

**BELMONT LIGHT**  
Financial Statements  
December 31, 2016 and 2015

BELMONT LIGHT  
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DECEMBER 31, 2016 AND 2015

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**GOULET, SALVIDIO  
& ASSOCIATES, P.C.**  

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**CERTIFIED PUBLIC ACCOUNTANTS**

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners  
Belmont Light  
Belmont, Massachusetts 02478

We have audited the accompanying financial statements of Belmont Light, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise Belmont Light's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our 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 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 opinion.

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Belmont Light as of December 31, 2016 and 2015, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only Belmont Light and do not purport to, and do not, present fairly the financial position of the Town of Belmont, Massachusetts, as of December 31, 2016 and 2015, and the changes in financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Other Postemployment Benefits information, and Net Pension Liability information on pages three through ten and pages 35 through 37 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 evidence sufficient to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information presented on pages 38 and 39 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements as a whole.

Goulet, Salvidio & Associates, P.C.

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

Worcester, Massachusetts  
June 30, 2017

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of Belmont Light's financial activities for the fiscal years ended December 31, 2016 and 2015.

Belmont Light purchases and distributes electricity to the residents, businesses and the Town of Belmont. Because Belmont Light 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 Belmont Light, we offer readers of the basic financial statements this narrative overview and analysis of the financial activities of Belmont Light.

### Overview of the Financial Statements

The basic financial statements include (1) The Statements of Net Position (2) The Statements of Revenues, Expenses and Changes In Net Position (3) The Cash Flow Statements and (4) Notes to The Financial Statements. The Statements of Net Position are designed to indicate our financial position as of a specific point in time. At December 31, 2016, it shows our net position increased 12.7% compared to the year ended December 31, 2015. Increases and decreases in net position may serve as a useful indicator of whether the financial position of Belmont Light is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position summarize our operating results. 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. As discussed in more detail below, our net income for December 31, 2016 and 2015 was \$2,444,553 and \$3,342,522, 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 Position

	<u>2016</u>	<u>2015</u>
Current Assets	\$ 55,114,843	\$ 36,066,590
Noncurrent Assets	<u>34,467,447</u>	<u>45,408,460</u>
Total Assets	<u>89,582,290</u>	<u>81,475,050</u>
Deferred Outflows of Resources	<u>1,267,532</u>	<u>523,969</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 90,849,822</u>	<u>\$ 81,999,019</u>
Current Liabilities	\$ 36,250,874	\$ 29,518,987
Noncurrent Liabilities	<u>35,359,481</u>	<u>35,645,243</u>
Total Liabilities	<u>71,610,355</u>	<u>65,164,230</u>
Deferred Inflows of Resources	<u>\$ 3,302,245</u>	<u>\$ 2,692,120</u>

### Summary of Net Position (Continued)

	<u>2016</u>	<u>2015</u>
Net Position:		
Net Investment in Capital Assets, Net of Related Debt	\$ (30,957,743)	\$ 8,415,101
Restricted for Depreciation	8,125,599	4,199,884
Restricted for Debt Service and Repayment of Project Advances	45,065,209	0
Restricted for Grant Program	0	3,248
Unrestricted Net Position	<u>(6,295,843)</u>	<u>1,524,436</u>
Total Net Position	<u>15,937,222</u>	<u>14,142,669</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 90,849,822</u>	<u>\$ 81,999,019</u>

### Summary of Changes in Net Position

	<u>2016</u>	<u>2015</u>
Operating Revenues	\$ 23,752,431	\$ 25,468,240
Operating Expenses	<u>21,519,360</u>	<u>22,227,005</u>
Operating Income	2,233,071	3,241,235
Nonoperating Revenues (Expenses)	<u>211,482</u>	<u>101,287</u>
Income Before Contributions and Transfers	2,444,553	3,342,522
Beginning Net Position	14,142,669	11,450,147
Transfers Out – Payment in Lieu of Taxes	<u>(650,000)</u>	<u>(650,000)</u>
Ending Net Position	<u>\$ 15,937,222</u>	<u>\$ 14,142,669</u>

Belmont Light is a utility organization committed to provide economical and reliable energy with superior customer service.

In order to fulfill our mission, Belmont Light 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. Belmont Light acknowledges the obligation to look at alternative sources of renewable energy in order to preserve the integrity of the environment for future generations. Belmont Light 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. Belmont Light'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 Service

Belmont Light is responsible for acquiring and delivering electricity to the residents, businesses and the Town of Belmont. Belmont Light 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 Belmont Light customers. The Division also ensures generating and transmission energy resources are available to meet the needs of the Belmont community.

## Belmont Light Highlights

Compared to industry standards Belmont Light continues to provide a high level of system reliability as evidenced by Belmont Light's performance in 2016.

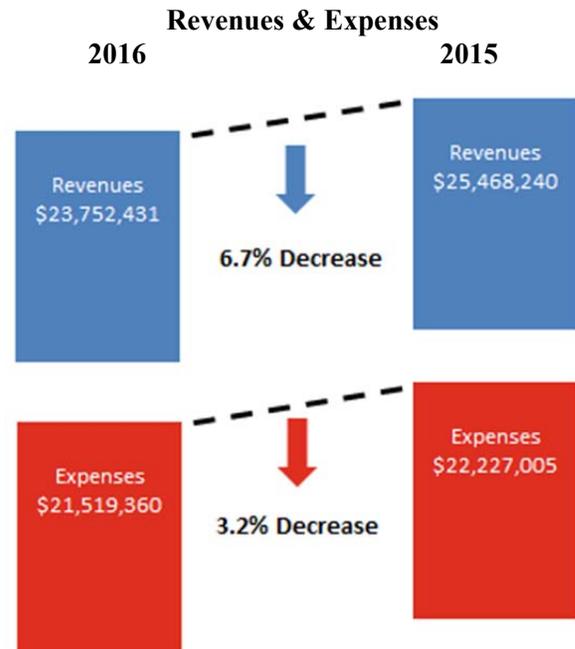
- Revenues from the sale of electricity decreased by 7.2%.
- 122,776,003 kWh of electricity provided to 11,424 customer accounts.
- Highest system peak demand of 31.306 MW occurred on August 11, 2016.
- Top 20 kWh users generate ~20% of Belmont Light revenue.

