works	424,832	-	-	-	424,832
Education	2,124,076	-	-	-	2,124,076
Health and human services	24,186	-	-	-	24,186
Culture and recreation	26,832	-	-	-	26,832
Subsequent year's budget	1,000,000	-	-	-	1,000,000
	4,043,103	-	-	-	4,043,103
Unassigned:					
General Fund	10,180,372	-	-	-	10,180,372
Deficit capital projects	-	-	(4,269,689)	(4,415,705)	(8,685,394)
	10,180,372	-	(4,269,689)	(4,415,705)	1,494,978
Total Governmental fund balances	\$ 14,223,475	\$ 5,331,595	\$ (4,269,689)	\$ 4,390,109	\$ 19,675,490

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

I. Stabilization Funds

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the City may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the City and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a City by the City Council for any lawful purpose.

At June 30, 2017, the balance in the stabilization fund is \$3,610,486 and is reported in the General Fund as unassigned fund balance.

4. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2017.

The City has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under the terms of the grant. The amount, if any, of expenditures which may be disallowed cannot be determined at this time, although, based on prior experience, City management believes such disallowances, if any, will not be material.

Administrative Order

The City was issued with an Administrative Order by the Environmental Protection Agency (EPA) pursuant to Sections 308(a) and 309(a)(3) of the Clean Water Act (the "Act"). The Order establishes a schedule for the City to design and construct an upgrade to the City's wastewater treatment facility to control aluminum and phosphorus discharge in accordance with the City's permit, National Pollutant Discharge Elimination System (NPDES) permit No. MA0101681. This Order stipulated:

1. By December 31, 2015, select a design engineer and execute a contract for design of an upgrade of the facility (the "Upgrade") to achieve compliance with the final total phosphorus and total aluminum effluent limits in the NPDES Permit.
2. By August 1, 2017, submit to the Massachusetts Department of Environmental Protection plans and specifications for the Upgrade.
3. By August 1, 2018, begin construction of the Upgrade.
4. By February 1, 2021, complete construction on the Upgrade.

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

5. By August 1, 2021, attain full compliance with all the effluent limits in the NPDES Permit.

The City has begun implementation of phase 1 and 2 of the Administrative Order and has authorized borrowing of \$4.9 million from the Massachusetts Clean Water Trust. The City is currently studying the impact of future sewer system improvements in accordance with the Order and has estimated these total costs to be approximately \$74 million.

U. S. Government Guaranteed Notes

The City of Pittsfield through its loan guaranteed assistance programs under Section 108 of the Housing and Community Development Act of 1974 was given two loan obligations of \$2,000,000 and \$1,050,000. The purpose of the program is to enable local governments to provide financing to urban renewal projects operated by either the government or third party developers. Debt issued under this program is secured by future entitlement allocations to the City under the U.S. Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG) program. These funds are used to provide loans to various companies. Payments on these loans are reported in the Community Development Fund as expenditures in the fiscal year of payment.

The City is required to have a repayment schedule for its guaranteed loan program including interest. The loan guaranteed program is secured by all allocations or grants that are made available under Section 108, program income, and liens on the companies who receive the loans.

As of June 30, 2017, the City has guaranteed loan outstanding liabilities of \$395,000 for permanent borrowings.

A summary of the changes in the liabilities during the year is as follows:

Outstanding July 1, 2016	Additions	Reductions	Outstanding June 30, 2017
<u>\$ 568,000</u>	<u>\$ -</u>	<u>\$ 173,000</u>	<u>\$ 395,000</u>

The City has paid the following in interest payments on the loan guaranteed program:

Fiscal Year	Interest Paid
2001 - 2005	\$ 206,503
2006 - 2010	524,288
2011 - 2015	325,041
2016	35,560
2017	26,136
	<u>\$ 1,117,528</u>

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The annual future principal obligations to amortize the outstanding bonds, as of June 30, 2017 are as follows:

Year	Principal	Interest	Total
2018	\$ 173,000	\$ 16,926	\$ 189,926
2019	173,000	7,550	180,550
2020	49,000	1,411	50,411
	\$ 395,000	\$ 25,887	\$ 420,887

C. Tax Abatements

The City enters into property tax abatement agreements with local businesses under the Commonwealth of Massachusetts Economic Development Incentive Program Act of 1993 and as amended in 2009. Under this Act, state municipalities may grant property tax abatements of up to 100% of a business' property tax bill for the purpose of attracting or retaining these businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the City of Pittsfield. As of June 30, 2017, the City of Pittsfield abated property taxes amounting to \$128,855 under nine tax abatement agreements. The City has not made any commitments as part of the agreements other than to reduce taxes.

