

**BELMONT MUNICIPAL LIGHT DEPARTMENT**  
Financial Statements  
December 31, 2010 and 2009



BELMONT MUNICIPAL LIGHT DEPARTMENT  
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DECEMBER 31, 2010 AND 2009

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*Goulet, Salvidio & Associates, P.C.*  
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners  
Belmont Municipal Light Department  
Belmont, Massachusetts 02478

We have audited the accompanying financial statements of Belmont Municipal Light Department of Belmont, Massachusetts, as of and for the years ended December 31, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Belmont Municipal Light Department and do not purport to, and do not, present fairly the financial position of the Town of Belmont, Massachusetts, as of December 31, 2010 and 2009, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Belmont Municipal Light Department as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages two through seven is not a required part of the basic financial statements but is supplementary information. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Goulet, Salvidio & Associates, P.C.

*Goulet, Salvidio & Associates, P.C.*

Worcester, Massachusetts  
July 7, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the Town of Belmont Municipal Light Department's (BMLD) financial activities for the fiscal years ended December 31, 2010 and 2009.

BMLD purchases and distributes electricity to residents of the town. Because BMLD is owned by the town and not by investors, our net profit is returned to our customers in the way of stable rates, better service and increased assets. As management of the Town of Belmont Municipal Light Department (BMLD), we offer readers of the basic financial statements this narrative overview and analysis of the financial activities of BMLD.

### Overview of the Financial Statements

The basic financial statements include (1) the statements of net assets (2) the statements of revenues, expenses and changes in net assets (3) the cash flow statements and (4) notes to the financial statements.

The Statements of Net Assets are designed to indicate our financial position as of a specific point in time. At December 31, 2010, it shows our net worth increased 2.1% compared to the year ended December 31, 2009. Increases and decreases in net assets may serve as a useful indicator of whether the financial position of BMLD is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Assets summarize our operating results. All changes in Net Assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. As discussed in more detail below, our net income for December 31, 2010 and 2009 was \$916,023 and \$1,036,295, respectively.

The Statements of Cash Flows provides information about the cash receipts and cash payments during the accounting period. It also provides information about the investing and financing activities for the same period. A review of our Statements of Cash Flows indicates that cash receipts from operating activities, (that is, electricity sales and related services) adequately cover our operating expenses.

### Summary of Net Assets

	<u>2010</u>	<u>2009</u>
Current Assets	\$ 7,047,713	\$ 6,816,882
Non-Current Assets	<u>10,299,551</u>	<u>10,395,689</u>
Total Assets	<u>\$ 17,347,264</u>	<u>\$ 17,212,571</u>
Current Liabilities	\$ 1,950,096	\$ 2,610,737
Non-Current Liabilities	<u>2,619,966</u>	<u>2,090,655</u>
Total Liabilities	<u>4,570,062</u>	<u>4,701,392</u>
Net Assets:		
Restricted for Debt Service	60,000	120,000
Invested in Capital Assets, Net of Related Debt	8,757,680	9,058,781
Unrestricted	<u>3,959,522</u>	<u>3,332,398</u>
Total Net Assets	<u>12,777,202</u>	<u>12,511,179</u>
Total Liabilities and Net Assets	<u>\$ 17,347,264</u>	<u>\$ 17,212,571</u>

## Summary of Changes in Net Assets

	2010	2009
Operating Revenues	\$ 23,012,683	\$ 21,607,910
Operating Expenses	21,298,643	20,573,151
Operating Income	1,714,040	1,034,759
Non-Operating Revenues (Expenses)	(798,017)	1,536
Income Before Contributions and Transfers	916,023	1,036,295
Transfers Out – Payment in Lieu of Taxes	(650,000)	(650,000)
Transfers In – Claims and Judgments	0	3,582
Beginning Net Assets	12,511,179	12,121,302
Ending Net Assets	\$ 12,777,202	\$ 12,511,179

The Belmont Municipal Light Department is a community-owned utility committed to providing economical and reliable energy with excellent customer service.

In order to fulfill our mission, BMLD commits to maintain rate savings while providing reliable service for its customers. It intends to maintain local control and access to the wholesale power market. BMLD acknowledges the obligation to look at alternative sources of renewable energy in order to preserve the integrity of the environment for future generations. BMLD will employ its resources effectively and efficiently to achieve its strategic priorities. Public power must be accountable to the communities it serves in order to survive. BMLD's value is measured by its lower rates over surrounding communities and local control of its distribution system. Customer expectations are high in Belmont because it is locally owned and operated.

### Overview of Services

BMLD is responsible for acquiring and delivering electricity to the residents, businesses and the Town of Belmont. The department has two main divisions: Operations and Business/Customer Services. The Operations division plans, designs, constructs, operates and maintains the distribution system to deliver reliable electricity to customers. The Business/Customer Services division provides managerial, public relations, financial, ratemaking and legislative services, public benefits programs, including energy efficiency and renewable energy to all BMLD customers. The division also ensures generating and transmission energy resources are available to meet the needs of the Belmont community.