## Operating Overview

### 2016 Revenue

Revenue from the sale of electricity decreased by \$1,818,891 due to stable purchased power costs, mild summer/winter and Purchased Power and Transmission Adjustment tariff which was set up as a credit rate in August 2016.

Other operating revenue increased \$103,082.



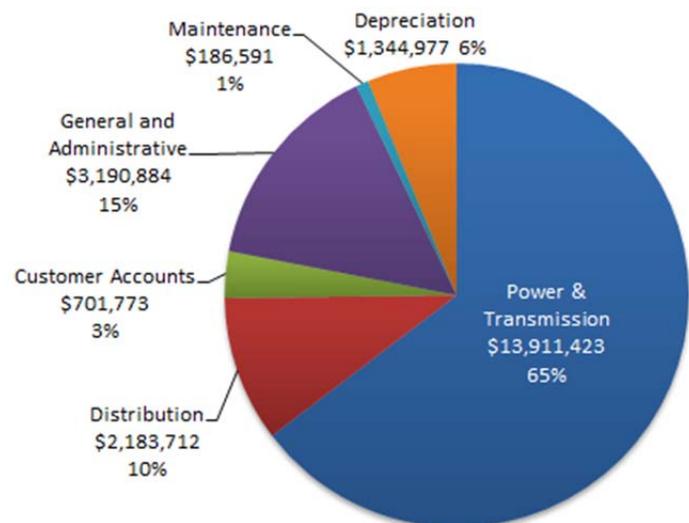
### 2016 Expenses vs. 2015 Expenses

Power costs reflect a \$999,551 (6.7%) decrease due to higher energy costs in 2015.

Distribution expenses decreased \$33,207 (1.5%) due to inventory adjustments based on physical count.

Customer Accounts costs increased \$150,389 (27%) due to meter maintenance and license fees for new software and changes in liens accounting.

General & Administrative expenses increased by \$265,282 (9%) due to increase of Admin Salaries (new Executive Assistant hire), Pension and Benefits expenses and Outside Services expenses (HR services).



## **Utility Plant and Continuing Projects**

The general laws of the Commonwealth of Massachusetts under Chapter 164 require “utility plant in service” to be depreciated at a rate of 3%. Approval was given by the Department of Public Utilities to increase the rate 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 \$21.8 million (\$18.3 million for Distribution Plant, \$2.1 million for General Plant and \$1.4 million for Construction Work In Progress). During 2016 Construction Work in Progress decreased by \$29.5 million, related to the transfer of 115kV Substation assets to Eversource and capitalization of Belmont Light capital assets.

## **Debt Administration**

On February 8, 2012 Belmont Town Meeting authorized the borrowing of \$53,700,000 to design and construct an electric substation facility at Blair Pond, and to install the associated transmission and distribution infrastructure. On April 26, 2012, the Town issued a Bond Anticipation Note (BAN) in the aggregate amount of \$14,000,000, which included a bond premium, bearing interest at 1.83% and maturing April 25, 2013. The BAN was refinanced and matured on April 25, 2014. On April 25, 2014 the BAN was converted to permanent bond financing with an additional \$12,100,000 borrowed. The \$26,100,000 general obligation bond was used to finance the 115kV Transmission Service Upgrade Project. Principal payments are due annually on April 15. Interest is due semi-annually on each April 15 and October 15. The interest rate ranges from 2.75% to 4.00% over the term of the bond. The bond matures on April 15, 2032 and April 15, 2034, respectively. At December 31, 2016 and 2015 the amount outstanding was \$24,105,000 and \$25,110,000, respectively. Capitalized interest expense relating to this bond amounted to \$917,864 and \$955,705 as of December 31, 2016 and 2015, respectively.

On May 7, 2015, the Town issued a BAN in the aggregate amount of \$26,461,606. Proceeds were to be used to further finance the 115kV Transmission service upgrade project. Bearing interest at 0.7% the principal balance matured May 4, 2016. The BAN included a bond premium of \$61,606 which was returned to the borrower. Accrued interest for Belmont Light’s share of this BAN amounted to \$184,984, which was capitalized.

On May 6, 2016, the Town issued a BAN in the aggregate amount of \$27,645,452, which represented the original BAN of \$26,400,000 plus an additional borrowing of \$1,200,000. The BAN included a premium of \$45,452. Proceeds were to be used to further finance the 115kV Transmission service upgrade project. Bearing interest at 1.07% the principal balance matured May 5, 2017. Accrued interest for Belmont Light’s share of this BAN amounted to \$227,699 as of December 31, 2016, which has been capitalized. The BAN matured May 5, 2017 and was paid by Belmont Light.

## **Power Supply**

Belmont Light purchases electricity from the Independent System Operator-New England (ISO-NE) marketplace and maintains a diversified power supply portfolio that enables Belmont Light to continue to offer its ratepayers affordable and competitive electricity pricing.