D. Landfill Closure and Post-closure Care Costs

State and federal laws and regulations require that the City place a final cover on its landfills when closed and perform certain maintenance and monitoring functions at the landfill sites after closure. The City operated several landfills and all have ceased operations and have been capped. Substantially all of the costs for closure have been paid. Post-closure care is to be monitored. Any additional or marginal costs for post-closure care have not been determined; however, such costs are expected to be immaterial, and accordingly, no accrual has been provided for post-closure care costs as of the beginning or ending of the fiscal year. The actual cost of closure and post-closure care may be higher due to inflation, changes in technology, changes in estimates, or changes in landfill regulations.

Currently one of the landfill sites is undergoing a site assessment. Once the site assessment is complete, the City estimates the potential liability to be \$5.5 million. There has been no accrual made for this amount in the general purpose financial statements.

E. Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued.

F. Pension Plan

Plan Description

The City is a member of the Pittsfield Contributory Retirement System (the System). The System is a cost-sharing multiple-employer public employee retirement system administered by the Pittsfield Retirement Board (the Board). Massachusetts General Laws (MGL), Chapter 32, assigns authority to establish the System and amend benefit provisions of the plan; which is regulated by the Public Employees Retirement Administration Commission (PERAC). The System is a defined benefit pension plan that covers substantially all employees of its member employers except for current and retired teachers. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System at 114 Fenn Street, Pittsfield, Massachusetts.

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The City is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan, to which the City does not contribute. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for the contributions and future benefit requirements of the MTRS.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is responsible by statute to make all actuarially determined contributions and future benefit requirements on behalf of the City to the MTRS. Therefore, the City is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in the MTRS. Since the City does not contribute directly to MTRS, there is no pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based upon each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2016. The City's portion of the collective pension expense contributed by the Commonwealth of \$14,019,099 on-behalf payments for the fiscal year ending June 30, 2017 is reported as intergovernmental revenues and employee benefits and insurance expenditures in the General Fund as of the measurement date.

Benefits Provided

Both the System and MTRS provide retirement, disability, and death benefits to plan members and beneficiaries. Members become vested after 10 years of creditable service and are eligible for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Retirement benefits are determined as a percentage of the member's final three-year (five-year for members hired on or after April 2, 2012) final average compensation times the member's years of creditable service prior to retirement. The percentage is based on the age of the member at retirement and his or her Group classification. The authority for amending these provisions rests with the Massachusetts Legislature.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost of living adjustments granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth's State law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

MGL Chapter 32 governs the contributions of plan members and the City. Plan members are required to contribute to the System at rates ranging from 5% to 9% based upon their membership date of gross regular compensation with an additional 2% contribution after exceeding \$30,000 in annual covered compensation. The City is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The City's proportionate share of the required contribution to the System for the year ended December 31, 2016 was \$11,612,235, representing 34.6% of the covered payroll, an actuarially determined amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year and an additional amount to finance any unfunded accrued liability.

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Pension Liability

As of June 30, 2017, the City reported a liability of \$129,554,625 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 January 1, 2015. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2016, the City's proportional percentage was 96.6%, a slight decrease from the last measurement.

Pension Expense

For the year ended June 30, 2017, the City recognized a pension expense of \$13,969,313 and reported deferred outflows of resources related to pensions of \$8,925,671 from the net difference between projected and actual investment earnings on pension plan investments and a change in assumptions; and deferred inflows of resources related to pensions of \$2,990,042 from net differences between expected and actual experience.