### BMLD Highlights

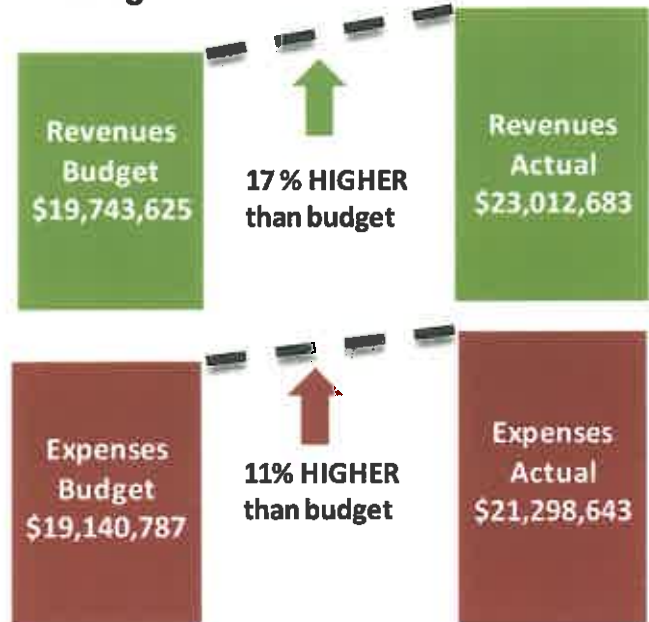
Compared to industry standards BMLD continues to provide a high level of system reliability.

- Revenues from the sale of electricity increased 5.5% from the prior year due to warmer summer weather.
- BMLD returned over \$1,359,761 in 2010 to customers using the Purchased Power & Transmission Adjustment rate mechanism.
- The top 20 KWH users generate 15% of BMLD's revenues.
- Kilowatt hours sold increased by 5% (129 million in 2010 compared to 123 million in 2009).
- In 2010, 662 electrical permits were issued, resulting in \$64,890 in permit revenue.

## Budgetary Overview

BMLD presents an annual budget to the Municipal Light Advisory Board which includes estimates of revenues and other financing sources and expenditures and other financing uses. The majority of appropriations are non-continuing which lapse at the end of each fiscal (calendar) year. An annual budget is then adopted and budgetary control is then exercised by internal staff and reviewed monthly.

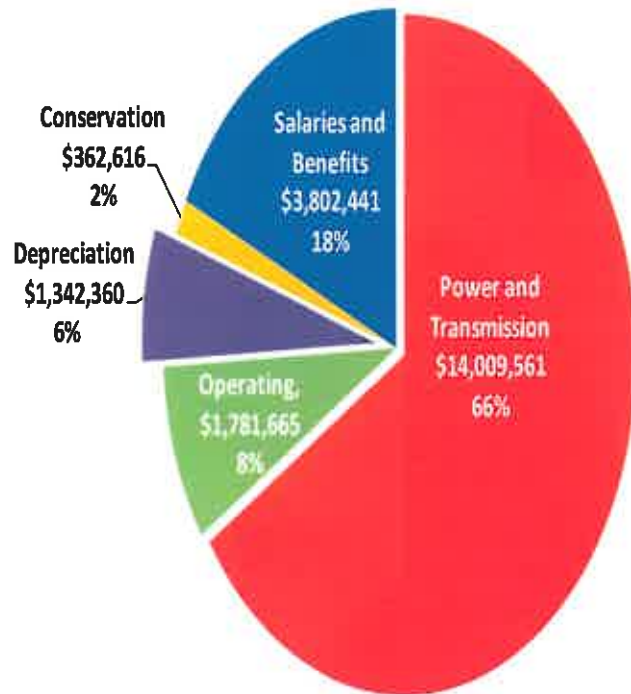
## 2010 Operating Revenue & Expenses Budget vs. Actual



## Operational Overview

### 2010 Operational Expenses

Operating expenses were \$21,298,643 in 2010. The largest portion of this total, \$14,009,561 was for purchase power procurement and transmission to Belmont. Total expenses increased 3.5% from 2009, due to increases of \$358,324 for equipment maintenance and power supply line reliability issues, \$265,889 for software conversion and engineering support services and \$158,594 for Board directed conservation programs. Other operating expenses include \$3,802,441 for salaries and benefits, \$362,616 for conservation and efficiency, and depreciation expense of \$1,342,360. In fiscal 2010, the depreciation rate remained level at 5%.



Revenues were in excess of expenses by \$916,023 in 2010, a decrease of \$120,272 from 2009. BMLD's payment in lieu of taxes was \$650,000, with that amount directly reduced from Net Assets.

### Statement of Net Assets Overview

#### Assets and Liabilities

BMLD's total assets increased .8% in 2010 to \$17.3 million due to the increase in net income after transfers.

Liabilities decreased 2.8% to \$4.5 million in 2010 primarily due to customer refunds of \$484,562 for 2009 over collected power costs.

### ***Utility Plant and Continuing Projects***

The general laws of the Commonwealth of Massachusetts under Chapter 164 require “utility plant in service” to be depreciated using a 3% rate. Approval was given by the Department of Public Utilities to increase the rate up to the maximum 5% allowable in order to infuse additional funds into capital projects and system improvements. Rates used in depreciating “utility plant in service” are based on financial factors relating to cash flow for plant expansion, rather than engineering factors relating to estimates of useful life.

Net electric utility plant in service is \$7.8 million (\$4.0 million for Distribution Plant and \$3.8 million for General Plant). In the spring of 2010 BMLD retired substation equipment originally purchased in 1968 totaling \$2.3 million. The conversion to the Cogsdale Billing System was also completed in 2010 resulting in \$450,000 of software additions and a \$467,000 retirement of the MUNIS Billing System purchased in 2006. The Cogsdale system will allow for time of use billing and on line customer features such as usage review, service requests and bill presentment and payment.