In accordance with our 2013 Energy Resources Policy, Belmont Light supports the development of environmentally benign power sources whenever it is cost-effective and feasible to do so. Belmont Light continued to receive output from Spruce Mountain Wind and Saddleback Ridge Wind Projects under Purchase Power Agreements (PPA) executed in 2010 and 2013, respectively. By committing to buy power from these wind developments, Belmont Light helps ensure their continued operation. Belmont Light also executed a new PPA in

## **Power Supply (Continued)**

2015 to buy a portion of the output from a large-scale solar development in western Massachusetts which reached commercial operation in early 2016. Belmont Light's initial expression of interest and official PPA, along with those from other Massachusetts municipal utilities, were instrumental in solidifying that the solar project would be built.

Belmont Light customers directly contributed to our supply portfolio and renewable energy efforts this past year. Participants in the 2016 Green Choice Program funded the retirement of 700 Massachusetts Class I Renewable Energy Certificates (RECs) that represent 7,000 kWh of New England-based, renewable energy generation. This is the most renewable power supported by Green Choice Program participants in one year than ever before. Due to the success of the community-driven Belmont Goes Solar campaign, Belmont Light approved the interconnection of 266 new solar customers between January and late December. These residential and commercial customers provided approximately 504,896 kWh of distributed solar photovoltaic (PV) electricity in 2016.

In 2017, Belmont Light will continue to seek opportunities to acquire contract rights for proposed wind and solar energy projects throughout New England. We will also evaluate additional options for procuring and retiring RECs as a method to further support renewable energy resources. Further, in collaboration with members of the Belmont Energy Committee and the Light Board Advisory Committee, we will investigate the feasibility of implementing energy storage in Belmont to optimize our renewable energy supply and bolster system-wide reliability, resiliency, and cost-savings.

## **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.

There have not been any changes in Belmont Light's base rates for residential, commercial, and municipal customers since 2014. However, beginning on August 1, 2016, Belmont Light adjusted its Purchased Power and Transmission Adjustment (PPTA) to a credit rate of \$0.0085/kWh to avoid over collection. Detailed information on Belmont Light's rates is available at [www.belmontlight.com](http://www.belmontlight.com).

## **Demand Side Management**

### Energy Efficiency Grant Program

Belmont Light's Energy Efficiency Grant Program wrapped up in early October. Through this program, which launched in October 2014 and was funded by a \$240,250 award from MA DOER, Belmont Light allocated 107 grants to Belmont for home weatherization services, provided 51 grants to residential customers for high efficiency heat pump systems, funded the installation of a high efficiency heat pump system for the Belmont Department of Public Works, and installed 100 LED streetlights in town. These measures will help Belmont save an estimated 266 MWh of electricity, 6,275 MMBTu of heating energy, and up to \$150,000 each year.

Belmont Light is pleased with the success of the Energy Grant Program. All of the program's goals were ultimately achieved and the conversion rates among participants were exceptionally high compared to industry standards. Such success would not have been possible without collaboration with the Belmont Energy Committee and Sagewell, Inc. In light of this success, Belmont Light will continue to offer rebates on high efficiency heat pumps in 2017.

## **Demand Side Management (Continued)**

### Electric Vehicles

Belmont Light implemented a new electric vehicle incentive program in 2016 and partnered with members of the Belmont Energy Committee, Sustainable Belmont, and residents on the Belmont Drives Electric (BDE) campaign. Belmont Light's Smart Charging Program rewards electric vehicle owners when they charge during off-peak, overnight hours, helping to save all Belmont ratepayers money. Launched in October, BDE is a local initiative designed to highlight the benefits of driving electric vehicles and connect Belmont residents to rebates, incentives, and free test drives. The BDE campaign will continue into 2017 with Belmont Light sponsorship, and has been popular among residents of Belmont and surrounding communities. Together, Belmont Light's Smart Charging Program and BDE have already garnered great event attendance, helped increase the number of EVs in town, and contributed to local climate action goals.

### Other Highlights

Additional demand-side management highlights for 2016 include:

- An expansion of the Residential Peak Reduction Program successfully piloted in 2015. The 2016 program helped save over 1800 kWh of electricity and approximately \$18,000 in one-time savings during 8 separate peak load events over the summer.
- Providing \$8,425 in rebates for 95 residents who participated in the 2016 ENERGY STAR Appliance Rebate Program.
- Donating over 4,500 energy-efficient light bulbs to customers, property owners, and area schools.

Looking forward to 2017, Belmont Light plans to debut new and revamped programming aimed at achieving energy efficiency and climate action goals while reducing system-wide costs. Potential programs include enhanced options for commercial and low-income customers, additional appliance rebate opportunities, LED streetlight upgrades, and updates to the residential lighting program.

## **Community Outreach**

Belmont Light staff worked closely with the community throughout 2016 to spread awareness about electricity and energy issues, with an emphasis on bill management and energy conservation. In 2016, Belmont Light participated in and supported:

- Belmont Town Day;
- Meet Belmont;
- Civic and community organizations, including the Belmont Foundation for Education, the Beech Street Senior Center, and the Belmont Energy Committee;
- The Belmont Farmers' Market;
- Belmont Drives Electric
- Belmont Goes Solar;
- Public presentations and forums; and
- The Annual Tree Lighting Ceremony.

Belmont Light also held its fourth annual Winter Solstice event in December. At the event, residents donated over 75 blankets and pieces of bedding to Mission of Deeds, a local charity that provides household essentials to residents in need. Belmont Light further encouraged energy conservation through the publication of its annual historic calendar in December.

## **2016 Activities**

### Advanced Metering

Belmont Light completed the modernization of its infrastructure through its advanced metering project in 2016. The project entailed the installation of state-of-the art hardware, software, and communications networking equipment that provides opportunities for energy savings, operations efficiency, enhanced customer service, and reduced energy costs. The “smart” electric meters installed as part of the project communicate via a highly secure, town-wide, 900-MHz private network. Data collected from these meters is made available to customers through Belmont Light’s web portal, SmartHub, making it easy to analyze and manage their electricity usage.