The City's deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

For years ended June 30,		
2018	\$	1,995,616
2019		1,995,616
2020		1,796,538
2021		147,859
	\$	5,935,629

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement that was updated December 31, 2016:

Valuation date	January 1, 2015
Actuarial cost method	Individual Entry Age Normal
Amortization method	Increasing 5.1% per year
Remaining amortization period	18 years from January 1, 2017
Asset valuation method	Market value. For funding purposes, gains and losses each year are recognized over 5 years.
Investment rate of return	7.75% per year net of pension plan investment expense, including inflation
Projected salary increase	Service based table with ultimate rates of 4.25% for Group 1 and 4.75% for Group 4.

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Inflation	Not explicitly assumed
Cost of living adjustments	3.0% of first \$14,000 per year.
Mortality rates	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 RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct). For disabled retirees, the rates reflect RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2012 (gender distinct).

Long-term Expected Rate of Return

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

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of December 31, 2016, are summarized in the following table:

Asset Class	Target Allocation	Real Return Arithmetic Basis	Long-Term Expected Real Rate of Return
International Developed Equity	16.00%	0.93%	5.80%
Domestic Large Capital Equities	15.50%	0.87%	5.60%
Real Estate	12.00%	0.54%	4.50%
Long Duration Fixed Income	5.00%	0.11%	2.25%
Hedge Funds	11.00%	0.40%	3.60%
Private Equity	10.00%	0.73%	7.25%
Core Fixed Income	10.50%	0.18%	1.75%
Emerging Market Equities	6.00%	0.41%	6.80%
High Yield Fixed Income	5.50%	0.18%	3.25%
Global Fixed income	3.00%	0.06%	2.00%
Commodities	2.00%	0.05%	2.25%
Domestic Small Capital Equities	3.50%	0.21%	5.90%
Total	100.00%	4.65%	N/A

Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 7.13%.

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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 contributions from participating employers will be made based on the actuarial determined rates based on the Board's funding policy, which establishes the contractually required rates by Statute and in accordance with Section 22D and Section 22F of MGL Chapter 32. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments or 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 City's proportionate share of the net pension liability calculated using the discount rate of 7.75%. As well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 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%)
City's net pension liability	\$ 157,651,740	\$ 129,554,625	\$ 105,773,452

G. Other Post Employment Benefits Payable

GASB Statement No. 45

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions, requires Towns to account for OPEB, primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns the post employment benefits, rather than when they use them. To the extent that an entity does not fund their actuarially required contribution, a post employment benefit liability is recognized on the Statement of Net Position.

The cost of post-employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The City adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2009 and thus recognizes the cost of post-employment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the City's future cash flows.

Plan Description

In addition to providing pension benefits as described on the following footnote, the City provided post-employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. As of the actuarial valuation date there are approximately 3,066 active and retired employees that meet the eligibility requirements. The plan does not issue a separate financial report.

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Funding Policy

The contribution requirements of plan members and the City are established and may be amended through City policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2017 fiscal year, total City premiums plus implicit costs for the retiree medical program are \$7,194,424 consisting of \$7,160,193 for governmental activities and \$34,231 for the business-type activities.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the City's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the City's net OPEB obligation to the plan:

	Governmental Activities	Business-type Activities	Total
Annual required contribution	\$ 14,433,332	\$ 84,783	\$ 14,518,115
Interest on net OPEB obligation	2,481,606	54,585	2,536,191
Adjustment to annual required contribution	(3,743,028)	(408,384)	(4,151,412)
Annual OPEB cost (expense)	13,171,910	(269,016)	12,902,894
Contributions made during the fiscal year	(7,160,193)	(34,231)	(7,194,424)
Increase in net OPEB obligation	6,011,717	(303,247)	5,708,470
Net OPEB Obligation - beginning of year	62,040,135	1,364,642	63,404,777
Net OPEB Obligation - end of year	<u>\$ 68,051,852</u>	<u>\$ 1,061,395</u>	<u>\$ 69,113,247</u>

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2017 fiscal year and the two preceding years were as follows:

Governmental Activities

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 13,171,910	54.36%	\$ 68,051,852
6/30/2016	\$ 12,612,473	53.50%	\$ 62,040,135
6/30/2015	\$ 15,475,432	49.10%	\$ 56,175,059