### **Debt Administration**

Debt outstanding at year end 2010 was \$60,000, a reduction of \$60,000 from the prior year. BMLD has made three out of four principal payments toward the \$240,000 debt obligation pertaining to BMLD’s portion of the MUNIS Town-wide financial software project. Interest and principal are paid annually to the Town. BMLD has an “AA-” rating from Standard & Poor’s for general obligation debt as confirmed in July 2009.

### **Power Supply**

BMLD is an active market participant in purchasing electricity from the ISO-NE market place. The Department has built a diversified power supply portfolio. The Department’s objectives are to obtain competitively priced generation services using multiple contracts with staggered durations. During 2010 BMLD had contracted out roughly 90% of the community’s energy needs. With the current decline in spot market prices, we will be striving for a hedged position of 80% to maximize our cost savings without sacrificing cost stability. The flexibility in our portfolio allowed the Department to capture savings in 2010 from the market declines.

BMLD is investigating several opportunities to acquire contract rights to proposed renewable energy projects around the New England states. The Belmont Municipal Light Department is committed to purchasing renewable energy that provides value to our energy portfolio.

BMLD did experience an increase in transmission costs over the past year. We expect general increases in transmission costs over the next few years. This increase reflects the value of transmission projects which will come on-line (and onto the rate base). Transmission costs are payments for the energy delivered to Belmont from outside entities.

### **Rates**

While we cannot shield our customers from the reality of increased power costs in the future, we can promise our customers that we will make every effort to control costs and to pass these savings to our customers. BMLD has shown this promise by giving back \$1,359,761 in 2010 through the Purchased Power and Transmission Adjustment rate mechanism and a June 1, 2011 rate decrease of \$.022/KWH sold.



## **Energy Conservation and Outreach**

BMLD has continued to seek conservation and energy efficiency programs to help our customers save energy and reduce energy costs. Our Residential Appliance Rebate program has completed its sixth year with over \$60,000 credited back to customers in 2010 for purchasing eligible Energy Star appliances. In 2010 BMLD distributed over 5,500 compact fluorescent bulbs, which resulted in annual energy savings of nearly 419,000 KWh's. Lighting is a significant contributor in residential energy use and is an area where we project considerable efficiency gains. BMLD replaced all of the Town's outdoor holiday lighting with high efficiency LED (light emitting diodes) bulbs and fixtures. This resulted in savings of over 6,000 KWh's of energy and savings to the Town of over \$800 annually. BMLD has continued to offer energy audits to all customers (free of charge to residents and partially funded for commercial customers).

BMLD visited several elementary schools and presented electrical safety and conservation programs to teachers and students. Staff members also attended community events at the Senior Center, the Tree Lighting Ceremony, Meet Belmont and the Farmer's Market.

As part of BMLD's energy procurement needs, a Demand Side Management (DSM) strategy is being formulated. DSM projects provide value by reducing peak demand usage levels and offsetting energy purchases during periods of high market prices. BMLD will continue to seek efficiency measures to offset purchase requirements and for environmental benefits. In 2010 BMLD signed an agreement to purchase Smart Meters and begin the evolution towards Smart Grid technology. The program will begin in the last quarter of 2011.

In October 2010, BMLD converted its customer information and billing system to ultimately provide time-of-use rates and create a customer web interface that will allow customers to view their usage hourly and possibly shift their usage to lower cost time periods.

## **2011 Objectives**

In 2011, BMLD will focus on a number of projects to promote renewable energy, energy efficiency and programs to reduce the environmental impact of energy consumption. This will include a smart meter pilot project of 2,000 meters around Town. BMLD's billing system conversion was completed in 2010 which will allow for time of use billing as well as customer online usage review by time periods to manage energy use. We will also continue to focus on energy efficiency improvements and renewable energy options for the Town of Belmont's facilities. Staff will promote community owned views and values and increase outreach for our energy efficiency programs and green energy programs for all customers. We will continuously increase our efforts in load management to help our customers manage their energy use, especially during the summer peak use periods.

BMLD will focus on continuing to meet and exceed financial targets and policies as approved by our Boards. We will measure and monitor financial performance metrics to maintain financial stability and strength.

Operationally, BMLD will continue to operate and maintain power distribution safely and reliably as well as provide technical support and service to other Town departments. BMLD is moving forward on a plan to upgrade our transmission system. We are developing plans to install a 115 kV underground transmission cable to supply Belmont directly from the transmission grid which would save in transmission costs. These are savings that would be passed directly to our customers. This will be presented again at a Special Town Meeting in fall 2011. The public's Board meeting attendance and comments are always welcomed and appreciated.

### **Contacting BMLD's Financial Management**

BMLD continually strives to improve the efficiency of its operations. BMLD is committed to an ongoing evaluation of its cost base even as it continues to invest for growth. BMLD has been able to focus on our business processes, and we will continue to focus on our internal systems as well as our infrastructure development. BMLD's primary challenges will be maintaining a favorable financial system, preserving low rates and grappling with system capacity restraints while upholding our reliability standards. To achieve these goals, BMLD will be supporting Belmont's needs by propelling towards building new substations and infrastructure to support new customers, promoting energy efficiency programs and continuing work with our customers to reduce peak demand.

This financial report is designed to provide our residents, customers, taxpayers, and creditors with a general overview of BMLD's finances and to demonstrate BMLD's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to John Dunleavy, Accountant, Belmont Municipal Light Department, 40 Prince Street, Belmont, MA 02478, telephone 617-993-2806, email [jdunleavy@belmont-ma.gov](mailto:jdunleavy@belmont-ma.gov), or visit BMLD's web site at <http://www.belmont-ma.gov/electric>.