### Blair Pond Substation and 115 kV Transmission Project

On December 16, 2016, Belmont Light officially transferred ownership of a newly constructed 115kV Transmission Line to Eversource, and in doing so effectively closed out the development phase of a new electricity distribution system that will serve Belmont consumers for decades to come.

The new 115kV Transmission Line runs from the Alewife electric grid in Cambridge to feed a new 60 megawatt substation at Blair Pond in Belmont that will provide a newer, more reliable and better quality electric service for all Belmont users. The new electric distribution system is the result of several years of analysis, planning, design and construction aimed at combating Belmont’s growing concerns in the areas of capacity, age of infrastructure, and reliability of its electric delivery system.

In assessing these inevitable limitations of its aging distribution system, in 2012 Belmont Town Meeting approved \$53.7 million in new bonding capacity to address these concerns and develop a solution. With the support of Town Meeting, Belmont Light worked with industry experts, the Massachusetts Department of Public Utilities, the Independent Service Operators of New England, Belmont Town Officials and Eversource, the owner of Belmont’s electric supply interconnection at Alewife, to develop the most efficient and cost effective solution for Belmont’s ratepayers. The result of this collaboration and analysis includes not only the new 60 megawatt Blair Pond Substation and 115kV Transmission Line, but also a Joint Development Agreement signed between Belmont Light and Eversource which transfers ownership of the 115kV Transmission Line to Eversource after construction.

On December 8, 2016, under its 2013 Joint Development Agreement and 2016 Asset Purchase Agreement with Eversource, Inc., the Town transferred assets related to the Transmission Service upgrade project to Eversource and received \$45,060,270 in December 2016, with an additional final payment of \$1,249,891 upon settlement of the accounts in June 2017, the cost of the transferred assets, in return. The Town used a portion of those proceeds to retire the BAN and accumulated financing costs in the amount of \$27,941,548 on May 5, 2017; the remainder will be used to repay funds advanced from Belmont Light’s working capital and its general bond fund during project development and implementation, and to complete the connectivity phase of the Transmission Service upgrade project. In that phase of the project, which will take place during 2017, connections will be established between the new Blair Pond substation and the three existing substations at Concord Avenue, Oakley Road and Hittinger Street, while the existing electrical supply lines between Eversource’s Alewife substation and the three existing substations will be terminated. At the appropriate stage of that reconfiguration, the new lines will be energized and the Town’s power will come from North Cambridge through the new transmission lines, the Blair Pond substation, and the three existing substations. Belmont Light then plans to convert voltages and equipment throughout the Town in order to provide power to its ratepayers directly through Blair Pond, and to return the three existing substations and the related land for use by the Town.

## **2016 Activities (Continued)**

### Infrastructure & Development Projects

Belmont Light's Operations team supported a number of important infrastructure and building projects in town this past year. After completing the work required to extend our lines to Acorn Park in 2015, we completed 90% of the site work in 2016, including 4 of 5 pad-mounted transformers, a switchgear, and several thousand feet of underground cable. The entire infrastructure for St. James Court and most of the infrastructure for Oakmont Lane was completed in 2016. Both developments are ready for energization once final site preparations are complete. We supported the Town's beautification of Belmont Center by installing feeds to the new street lights on Leonard St. and Concord Avenue. We also installed and energized a new service to the Chenery Middle School modular classrooms building. In 2017, the Belmont Light's field and engineering staff looks forward to continued work at Acorn Park, Oakmont Lane, and Saint James Court, as well as completion of the electrical design for Cushing Village. We will also look forward to making significant progress in the cutover to the Blair Pond Substation and the modernization of Belmont's electric infrastructure.

### Billing System Upgrade & New Customer Portal

In October 2016, Belmont Light launched its upgraded billing system and new customer portal, SmartHub, which allows customers to access electric and water accounts, explore and monitor their usage, and many other useful functions. Belmont Light has worked collaboratively with staff from the Belmont Water Division, the Town Treasurer's Office and the Town Administrator's Office on selecting and implementing the fully integrated and innovative new system.

The project began in mid-2014 when Belmont Light alerted the Municipal Light Board and impacted town departments of a critical need to change billing systems, and later released an RFP soliciting interest from potential software vendors. After a rigorous evaluation process that finished in February 2015, Belmont Light and town staff selected National Information Solutions Cooperative (NISC) as the successful vendor. Belmont Light concluded contract negotiations with NISC in 2015 and moved forward on preparation and implementation throughout 2016.

### Reserves

In 2016, Belmont Light continued to build its stability through funding Rate Stabilization and Depreciation Funds to be in line with the industry standards.

BELMONT LIGHT  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2016 AND 2015

OPERATING FUND

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2016	2015
<b>CURRENT ASSETS:</b>		
Funds on Deposit with Town Treasurer		
Operating Cash	\$ 4,603,724	\$ 7,915,123
General Bond Fund	485,265	24,581,638
Cash Received for Transferred Project Assets	45,065,209	0
Accounts Receivable - Customers, Net	1,417,404	1,308,041
Accounts Receivable - Other	1,471,662	87,808
Materials and Supplies	332,884	383,269
Prepaid Expenses	64,103	118,629
Purchased Power Prepayments	1,674,592	1,672,082
 TOTAL CURRENT ASSETS	 55,114,843	 36,066,590
 <b>NONCURRENT ASSETS:</b>		
Funds on Deposit with Town Treasurer		
Depreciation Fund	8,125,599	4,199,884
Customer Deposits	127,465	126,055
Rate Stabilization Reserve Fund	2,317,725	2,016,618
Debt Sinking Reserve Fund - Premium	1,605,928	1,591,456
Rate Stabilization Reserve Fund - MMWEC	405,198	402,122
Utility Plant Assets, Net	21,885,532	37,072,325
 TOTAL NONCURRENT ASSETS	 34,467,447	 45,408,460
 TOTAL ASSETS	 89,582,290	 81,475,050
 <b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred Outflows of Resources Related to Pensions	1,267,532	523,969
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 \$ 90,849,822	 \$ 81,999,019