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Business-type Activities-Sewer

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ (257,785)	-8.11%	\$ 315,232
6/30/2016	\$ (247,705)	-7.76%	\$ 594,235
6/30/2015	\$ 177,651	55.86%	\$ 861,159

Business-type Activities-Water

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ (10,052)	-122.59%	\$ 746,163
6/30/2016	\$ (11,907)	-93.83%	\$ 770,407
6/30/2015	\$ 177,376	39.83%	\$ 793,486

Funded Status and Funding Process

As of July 1, 2015, the most recent valuation date, the plan was 0.1% funded. The actuarial liability for benefits was \$243,247,433, and the actuarial value of assets was \$301,340, resulting in an unfunded actuarial accrued liability (UAAL) of \$242,946,093. As indicated in the actuarial valuation the covered payroll (annual payroll of active employees covered by the plan) was not available, and the ratio of the UAAL to the covered payroll was not available.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress, presented as Required Supplementary Information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the Actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The City OPEB actuarial valuation used the projected unit credit actuarial cost method. The OPEB liability is currently 0.1% funded. The actuarial assumptions also include a discount rate of 4.0% per annum. Medical and drug cost trend is at 9.0% in the initial year trending down to an ultimate level of 5% per year.

The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar amount open basis. The remaining amortization period at June 30, 2017 is 22 years.

GASB Statement No. 74

The City did establish a trust fund in order to contribute funds to reduce the future OPEB liability. The trust balance is \$301,340 as of June 30, 2017.

Investments

The OPEB Trust fund does not have a formal investment policy. As of June 30, 2017, deposits information consisted of funds in the City's Easthampton Savings Bank account described earlier under Deposits (refer to note 3A).

Net OPEB Liability

The components of the net OPEB liability are as follows:

	<u>June 30, 2017</u>
Total OPEB liability	\$ 265,649,085
Less: Plan fiduciary net position	(301,340)
City's Net OPEB liability	<u>\$ 265,347,745</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 0.1%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation date of July 1, 2015 and contribution date as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified;

Valuation date	Actuary determined contribution was calculated as of June 30, 2017
Actuarial cost method	Projected Unit Credit Cost Method
Investment rate of return	3.50% annually
Healthcare cost trend rates	to an ultimate trend rate of 5.00% annually

The actuarial assumptions used in the June 30, 2017 Calculation were reflective of published municipal bond indices; which are the Bond Buyer-20 Bond GO, the S&P Municipal Bond 20-year High Grade Rate Index and the Fidelity GA AA 20 Years as reported as of June 30, 2017.

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was not provided.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance Massachusetts General Law Chapter 32. Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the City's net OPEB liability using a discount rate of 3.50% as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
City's net OPEB liability	\$ 351,489,782	\$ 265,649,085	\$ 244,067,225

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates

The following presents the City's the net OPEB liability as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
City's net OPEB liability	\$ 244,256,588	\$ 265,649,085	\$ 352,047,308

H. Implementation of New GASB Pronouncements

The GASB issued Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2017.

The GASB issued Statement No. 77, *Tax Abatement Disclosures*, for implementation in fiscal year 2017.

The GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*, for implementation in fiscal year 2017.

CITY OF PITTSFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The GASB issued Statement No. 82, *Pension Issues – an amendment of GASB No. 67, No. 68, and No. 73*, for implementation in fiscal year 2017.

I. Future GASB Pronouncements

Management is currently assessing the impact the implementation of the following pronouncements will have on the basic financial statements.

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2018.

The GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, for implementation in fiscal year 2018.

The GASB issued Statement No. 87, *Leases*, for implementation in fiscal year 2021.

5. RESTATEMENT

As required by GASB Statement No. 14, Statement No. 39 and Statement No. 61; the net position of the component units as of June 30, 2016 has been restated. The beginning Berkshire Training and Employment Program net position decreased \$339,765 to zero to reflect the change in status. The Berkshire Training and Employment Program is a legally separate organization which operates independently to provide services directly to the citizens. This change in the structure of the organization indicates the Berkshire Training and Employment Program is not a part of the reporting entity and, therefore, is no longer considered a component unit of the City of Pittsfield, Massachusetts.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF PITTSFIELD, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Pittsfield Contributory Retirement System
For the Year Ended June 30, 2017**

The Schedule of Proportionate Share of the Net Pension Liability represents multiyear trend information relating to the City's proportion of the net pension liability and related ratios.