BELMONT MUNICIPAL LIGHT DEPARTMENT  
 STATEMENTS OF NET ASSETS  
 DECEMBER 31, 2010 AND 2009

ASSETS

	2010	2009
<b>CURRENT ASSETS:</b>		
Funds on Deposit with Town Treasurer		
Operating Cash	\$ 3,018,567	\$ 3,476,340
Accounts Receivable - Customers, Net	1,866,969	1,161,698
Accounts Receivable - Other	159,634	203,003
Materials and Supplies	328,209	280,891
Prepaid Insurance	22,910	23,150
Purchased Power Prepayments	1,651,424	1,671,800
<b>TOTAL CURRENT ASSETS</b>	<b>7,047,713</b>	<b>6,816,882</b>
<b>NONCURRENT ASSETS:</b>		
Funds on Deposit with Town Treasurer		
Depreciation Fund	375,068	117,996
Customer Deposits	107,567	102,735
Rate Stabilization Reserve Fund	612,401	612,188
Rate Stabilization Reserve Fund	386,835	383,989
Utility Plant Assets, Net	8,817,680	9,178,781
<b>TOTAL NONCURRENT ASSETS</b>	<b>10,299,551</b>	<b>10,395,689</b>
<b>TOTAL ASSETS</b>	<b>\$ 17,347,264</b>	<b>\$ 17,212,571</b>

See Accompanying Notes to Financial Statements

BELMONT MUNICIPAL LIGHT DEPARTMENT  
 STATEMENTS OF NET ASSETS  
 DECEMBER 31, 2010 AND 2009

LIABILITIES

	2010	2009
CURRENT LIABILITIES:		
Current Portion of Bond Payable	\$ 60,000	\$ 60,000
Accounts Payable	1,651,071	1,805,452
Accrued Expenses	225,750	247,448
Customer Advance for Construction	13,275	13,275
Miscellaneous Deferred Liabilities	0	484,562
TOTAL CURRENT LIABILITIES	1,950,096	2,610,737
NONCURRENT LIABILITIES:		
Customer Deposits	107,567	102,735
Rate Stabilization Reserve	999,236	996,177
Net Other Post Employment Benefits Obligation	1,513,163	931,743
Bond Payable, Net of Current Portion	0	60,000
TOTAL NONCURRENT LIABILITIES	2,619,966	2,090,655
TOTAL LIABILITIES	4,570,062	4,701,392
NET ASSETS		
Restricted for Debt Service	60,000	120,000
Invested in Capital Assets, Net of Related Debt	8,757,680	9,058,781
Unrestricted	3,959,522	3,332,398
TOTAL NET ASSETS	12,777,202	12,511,179
TOTAL LIABILITIES AND NET ASSETS	\$ 17,347,264	\$ 17,212,571

See Accompanying Notes to Financial Statements

BELMONT MUNICIPAL LIGHT DEPARTMENT  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
OPERATING REVENUES:		
Sales of Electricity	\$ 22,719,196	\$ 21,347,174
Other Operating Revenues	293,487	260,736
 TOTAL OPERATING REVENUES	 23,012,683	 21,607,910
 OPERATING EXPENSES:		
Operations and Maintenance	19,956,283	19,257,430
Depreciation	1,342,360	1,315,721
 TOTAL OPERATING EXPENSES	 21,298,643	 20,573,151
 OPERATING INCOME	 1,714,040	 1,034,759
 NONOPERATING REVENUES (EXPENSES):		
Investment Income	4,139	15,773
Interest Expense	(4,391)	(14,237)
Abandonment of Construction in Progress	(797,765)	0
 TOTAL NONOPERATING REVENUES (EXPENSES)	 (798,017)	 1,536
 Income Before Contributions and Transfers	 916,023	 1,036,295
 NET ASSETS - JANUARY 1	 12,511,179	 12,121,302
Transfers In - Claims and Judgments	0	3,582
Transfers Out - Payment in Lieu of Taxes	(650,000)	(650,000)
 NET ASSETS - DECEMBER 31	 \$ 12,777,202	 \$ 12,511,179

See Accompanying Notes to Financial Statements

BELMONT MUNICIPAL LIGHT DEPARTMENT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 22,289,587	\$ 22,016,021
Cash Paid to Suppliers	(16,282,140)	(14,460,775)
Cash Paid to Employees	(2,238,728)	(2,136,641)
Cash Paid for Benefits	(1,539,505)	(1,574,219)
Payments in Lieu of Taxes	(650,000)	(650,000)
Cash Received from Claims and Judgments	0	3,582
Net Cash Provided by Operating Activities	1,579,214	3,197,968
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Interest Expense	(725)	(1,687)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Additions to Plant Assets	(1,019,152)	(1,266,141)
Additions to Construction in Progress	(759,871)	(561,683)
Principal Repayments on Bond Payable	(60,000)	(260,000)
Interest Expense	(5,500)	(10,571)
Net Cash Used in Capital and Related Financing Activities	(1,844,523)	(2,098,395)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment Income	4,139	15,773
Rate Stabilization Reserve	3,059	(490,042)
Net Cash Provided (Used) by Investing Activities	7,198	(474,269)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(258,836)	623,617
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	4,676,411	4,052,794
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	\$ 4,417,575	\$ 4,676,411