See Accompanying Notes to Financial Statements

BELMONT LIGHT  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2016 AND 2015

OPERATING FUND

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2016	2015
<b>CURRENT LIABILITIES:</b>		
Short-Term Debt:		
Bond Anticipation Note	\$ 27,615,151	\$ 26,420,535
Bond Payable, Current	1,144,938	1,104,938
Accounts Payable	6,200,415	1,372,114
Accrued Expenses	1,290,370	621,400
<b>TOTAL CURRENT LIABILITIES</b>	<b>36,250,874</b>	<b>29,518,987</b>
<b>NONCURRENT LIABILITIES:</b>		
Customer Deposits	127,465	125,855
Bond Payable, Net of Current Portion	24,568,451	25,713,389
Net Pension Liability	6,611,771	6,236,954
Other Postemployment Benefits Obligation	4,051,794	3,569,045
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>35,359,481</b>	<b>35,645,243</b>
<b>TOTAL LIABILITIES</b>	<b>71,610,355</b>	<b>65,164,230</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred Inflows of Resources Related to Pensions	319,611	0
Rate Stabilization Reserve	2,722,923	2,418,740
Contribution in Aid of Construction, Net of Amortization	259,711	273,380
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>3,302,245</b>	<b>2,692,120</b>
<b>NET POSITION:</b>		
Net Investment in Capital Assets, Net of Related Debt	(30,957,743)	8,415,101
Restricted for Depreciation	8,125,599	4,199,884
Restricted for Debt Service and Repayment of Project Advances	45,065,209	0
Restricted for Grant Program	0	3,248
Unrestricted Net Position	(6,295,843)	1,524,436
<b>TOTAL NET POSITION</b>	<b>15,937,222</b>	<b>14,142,669</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 90,849,822</b>	<b>\$ 81,999,019</b>

See Accompanying Notes to Financial Statements

BELMONT LIGHT  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

OPERATING FUND

	2016	2015
OPERATING REVENUES:		
Sales of Electricity	\$ 23,418,995	\$ 25,237,886
Other Operating Revenues	333,436	230,354
 TOTAL OPERATING REVENUES	 23,752,431	 25,468,240
 OPERATING EXPENSES:		
Operations and Maintenance	20,174,383	20,872,488
Depreciation, Net of Amortization	1,344,977	1,354,517
 TOTAL OPERATING EXPENSES	 21,519,360	 22,227,005
 OPERATING INCOME	 2,233,071	 3,241,235
 NONOPERATING REVENUES (EXPENSES):		
Investment Income	211,637	102,354
Interest Expense	(155)	(176)
Grant Income	60,063	120,125
Grant Expenses	(60,063)	(121,016)
 TOTAL NONOPERATING REVENUES (EXPENSES)	 211,482	 101,287
 Income Before Contributions and Transfers	2,444,553	3,342,522
 NET POSITION - JANUARY 1	14,142,669	11,450,147
 Transfers Out - Payment in Lieu of Taxes	(650,000)	(650,000)
 NET POSITION - DECEMBER 31	 \$ 15,937,222	 \$ 14,142,669

See Accompanying Notes to Financial Statements

BELMONT LIGHT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

OPERATING FUND

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 22,565,007	\$ 26,174,165
Cash Paid to Suppliers	(9,595,667)	(16,172,794)
Cash Paid to Employees	(2,965,006)	(2,735,987)
Cash Paid for Benefits	(1,662,954)	(1,471,632)
Payment in Lieu of Taxes	(650,000)	(650,000)
Net Cash Provided by Operating Activities	7,691,380	5,143,752
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Grant Income	60,063	120,125
Grant Expense	(60,063)	(121,016)
Interest Expense	(155)	(176)
Net Cash Used by Noncapital Financing Activities	(155)	(1,067)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Advance on Bond Anticipation Note	27,645,452	26,461,606
Principal Repayment on BAN Payable	(26,400,000)	0
Principal Repayment on Bond Payable	(1,005,000)	(990,000)
Contribution in Aid of Construction	0	267,612
Additions to Plant Assets	(31,185,993)	(15,669,416)
Proceeds from Sale of Capital Assets	45,060,270	0
Net Cash Provided by Capital and Related Financing Activities	14,114,729	10,069,802
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment Income	75,360	78,652
Net Transfer from Operations	(4,222,467)	(1,962,185)
Net Cash Used by Investing Activities	(4,147,107)	(1,883,533)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	17,658,847	13,328,954
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	32,622,816	19,293,862
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	\$ 50,281,663	\$ 32,622,816

See Accompanying Notes to Financial Statements

BELMONT LIGHT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

OPERATING FUND

	2016	2015
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 2,233,071	\$ 3,241,235
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,358,646	1,354,837
Amortization of Contribution in Aid of Construction	(13,669)	(320)
Allowance for Doubtful Accounts	8,198	9,392
Rate Stabilization Reserve	304,183	705,563
Payment in Lieu of Taxes	(650,000)	(650,000)
(Increase) Decrease in Assets:		
Accounts Receivable - Customers, Net	(117,561)	(53,948)
Accounts Receivable - Other	(1,383,854)	51,568
Materials and Supplies	50,385	(33,709)
Deferred Outflows Related to Pensions	(743,563)	(197,169)
Prepaid Expenses	54,526	(26,047)
Purchased Power Prepayments	(2,510)	5,842
Increase (Decrease) in Liabilities:		
Accounts Payable	4,828,301	179,718
Customer Deposits	1,610	(6,650)
Accrued Expenses	572,005	29,874
Net Pension Liability	374,817	145,186
Other Postemployment Benefits Obligation	497,184	388,380
Deferred Inflows Related to Pensions	319,611	0
Net Cash Provided by Operating Activities	\$ 7,691,380	\$ 5,143,752