Schedule of the City's Proportionate Share of the Net pension Liability:

	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
City's share of the net pension liability (asset)	96.64%	97.03%	97.03%
City's proportionate share net pension liability (asset)	\$ 129,554,625	\$ 129,175,065	\$ 120,228,899
City's share of covered employee payroll	\$ 33,592,066	\$ 33,727,627	\$ 31,306,730
Net pension liability percentage of covered-employee payroll	385.7%	383.0%	384.0%
Plan fiduciary net position as a percentage of the total pension liability	48.0%	46.6%	48.4%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

**CITY OF PITTSFIELD, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Pittsfield Contributory Retirement System
For the Year Ended June 30, 2017**

The Schedule of the Employer Contributions presents multiyear trend information on the City's required and actual payments to the pension plan and related ratios.

Schedule of the City's Contributions:

	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Actuarially determined contribution	\$ 11,612,235	\$ 11,091,402	\$ 10,643,588
Less: Contributions in relation to the actuarially determined contribution	<u>(11,612,235)</u>	<u>(11,091,402)</u>	<u>(10,643,588)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's share of covered employee payroll	\$ 33,592,066	\$ 33,727,627	\$ 31,306,730
Contributions percentage of covered-employee payroll	34.6%	32.9%	34.0%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

CITY OF PITTSFIELD, MASSACHUSETTS
Required Supplementary Information
Schedule of Funding Progress and Employer Contributions
Other Post Employment Benefit Plan (GASB 45) Schedule
Year Ended June 30, 2017

Schedule of Funding Progress

Other Post Employment Benefits						
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2015	\$ 301,340	\$ 243,247,433	\$ 242,946,093	0.1%	N/A	N/A
7/1/2014	\$ -	\$ 244,448,309	\$ 244,448,309	0%	N/A	N/A
7/1/2013	\$ -	\$ 236,121,282	\$ 236,121,282	0%	N/A	N/A

Schedule of Contribution Funding

Other Post Employment Benefits			
Fiscal Year Ended June 30	Annual OPEB Cost	Actual Contributions Made	Percentage Contributed
2017	\$ 12,902,894	\$ 7,194,424	55.76%
2016	\$ 12,352,861	\$ 6,777,788	54.87%
2015	\$ 15,830,459	\$ 7,768,155	49.07%

The information presented in the above Required Supplementary Schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation can be found in the Notes to Basic Financial Statements.

Actuarial Methods:

Valuation date	July 1, 2015
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	30-year amortization payments
Remaining amortization period	22 years remaining as of June 30, 2017

Actuarial Assumptions:

Investment rate of return	4.0%
Discount rate	4.0%, partially funded scenario
Medical/drug cost trend rate	9.0% in the initial year trending down to an ultimate rate of 5% per year

Plan Membership:

Current active members	1,474
Current retirees, beneficiaries and dependents	1,592
Total	3,066

CITY OF PITTSFIELD, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan (GASB 74) Schedules
For the Year Ended June 30, 2017

Schedule of Changes in the Net OPEB Liability:

	6/30/2017
Total OPEB liability	
Service cost	\$ 7,590,876
Interest on net OPEB liability	8,846,537
Benefit payments, including refunds of member contributions	(7,093,084)
Net change in total OPEB liability	9,344,329
Total OPEB liability-beginning	256,304,756
Total OPEB liability-ending (a)	\$ 265,649,085
 Plan fiduciary net position	
Net investment income	\$ 101,340
Employer contributions to Trust	7,093,084
Benefit payments, including refunds of member contributions	(7,093,084)
Net change in plan fiduciary net position	101,340
Total fiduciary net position-beginning	200,000
Total fiduciary net position-ending (b)	\$ 301,340
 City's net OPEB liability (a-b)	\$ 265,347,745

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

CITY OF PITTSFIELD, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan (GASB 74) Schedules
For the Year Ended June 30, 2017