See Accompanying Notes to Financial Statements

BELMONT MUNICIPAL LIGHT DEPARTMENT  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

RECONCILIATION OF OPERATING INCOME TO  
 NET CASH PROVIDED BY OPERATING ACTIVITIES

	2010	2009
Operating Income	\$ 1,714,040	\$ 1,034,759
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Claims and Judgments	0	3,582
Depreciation	1,342,360	1,315,721
Allowance for Doubtful Accounts	66,026	16,837
Payment in Lieu of Taxes	(650,000)	(650,000)
(Increase) Decrease in Assets:		
Accounts Receivable - Customers, Net	(771,297)	(66,398)
Accounts Receivable - Other	43,369	477,408
Materials and Supplies	(47,318)	63,711
Prepaid Insurance	240	1,634
Purchased Power Prepayments	20,376	13,643
Increase (Decrease) in Liabilities:		
Accounts Payable	(154,381)	109,595
Customer Deposits	4,832	(2,899)
Accrued Expenses	(19,865)	15,784
Miscellaneous Deferred Liabilities	(484,562)	484,562
Net Other Post Employment Benefits Obligation	581,420	396,866
Net Cash Provided by Operating Activities	\$ 1,645,240	\$ 3,214,805

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

The following accounts are considered to be cash or cash equivalents for the statements of cash flows:

	2010	2009
Depreciation Fund	\$ 375,068	\$ 117,996
Operating Cash	3,018,567	3,476,340
Customer Deposits	107,567	102,735
Rate Stabilization Fund	999,236	996,177
	\$ 4,500,438	\$ 4,693,248

Cash paid for interest in 2010 and 2009 was \$6,225 and \$12,258, respectively.

See Accompanying Notes to Financial Statements

BELMONT MUNICIPAL LIGHT DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of Belmont Municipal Light Department are as follows:

Reporting Entity

The Belmont Municipal Light Department is a component unit of the Town of Belmont, Massachusetts. The Light Department purchases power from various sources and sells it to the ultimate customer at rates submitted to the Massachusetts Department of Public Utilities (DPU). The Municipal Light Department shall appoint a manager of municipal lighting who shall, under the direction and control of the municipal light board, have full charge of the operation and management of the plant.

Regulation and Basis of Accounting

The Town of Belmont complies with Generally Accepted Accounting Principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Accounting Standards Codification (ASC) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The Department uses the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Light Department adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* in 2001.

The Light Department adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions - for State and Local Governments* in 2008.

Under Massachusetts law, electric rates of the Light Department are set by the Municipal Light Board and may be changed not more than once every three months. Rate schedules are filed with the Massachusetts Department of Public Utilities (DPU). While the DPU exercises general supervisory authority over the Light Department, the Light Department's rates are not subject to DPU approval.

Depreciation

The general laws of Massachusetts allow utility plant in service to be depreciated at an annual rate of 3% of cost of Plant in service at the beginning of the year. In order to change this rate, approval must be obtained from the Department of Public Utilities (DPU). The Light Department's depreciation rate for 2010 and 2009 was 5%.

The Department charges maintenance to expense when incurred. Replacements and betterments are charged to utility plant.



BELMONT MUNICIPAL LIGHT DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Revenues

Revenues from sale of electricity are recorded on the basis of bills rendered from monthly readings taken on a cycle basis. The revenues are based on rates established by the Department which are applied to customers' consumption of electricity.

The Department's rates contain an adjustable component pursuant to which increased power costs (power costs in excess of amounts recovered through base rates) are billable to customers.

Operating revenue includes revenues and expenses related to the continuing operations of the Department. Principal operating revenues are charges to customers for sales of electricity or services. Operating expenses are the costs of providing electricity and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Taxes

The Department is exempt from federal income taxes. Although also exempt from property taxes, the Department pays amounts in lieu of taxes to the Town of Belmont.

Use of Estimates

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

Accounts Receivable

The Light Department carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Department evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions.

The Light Department's policy on collections is to consider any receivable past due if payments have not been received within 45 days of receipt of invoice. Interest is charged on all accounts when a payment has not been received within 46 days. A delinquent notice is sent for past due amounts. If payment is not received within 10 days a second request is made and the customer is given another 5 days to pay. If the delinquent amount is still not paid a letter is hand delivered and the customer's meter is shutoff.

Materials and Supplies

Materials and supplies are valued using the average cost method.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Department considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

BELMONT MUNICIPAL LIGHT DEPARTMENT  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Compensated Absences

In accordance with Department policies, employees are allowed to accumulate sick days, up to a maximum of 200 days. Upon termination of employment with the Department, the employee will not be paid for accumulated sick time.

Employees are also permitted to carryover vacation time from one year to the next at a maximum of twice their annual earned vacation. Upon termination of employment with the Department, the employee will be paid for unused vacation time based on the employee's base rate of pay at the time of termination. In accordance with generally accepted accounting principles, provisions for these termination liabilities have been accrued in the accompanying financial statements.

Sales Tax

The Department collects sales tax. The amount received is credited to a liability account and as payments are made, this account is charged. At any point in time, this account represents the net amount owed to the taxing authority for amounts collected but not yet remitted.