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

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

	2016	2015
Operating Cash	\$ 4,603,724	\$ 7,915,123
General Bond Fund	485,265	24,581,638
Cash Received for Transferred Project Assets	45,065,209	0
Customer Deposits	127,465	126,055
	\$ 50,281,663	\$ 32,622,816

See Accompanying Notes to Financial Statements

BELMONT LIGHT  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2016 AND 2015

OPEB TRUST FUND

ASSETS

	2016	2015
Funds on Deposit with Town Treasurer		
OPEB Trust Fund	\$ 226,073	\$ 201,758

NET POSITION

NET POSITION - Restricted	\$ 226,073	\$ 201,758
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BELMONT LIGHT  
STATEMENTS OF CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

OPEB TRUST FUND

	2016	2015
Contributions	\$ 14,435	\$ 16,503
Net Investment Income	9,880	3,798
CHANGES IN NET POSITION	24,315	20,301
NET POSITION - JANUARY 1	201,758	181,457
NET POSITION - DECEMBER 31	\$ 226,073	\$ 201,758

See Accompanying Notes to Financial Statements

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of Belmont Light are as follows:

Reporting Entity

Belmont Light is a component unit of the Town of Belmont, Massachusetts. Belmont Light purchases power from various sources and sells it to the ultimate customer at rates submitted to the Massachusetts Department of Public Utilities (DPU). Belmont Light appoints 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

Belmont Light's financial statements are reported using the flow of 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.

Under Massachusetts law, electric rates of Belmont Light 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 Belmont Light, the 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). Belmont Light's depreciation rate for 2016 and 2015 was 5%.

Belmont Light charges maintenance to expense when incurred. Replacements and betterments are charged to utility plant.

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 Belmont Light which are applied to customers' consumption of electricity.

Belmont Light'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 Belmont Light. 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 nonoperating in the financial statements.

Taxes

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

Materials and Supplies

Materials and supplies are valued using the average cost method.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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

Sales Tax

Belmont Light 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.

Cash and Cash Equivalents

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

Reclassification

Certain prior year amounts have been reclassified to conform to the 2016 presentation.

Accounts Receivable

Belmont Light carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, Belmont Light 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.

Belmont Light'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.

Compensated Absences

In accordance with Belmont Light policies, employees are allowed to accumulate sick days, up to a maximum of 200 days. Upon termination of employment with Belmont Light, 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 Belmont Light, 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.

Contribution in Aid of Construction

Contribution in Aid of Construction represents non-refundable payments received from consumers and developers for extension of electric services for assets owned and maintained by Belmont Light. These amounts are recorded as a deferred inflow of resources net of amortization.

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.

Unbilled Revenue

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

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Belmont Contributory Retirement System (System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statements of net position will sometimes report a separate section for deferred outflows and deferred inflows of resources. These separate financial statement elements, deferred outflows and inflows of resources, represent a consumption of net position that applies to a future period and so will not be recognized as an outflow/inflow of resources (expense/expenditure) until then.

Financial Statement Revision

During 2015, Belmont Light revised its beginning net position through the implementation of GASB Statements #68 and #71 related to accounting for pensions. The cumulative effect of this revision was to reduce the prior year total net position by \$5,764,968.

NOTE 2 - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS:

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, is required to be implemented for periods beginning after June 15, 2017. Belmont Light is currently evaluating the effect this pronouncement will have on the basic financial statements.

NOTE 3 - ACCOUNTS RECEIVABLE - CUSTOMERS, NET:

	2016	2015
Accounts Receivables - Customers	\$ 1,575,381	\$ 1,457,820
Allowance for Doubtful Accounts	(157,977)	(149,779)
Net Accounts Receivable - Customers	\$ 1,417,404	\$ 1,308,041

NOTE 4 - RATE STABILIZATION FUND:

The Rate Stabilization Fund was created as an aftermath of the Massachusetts Electricity Restructuring Act of 1997. 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. The Rate Stabilization Fund balance at December 31, 2016 and 2015 was \$2,722,923 and \$2,418,740, respectively. The balance in the fund is offset by a corresponding deferred inflow of resources for the accumulated provision for rate refund. These funds are commingled and deposited in investment pools. Accordingly, it is not practical to disclose the credit risk of such funds.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

NOTE 5 - 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 future costs related to such commitments which the Municipal Light Board determines are above market value. The balance at December 31, 2016 and 2015 was \$8,125,599 and \$4,199,884, respectively. During 2016, in accordance with a vote of the Light Board, Belmont Light transferred \$3,500,000 from operating cash to the Depreciation Fund, for use on the 115kV project and other capital projects.