Schedule of Net OPEB Liability:

	6/30/2017
Total OPEB liability	\$ 265,649,085
Less: Plan fiduciary net position	(301,340)
City's Net OPEB liability	\$ 265,347,745
Plan fiduciary net position as a percentage of the total OPEB liability	0.1%
City's share of covered employee payroll	\$ 83,759,230
Participating employer net OPEB liability (asset) as a percentage of covered-employee payroll	316.80%

Schedule of Contributions:

	6/30/2017
Actuarially determined contribution	\$ 7,093,084
Less: Contributions in relation to the actuarially determined contribution	(7,093,084)
Contribution deficiency (excess)	\$ -
City's share of covered employee payroll	\$ 83,759,230
Contributions percentage of covered-employee payroll	8.47%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

SUPPLEMENTARY SCHEDULES

**CITY OF PITTSFIELD, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Fund Balances July 1, 2016	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2017
Special Revenue:					
Federal Grants:					
School Grants	\$ 769,559	\$ 5,530,099	\$ 5,781,847	\$ (36,930)	\$ 480,881
Arts Council Grants	52,161	170,800	146,322	(13,596)	63,043
Community Development Grants	493,475	5,315,270	5,437,654	(8,369)	362,722
Council on Aging Grants	5,718	144,616	145,865	(3,925)	544
Highway Grants	-	1,502,175	1,501,906	(269)	-
Library Grants	22,591	75,835	60,438	(1,756)	36,232
Other Grants and Programs	133,289	153,071	121,812	(82,066)	82,482
Public Safety Grants	36,877	1,300,248	1,267,850	18,747	88,022
Schools:					
School Lunch Program	770,763	3,123,893	3,017,511	-	877,145
School Lunch Commodities	-	319,705	319,705	-	-
School Choice	589,084	636,391	537,597	-	687,878
School Gifts and Donations	142,331	71,153	105,424	-	108,060
School Private Grants	20,593	28,890	23,027	-	26,456
School Revolving Accounts	390,957	470,956	376,826	-	485,087
Insurance Settlements and Reimbursements	1,197	15,351	12,973	-	3,575
State Special Education Reimbursement Fund	1,413,856	1,334,759	1,373,447	(40,409)	1,334,759
Other:					
Community Development Code Enforcement	15,900	-	-	(15,900)	-
Conservation	32,185	6,318	2,228	-	36,275
Conservation Fund	46,001	(1,544)	4,341	-	40,116
Council on Aging Revolving Programs	35,278	98,353	56,388	-	77,243
Eversource New Construction Program	38,356	-	38,356	-	-
Fire Code Violations Revolving Fund	19,249	6,507	5,001	-	20,755
Fire Off Duty Details	511	4,708	5,219	-	-
General Electric PCB Fund	23,950	24	-	-	23,974
Gifts and Donations	140,217	392,464	293,926	(10,000)	228,755
Insurance Reimbursements	630,249	43,521	34,982	(21,722)	617,066
Total Special Revenue Page 80	\$ 5,824,347	\$ 20,743,563	\$ 20,670,645	\$ (216,195)	\$ 5,681,070

**CITY OF PITTSFIELD, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Fund Balances July 1, 2016	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2017
Continued from Page 80	\$ 5,824,347	\$ 20,743,563	\$ 20,670,645	\$ (216,195)	\$ 5,681,070
Special Revenue (continued):					
Other (continued):					
Parking Meter Fund	-	62,576	17,608	-	44,968
Police Law Enforcement Fund	1,190	3,714	3,166	-	1,738
Police Off Duty Details	100,159	835,828	889,908	-	46,079
Police Revolving Accounts	15,331	15,226	14,784	(10)	15,763
Premium on Bonds	-	-	80,390	364,814	284,424
Private Grants	23,809	15,057	5,189	(32,866)	811
Recycling Revolving	266	161	-	-	427
Sale of Real Estate	22,898	-	-	-	22,898
Small Business Fund	378,258	1,220	56,481	-	322,997
Solar Fund	-	31,441	-	-	31,441
Chapter 28 Supplemental Reserve Fund	1,652,197	-	-	(1,652,197)	-
Workers Compensation Reserve Fund	26,943	-	-	-	26,943
Total Special Revenue	8,045,398	21,708,786	21,738,171	(1,536,454)	6,479,559
Capital Projects:					
Airport Expansion Projects	(711,051)	217,787	542,675	50,000	(985,939)
General Government Projects	(256,401)	-	464,450	1,247,678	526,827
Public Safety Projects	(729,228)	-	1,294,363	789,897	(1,233,694)
Department of Public Works Projects	(2,972,002)	-	3,897,896	7,700,691	830,793
School Projects	(2,080,782)	-	442,230	1,383,285	(1,139,727)
Health and Human Services Projects	58	-	-	-	58
Culture and Recreation Projects	(414,384)	-	72,753	399,369	(87,768)
	(7,163,790)	217,787	6,714,367	11,570,920	(2,089,450)
Total - Non-Major Governmental Funds	\$ 881,608	\$ 21,926,573	\$ 28,452,538	\$ 10,034,466	\$ 4,390,109