NOTE 2 - ACCOUNTS RECEIVABLE - CUSTOMERS, NET:

	2010	2009	
Accounts Receivables – Customers	\$ 2,074,410	\$ 1,303,113	
Allowance for Doubtful Accounts	(207,441)	(141,415)	
Net	\$ 1,866,969	\$ 1,161,698	

NOTE 3 - RATE STABILIZATION FUND:

The rate stabilization fund was created as an aftermath of deregulation. These funds are for unexpected escalation in costs, such as the decommissioning of nuclear power plants before the end of their operating license, unusual price spikes in fuel prices and transmission cost increases. This fund will also be used to help maintain a competitive position when the investor-owned utilities are no longer collecting their stranded costs several years down the line. The rate stabilization fund balance at December 31, 2010 and 2009 was \$999,236 and \$996,177, respectively.

NOTE 4 - DEPRECIATION FUND:

Pursuant to provisions of the Commonwealth's General Laws, cash in an amount equivalent to the annual depreciation expense is transferred from unrestricted funds to the depreciation fund. Interest earned on the balance of the fund must also remain in the fund. Such cash may be used for the cost of plant, nuclear decommissioning costs, costs of contractual commitments, and deferred costs related to such commitments which the municipal light board determines are above market value. The balance at December 31, 2010 and 2009 was \$375,068 and \$117,996, respectively.

BELMONT MUNICIPAL LIGHT DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

NOTE 5 - CONCENTRATION OF CREDIT RISK:

The Belmont Municipal Light Departments' deposits with the Town Treasurer are commingled and invested with deposits from other Town funds. Accordingly it is not practical to disclose the related bank balance and credit risk of such cash deposits for the Light Department. Funds on deposit with financial institutions are subject to the insurance coverage limits imposed by the Federal Deposit Insurance Corporation (FDIC). The amount of insurance coverage for the Light Department deposits is not determinable because the limits of insurance are computed on a Town-Wide basis.

NOTE 6 - UNBILLED REVENUE:

No recognition is given to the amount of sales to customers which are unbilled at the end of the accounting period.

NOTE 7 - UTILITY PLANT ASSETS:

	Balance January 1 2010	Increases	Decreases	Balance December 31 2010
Capital Assets Not Being Depreciated				
Land	\$ 9,349	\$ 0	\$ 0	\$ 9,349
Construction in Progress	1,036,312	759,871	(797,765)	998,418
Total Capital Assets Not Being Depreciated	1,045,661	759,871	(797,765)	1,007,767
Capital Assets Being Depreciated:				
Distribution Plant	18,593,640	552,855	(2,508,580)	16,637,915
General Plant	7,776,131	466,297	(485,330)	7,757,098
Total Capital Assets Being Depreciated	26,369,771	1,019,152	(2,993,910)	24,395,013
Less Accumulated Depreciation for:				
Distribution Plant	(14,177,568)	(953,552)	2,508,580	(12,622,540)
General Plant	(4,059,083)	(388,807)	485,330	(3,962,560)
Total Accumulated Depreciation	(18,236,651)	(1,342,359)	2,993,910	(16,585,100)
Capital Assets Being Depreciated, Net	8,133,120	(323,207)	0	7,809,913
Utility Plant Assets, Net	\$ 9,178,781	\$ 436,664	\$ (797,765)	\$ 8,817,680

BELMONT MUNICIPAL LIGHT DEPARTMENT  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010 AND 2009

NOTE 8 - CONSTRUCTION IN PROGRESS:

The Department had invested \$1,796,000 in a transmission service upgrade to 115kv. Due to the change in the scope of the project certain aspects of the project costs were abandoned resulting in a reduction in the carrying value of the construction work in progress account to \$998,418 as of December 31, 2010.

NOTE 9 - BONDS PAYABLE:

In June 2007, the Town issued General Obligation Bonds (GOB) to finance the acquisition of the MUNIS accounting software. At December 31, 2010 and 2009, the GOB amount outstanding for the light department's share was \$60,000 and \$120,000, respectively. Interest expense relating to the light department's share of this Bond amounted to \$1,833 and \$3,666 for December 31, 2010 and 2009, respectively. The remaining balance is payable on May 1, 2011.

NOTE 10 - INVESTED IN CAPITAL ASSESTS, NET OF RELATED DEBT:

	2010	2009
Cost of Capital Assets Acquired	\$ 25,402,780	\$ 27,415,432
Less: Accumulated Depreciation	16,585,100	18,236,651
Less: Outstanding Debt Related to Capital Assets	60,000	120,000
Invested in Capital Assets, Net of Related Debt	\$ 8,757,680	\$ 9,058,781

NOTE 11 - MISCELLANEOUS DEFERRED LIABILITIES:

The Department's rates included a Purchased Power Transmission Adjustment (PPTA) which allows for an adjustment of rates charged to customers in order to recover all changes in capacity and fuel costs from stipulated base costs. The PPTA provides for monthly reconciliations of total power costs billed with actual cost of power incurred. Any excess or deficiency in amounts collected as compared to costs incurred is deferred and either credited or billed to customers over subsequent periods. The balance as of December 31, 2010 and 2009 is shown as an amount owed to its customers of \$0 and \$484,562, respectively.

NOTE 12 - COMMITMENTS AND CONTINGENCIES:

Belmont Municipal Light Department has entered into various power contracts through Energy New England (ENE), as their acting agent. These power contracts began in 2009 and go through to the year 2026.