NOTE 6 - UTILITY PLANT ASSETS:

	Balance January 1, 2016	Increases	Decreases	Balance December 31, 2016
Capital Assets Not Being Depreciated:				
Land	\$ 9,349	\$ 1,259,424	\$ 0	\$ 1,268,773
Construction in Progress	30,979,244	31,716,014	(61,310,740)	1,384,518
Total Capital Assets Not Being Depreciated	<u>30,988,593</u>	<u>32,975,438</u>	<u>(61,310,740)</u>	<u>2,653,291</u>
Capital Assets Being Depreciated:				
Distribution Plant	18,201,814	14,328,741	(153,143)	32,377,412
General Plant	8,971,099	178,414	0	9,149,513
Total Capital Assets Being Depreciated	<u>27,172,913</u>	<u>14,507,155</u>	<u>(153,143)</u>	<u>41,526,925</u>
Less Accumulated Depreciation For:				
Distribution Plant	(14,512,840)	(910,091)	153,143	(15,269,788)
General Plant	(6,576,341)	(448,555)	0	(7,024,896)
Total Accumulated Depreciation	<u>(21,089,181)</u>	<u>(1,358,646)</u>	<u>153,143</u>	<u>(22,294,684)</u>
Capital Assets Being Depreciated, Net	<u>6,083,732</u>	<u>13,148,509</u>	<u>0</u>	<u>19,232,241</u>
Utility Plant Assets, Net	<u>\$ 37,072,325</u>	<u>\$ 46,123,947</u>	<u>\$ (61,310,740)</u>	<u>\$ 21,885,532</u>

Depreciation for the years ended December 31, 2016 and 2015 was \$1,358,646 and \$1,354,837, respectively. Depreciation expense reported on the Statements of Revenues, Expenses and Changes in Net Position is net of amortization of \$13,669 and \$320 related to contribution in aid of construction for the years ended December 31, 2016 and 2015, respectively.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

NOTE 7 - NET INVESTMENT IN CAPITAL ASSETS:

	2016	2015
Cost of Capital Assets Acquired	\$ 44,180,216	\$ 58,161,506
Less: Accumulated Depreciation	(22,294,684)	(21,089,181)
Less: Outstanding Debt Related to Capital Assets	(52,843,275)	(28,657,224)
Net Investment in Capital Assets	\$ (30,957,743)	\$ 8,415,101

The negative net investment in capital assets in 2016 is offset by the reimbursement from Eversource of \$45,060,270 received in December 2016. The cash was used to retire the bond anticipation notes plus financing costs in May 2017, and the Department plans to use the remainder to reimburse Belmont Light's general bond fund and operating cash for advances made during construction of the Blair Pond Substation and 115kV Transmission Project.

NOTE 8 - CONSTRUCTION IN PROGRESS:

Belmont Light is in the process of building a new substation to upgrade their transmission service to 115kV. In 2016 and 2015, Belmont Light invested \$31,233,742 and \$14,542,580, respectively, in the project. The total amount invested in the project as of December 31, 2016 and 2015 was \$60,659,623 and \$30,347,684, respectively. During 2016 Belmont Light sold a portion of the 115kv project assets to Eversource for \$46,310,161, and placed \$14,349,462 of Belmont Light capital assets in service.

During the years ended December 31, 2016 and 2015, Belmont Light invested \$15,691 and \$37,682, respectively, in the Trapelo Road Project to widen Trapelo Road, which is reimbursable from the State. The total amount invested in the Trapelo Road Project as of December 31, 2016 and 2015 was \$156,827 and \$141,136, respectively.

During the year ended December 31, 2015, Belmont Light began construction on several new projects. The total amount invested in projects not completed as of December 31, 2016 and 2015 was \$354,306 and \$490,424, respectively.

NOTE 9 - BOND ANTICIPATION NOTE:

On May 7, 2015, the Town issued a Bond Anticipation Note (BAN) in the aggregate amount of \$26,461,606. Proceeds were used to further finance the 115kV Transmission service upgrade project. Bearing interest at 0.7% the principal balance matured May 4, 2016. Accrued interest for Belmont Light's share of this BAN amounted to \$123,323 as of December 31, 2015, which has been capitalized. The BAN included a bond premium of \$61,606 which was amortized over the life of the bond. As of December 31, 2015 the principal balance was \$26,400,000, and the remaining unamortized premium on the BAN was \$20,535. The BAN matured in May 2016, at which time a new BAN was issued.

On May 6, 2016, the Town issued a Bond Anticipation Note (BAN) in the aggregate amount of \$27,645,452. Proceeds are to be used to further finance the 115kV Transmission service upgrade project. Bearing interest at 1.07% the principal balance matures May 5, 2017. Accrued interest for Belmont Light's share of this BAN amounted to \$227,699 as of December 31, 2016, which has been capitalized. The BAN included a bond premium of \$45,452 which will be amortized over the life of the bond. As of December 31, 2016 the principal balance was \$27,600,000, and the remaining unamortized premium on the BAN was \$15,151. The BAN matured on May 5, 2017 and was paid.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

NOTE 10 - BONDS PAYABLE:

On April 26, 2012, the Town issued a Bond Anticipation Note (BAN) in the aggregate amount of \$14,000,000, which included a bond premium, bearing interest at 1.83% and maturing April 25, 2013. The BAN was refinanced and matured on April 25, 2014. On April 25, 2014 the BAN was converted to permanent bond financing with an additional \$12,100,000 borrowed. The \$26,100,000 general obligation bond was used to finance the 115kV Transmission Service Upgrade Project. Principal payments are due annually on April 15. Interest is due semi-annually on each April 15 and October 15. The interest rate ranges from 2.75% to 4.00% over the term of the bond. The bonds mature April 15, 2032 and April 15, 2034, respectively.

At December 31, 2016 and 2015, the outstanding amount was \$24,105,000 and \$25,110,000, respectively. Capitalized interest expense relating to this bond amounted to \$917,864 and \$955,705 as of December 31, 2016 and 2015, respectively.