**CITY OF PITTSFIELD, MASSACHUSETTS
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES
JULY 1, 2016 TO JUNE 30, 2017**

	Uncollected Accounts July 1, 2016	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2017	Uncollected Accounts Per Detail June 30, 2017
Real Estate Taxes:						
Levy of 2017	\$ -	\$ 73,883,699	\$ 433,294	\$ 71,225,374	\$ 2,225,031	\$ 2,225,050
Levy of 2016	1,619,565	-	2,504	1,324,276	292,785	292,785
Levy of 2015	290	-	50	240	-	-
Levy of 2014	(616)	-	-	(616)	-	-
	<u>1,619,239</u>	<u>73,883,699</u>	<u>435,848</u>	<u>72,549,274</u>	<u>2,517,816</u>	<u>2,517,835</u>
Personal Property Taxes:						
Levy of 2017	-	7,122,100	4,539	6,986,469	131,092	131,092
Levy of 2016	75,829	-	27,313	16,542	31,974	31,974
Levy of 2015	29,017	-	32,279	(25,608)	22,346	22,346
Levy of 2014	38,212	-	35,718	(27,083)	29,577	29,577
Levy of 2013	30,184	-	45,038	(37,957)	23,103	23,103
Prior Years	41,891	-	127,563	(115,742)	30,070	30,070
	<u>215,133</u>	<u>7,122,100</u>	<u>272,450</u>	<u>6,796,621</u>	<u>268,162</u>	<u>268,162</u>
Total Real Estate and Personal Property Taxes	<u>\$ 1,834,372</u>	<u>\$ 81,005,799</u>	<u>\$ 708,298</u>	<u>\$ 79,345,895</u>	<u>\$ 2,785,978</u>	<u>\$ 2,785,997</u>

**CITY OF PITTSFIELD, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES
JULY 1, 2016 TO JUNE 30, 2017**

	Uncollected Accounts July 1, 2016	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2017	Uncollected Accounts Per Detail June 30, 2017
Motor Vehicle Excise Taxes:						
Levy of 2017	\$ -	\$ 4,871,516	\$ 89,924	\$ 4,155,050	\$ 626,542	\$ 626,542
Levy of 2016	655,376	551,569	64,881	985,214	156,850	156,850
Levy of 2015	138,268	370	5,793	63,919	68,926	68,926
Levy of 2014	59,809	-	3,271	14,253	42,285	42,285
Levy of 2013	42,157	-	142	4,847	37,168	37,230
Prior Years	61,938	-	58,674	3,264	-	-
Total Motor Vehicle Excise Taxes	\$ 957,548	\$ 5,423,455	\$ 222,685	\$ 5,226,547	\$ 931,771	\$ 931,833

**CITY OF PITTSFIELD, MASSACHUSETTS
SCHEDULE OF TAX LIENS
JULY 1, 2016 TO JUNE 30, 2017**

	Uncollected Accounts July 1, 2016	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2017	Uncollected Accounts Per Detail June 30, 2017
Tax Liens / Deeded to City	\$ 5,266,842	\$ -	\$ 42,013	\$ 366,803	\$ 4,858,026	\$ 4,860,722