BELMONT MUNICIPAL LIGHT DEPARTMENT  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010 AND 2009

NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued):

BMLD's annual energy costs related to its long-term power purchase commitments as of 2010 are approximately as follows:

2011	\$	7,972,360
2012		7,291,228
2013		4,735,605
2014		990,272
2015		658,392
2016-2020		2,109,857
2021-2025		2,108,248
2026		<u>336,795</u>
		<u>\$ 26,202,757</u>

NOTE 13 - RELATED PARTY TRANSACTIONS:

In 2010 and 2009, the Light Department received payments from the town in the amount of \$1,327,501 and \$1,310,377, respectively and paid payments to the town in the amount of \$1,785,849 and \$1,919,199, respectively. At December 31, 2010 and 2009, the outstanding receivable balance was \$56,733 and \$47,489, respectively, and there were no outstanding payable balances.

NOTE 14 - CLAIMS AND JUDGMENTS:

During 2009, the Department received various adjustments for power relating to prior years netted in the amount of \$3,582.

NOTE 15 - PAYMENT IN LIEU OF TAXES:

The Municipal Light Board, which is also the Board of Selectmen, is responsible for determining the amount that the Light Department pays to the Town in lieu of taxes. The payment in lieu of taxes was \$650,000 for the years ended December 31, 2010 and 2009.

NOTE 16 - RISK MANAGEMENT:

The Light Department participates in and shares in the cost of the Town's risk management programs with regards to health, workers compensation and automobile insurance.

The Light Department carries its own property, general liability and public official liability coverage through a premium-based plan. Limits on this insurance coverage vary from \$5,000 to \$2,000,000 per occurrence.

BELMONT MUNICIPAL LIGHT DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

NOTE 17 - PENSION PLAN:

The Light Department, through the Town of Belmont, is a member of the Belmont Contributory Retirement System, which, in turn, is a member of the Massachusetts Contributory Retirement System, which is governed by M.G.L. c.32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The plan is a contributory defined benefit plan for all county employees and employees of participating towns and districts except those employees who are covered by teacher's retirement board.

Massachusetts Contributory Retirement System benefits are uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

A \$30,000 salary cap, upon which members' benefits were calculated, was removed by the Belmont Contributory Retirement System effective January 1, 1991. Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total contributions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Active members contribute either 5, 7, 8 or 9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired after 1978 contribute an additional 2% of annual pay above \$30,000. These contributions are deposited in the Annuity Savings Fund and earn interest at a rate determined by The Public Employees' Retirement Administration's (\*PERA's) Actuary. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Cost-of-living adjustments (COLA) for retirees prior to 1997 were borne by the state. All COLA after that have been borne by the local retirement system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors: including whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veterans' status, and group classification. Employees who resign from state 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 contributions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those contributions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

BELMONT MUNICIPAL LIGHT DEPARTMENT  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010 AND 2009

NOTE 17 - PENSION PLAN (Continued):

The Department's contribution to the Retirement Plan is determined by an allocation of the total Town contribution, which is based upon projected benefits to be paid during the applicable year. The Department then reimburses the Town for the Department's share of the assessment.

The amount of pension expense charged to operations for the years ended December 31, 2010, 2009 and 2008 was approximately \$462,448, \$426,397, and \$400,739, respectively.

The Plan's separately issued financial statements can be obtained by contacting the Town of Belmont Retirement Office at 455 Concord Avenue, Belmont, Massachusetts 02478.

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

December 31, 2008 was the initial year that Belmont Municipal Light Department (BMLD) implemented GASB Statement 45, *Accounting for Financial Reporting by Employers for Post Employment Benefits Other than Pensions*. As allowed by GASB 45, the Department has established the net OPEB obligation at zero at the beginning of the transition year and has applied the measurement recognition requirements of GASB 45 on a prospective basis.

*Plan Description.* BMLD participates in the town sponsored single employer defined benefit health plan. BMLD provides certain health care and life insurance benefits for eligible retirees and their spouses. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan.

As of July 1, 2010 BMLD's membership consisted of the following:

Current retirees beneficiaries	30
Current active members	<u>30</u>
Total	<u><u>60</u></u>

*Funding Policy.* BMLD recognizes the cost of providing these benefits, in accordance with government accounting standards, on a pay-as-you-go basis, by expensing the annual insurance premiums charged BMLD by the Town, which aggregated approximately \$540,066 and \$486,663 for the year ended December 31, 2010 and 2009. The cost of providing these benefits for retirees is about 50% of the premium. Retired plan members and beneficiaries currently receiving benefits are required to contribute 20% for HMO and 50% for PPO plans (that are not participating in medicare plans) and 50% for the Medicare Enhanced Supplement and the First Seniority Plans of the cost of benefits provided depending on the plan they choose. A surviving spouse may continue coverage for lifetime by paying 50% of the medical plan premium rate. Retirees are required to pay \$28 annually for a \$2,000 life insurance benefit, if elected.

BELMONT MUNICIPAL LIGHT DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued):

*Annual OPEB Costs.* BMLD'S annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following shows the components of the Department's annual OPEB cost for the years ending December 31, 2010 and 2009, the amount actually contributed to the plan, and changes in the departments' net OPEB obligation based on an actuarial valuation as of July 1, 2010:

Normal cost	\$	153,975
Amortization of unfunded actuarial accrued liability		521,966
Interest		<u>33,798</u>
Annual required contribution		709,739
Contributions made		(128,320)
Increase in net OPEB obligation		581,419
Net OPEB obligation – Beginning of Year		<u>931,743</u>
Net OPEB obligation – End of Year		<u><u>\$ 1,513,162</u></u>

The Departments' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Year ended</u>	<u>Annual OPEB Costs</u>	<u>Percentage of OPEB cost contributed</u>	<u>Net OPEB obligation</u>
2008	\$ 676,137	21%	\$ 534,877
2009	\$ 538,126	21%	\$ 396,866
2010	\$ 709,739	18%	\$ 581,418

*Funded Status and Funding Progress.* 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 contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.



BELMONT MUNICIPAL LIGHT DEPARTMENT  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010 AND 2009

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued):

The funded status is as follows:

Actuarial accrued liability (AAL)	\$	8,862,929
Actuarial value of plan assets		(139,855)
Unfunded actuarial accrued liability	\$	8,723,074
Funded ratio (actuarial value of plant assets/AAL)		1.58%
Covered payroll (active plan members)	\$	2,268,090
UAAL as a percentage of covered payroll		384.6%

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the department and the 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 the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2010, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 5.0% investment rate of return and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5% after 5 years. The health care cost trend rate differs between the master medical and other healthcare plans. The actuarial value of assets was determined using the market value of investments. The department's unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at July 1, 2010 was thirty years.

NOTE 19 - RESTATEMENT OF 2009 FINANCIAL STATEMENTS:

The Department has restated the 2009 previously issued financial statements. The Department had recorded an asset of \$138,011 in error. These were funds set aside in an Other Post Employment Benefit (OPEB) Trust Fund, and therefore the financial statements have been restated to remove these Trust funds and reduce the OPEB liability. This restatement has no effect on 2009 net assets. In addition, the Department had overbilled a customer \$111,250 and had recorded a receivable and revenue in error. Net Assets has been restated as of December 31, 2009 as follows:

BELMONT MUNICIPAL LIGHT DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

NOTE 19 - RESTATEMENT OF 2009 FINANCIAL STATEMENTS (Continued):

Net Assets, December 31, 2009, as originally reported	\$ 12,622,429
Decrease in revenue	<u>(111,250)</u>
Net Assets, December 31, 2009, as restated	<u>\$ 12,511,179</u>

NOTE 20 - SUBSEQUENT EVENTS:

Management has evaluated subsequent events through July 7, 2011 the date on which the financial statements were available to be issued. Management believes there are no subsequent events that are required to be disclosed.

*Goulet, Salvidio & Associates, P.C.*  
*Certified Public Accountants*

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James F. Goulet, CPA, MST  
Catherine A. Kuzmeskus, CPA

Michael A. Salvidio, CPA  
James R. Dube, CPA

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

The Board of Commissioners  
Belmont Municipal Light Department  
Belmont, Massachusetts 02478

Our audits were made for the purpose of forming an opinion on the financial statements of Belmont Municipal Light Department for the years ended December 31, 2010 and 2009, which are presented in the preceding section of this report. The supplemental information presented on pages 25-26 is for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Goulet, Salvidio & Associates, P.C.

*Goulet, Salvidio & Associates, P.C.*

Worcester, Massachusetts  
July 7, 2011

BELMONT MUNICIPAL LIGHT DEPARTMENT  
SCHEDULES OF SALES OF ELECTRICITY  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
SALES OF ELECTRICITY:		
Residential	\$ 13,272,101	\$ 12,210,158
Commercial	3,769,626	3,478,140
Industrial	4,402,033	4,436,483
Municipal	984,870	922,899
Private Lighting	36,283	32,793
Street Lights	<u>254,283</u>	<u>266,701</u>
TOTAL SALES OF ELECTRICITY	<u>\$ 22,719,196</u>	<u>\$ 21,347,174</u>

See Independent Auditors' Report on Supplemental Information

BELMONT MUNICIPAL LIGHT DEPARTMENT  
SCHEDULES OF OPERATIONS AND MAINTENANCE EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
OPERATIONS EXPENSES:		
POWER PRODUCTION EXPENSES		
Purchased Power Expense	\$ 9,426,130	\$ 9,583,987
Transmission Expense	4,583,431	4,314,959
Total Power Production Expenses	14,009,561	13,898,946
DISTRIBUTION EXPENSES		
Miscellaneous Distribution Expenses	95,416	90,907
Line Expenses	1,134,303	810,911
Operation Supplies and Expenses	514,251	635,588
Maintenance of Meters	142,433	141,151
Customer Installations Expense	80,378	76,457
Stores Expense	62,877	57,636
Total Distribution Expenses	2,029,658	1,812,650
CUSTOMER ACCOUNTS		
Customer Accounting and Collection Expense	522,635	348,088
Meter Reading Expense	106,235	100,610
Uncollectible Accounts	115,467	84,922
Total Customer Accounts	744,337	533,620
GENERAL AND ADMINISTRATIVE EXPENSES		
Administrative and General Salaries	415,710	373,373
Office Supplies and Expenses	190,251	198,359
Outside Services Employed	463,320	334,736
Insurance, Injuries and Damages	104,769	131,830
Employees' Pension and Benefits	1,539,505	1,436,208
Dues, Meetings, and Other General Expenses	60,933	84,148
Transportation Expenses	52,508	62,998
Advertising Expenses	42,380	31,908
Total General and Administrative Expenses	2,869,376	2,653,560
MAINTENANCE EXPENSES:		
Maintenance - Other	303,351	358,654
TOTAL OPERATIONS AND MAINTENANCE EXPENSES	\$ 19,956,283	\$ 19,257,430

See Independent Auditors' Report on Supplemental Information