Future Maturities of the bonds are as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the Years Ending December 31,	2017	\$ 1,045,000	\$ 889,500	\$ 1,934,500
	2018	1,080,000	852,225	1,932,225
	2019	1,120,000	808,225	1,928,225
	2020	1,170,000	762,425	1,932,425
	2021	1,215,000	714,725	1,929,725
	2022-2026	6,840,000	2,786,669	9,626,669
	2027-2031	8,165,000	1,441,363	9,606,363
	2032-2034	<u>3,470,000</u>	<u>161,956</u>	<u>3,631,956</u>
		24,105,000	<u>\$ 8,417,088</u>	<u>\$ 32,522,088</u>
Plus: Unamortized Bond Premium		1,608,389		
Less: Current Maturities of Long Term Debt		<u>(1,144,938)</u>		
		<u>\$ 24,568,451</u>		

NOTE 11 - ACCRUED EXPENSES:

Accrued expenses as of December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Sales Tax	\$ 11,383	\$ 19,088
Interest on Bonds and BAN	419,178	322,213
Accrued Payroll	106,668	92,941
Compensated Absences	222,443	187,158
Accrued 115kV Project Costs	<u>530,698</u>	<u>0</u>
Total Accrued Expenses	<u>\$ 1,290,370</u>	<u>\$ 621,400</u>

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

NOTE 12 - RELATED PARTY TRANSACTIONS:

In 2016 and 2015, Belmont Light received payments from the Town in the amount of \$1,617,755 and \$1,821,319, respectively, and made payments to the Town in the amount of \$1,678,697 and \$1,866,948, respectively. At December 31, 2016 and 2015, the outstanding receivable balance was \$100,924 and \$45,566, respectively. As of December 31, 2016 and 2015 amounts due to the Town were \$241,499 and \$0, respectively.

NOTE 13 - RISK MANAGEMENT:

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

Belmont Light 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.

NOTE 14 - CASH AND INVESTMENTS:

Custodial Credit Risk - Deposits

Belmont Light's deposits with the Town Treasurer are invested with various financial institutions. It is not practical to disclose the related bank balance and credit risk of such cash deposits for Belmont Light. Funds on deposit with financial institutions are subject to the insurance coverage limits imposed by the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The amount of insurance coverage for Belmont Light deposits is not determinable because the limits of insurance are computed on a town-wide basis.

Custodial Credit Risk - Investments

Investment custodial risk is the risk that, in the event of a failure by the counterparty, the Department will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. As of December 31, 2016 and 2015, the Department does not have custodial risk exposure in their investments in U.S. Treasury/Agency Securities, Certificate of Deposits, Mutual Funds and Money Market accounts. The Department's accounts are protected in accordance with the Securities Investor Protection Corporation ("SIPC") up to \$500,000 including cash claims up to \$250,000.

Interest Rate Risk

Belmont Light invests in term securities out to a maximum of five years to help limit the amount of exposure to fair value losses.

Investments - Debt Sinking Reserve Fund

For the year ended December 31, 2016, Belmont Light implemented Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, which provides a definition of fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described on the following page.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

NOTE 14 - CASH AND INVESTMENTS (Continued):

Investments - Debt Sinking Reserve Fund (continued)

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Department has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value.

- U.S. Government Securities:  
Valued at closing price as reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Department management believes its valuations methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The table on the following page sets forth, by level within the fair value hierarchy, the Department's investments in the Debt Sinking Reserve Fund at fair value at December 31, 2016. As of December 31, 2016, the Department did not have any investments that were measured using Level 2 or Level 3 inputs.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

NOTE 14 - CASH AND INVESTMENTS (Continued):

Investments - Debt Sinking Reserve Fund (continued)

	December 31, 2016 Quoted Prices in Active Markets for Identical Assets (All Level 1)	December 31, 2015 Quoted Prices in Active Markets for Identical Assets (All Level 1)
<u>FMV Investments:</u>		
U.S. Government Securities	\$ 1,043,513	\$ 0
<u>Other Securities:</u>		
Money Markets	72,142	14,459
Certificates of Deposit	490,273	1,576,997
Total Other Securities	562,415	1,591,456
Total Investments	\$ 1,605,928	\$ 1,591,456

	Ratings As of Year End	2016 Fair Value	2016 Under 1 Year	2016 1-5 Years	2015 Fair Value
<u>Term Securities:</u>					
Certificates of Deposit	Exempt	\$ 490,273	\$ 490,273	\$ 0	\$ 1,576,997

Investments - Depreciation Fund and Rate Stabilization Fund

As of December 31, 2016 and 2015, Belmont Light had the following investments and maturities in certificate of deposits or money market funds that were not subject to GASB 72 disclosures:

	Ratings As of Year End	2016 Fair Value	2016 Under 1 Year	2016 1-5 Years	2015 Fair Value
<u>Term Securities:</u>					
Certificates of Deposit	Exempt	\$ 4,545,770	\$ 1,865,977	\$ 2,679,793	\$ 3,281,877
<u>Other Securities:</u>					
Money Market Funds		5,897,554			2,934,625
Total Investments		\$ 10,443,324			\$ 6,216,502

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

NOTE 14 - CASH AND INVESTMENTS (Continued):

The following accounts were considered to be investments as of December 31, 2016 and 2015:

	2016	2015
Depreciation Fund	\$ 8,125,599	\$ 4,199,884
Rate Stabilization Fund	2,317,725	2,016,618
	\$ 10,443,324	\$ 6,216,502

As of December 31, 2016, there were no investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments.

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 Belmont Light pays to the Town in lieu of taxes. The payment in lieu of taxes was \$650,000 for the years ended December 31, 2016 and 2015.

NOTE 16 - DOER GRANT:

Belmont Light was awarded a grant of \$240,250 to fund two energy efficiency programs and a municipal energy efficiency project from the Massachusetts Department of Energy Resources (DOER) Green Communities Division. The two residential programs were launched on October 15, 2014. Sagewell, Inc. has been contracted to serve as the program administrator for both residential programs. The municipal project will provide funds for LED streetlights in the Town of Belmont. For the years ended December 31, 2016 and 2015 the Department recognized \$60,063 and \$120,125, respectively, of grant income. Grant expenditures for the years ended December 31, 2016 and 2015 were \$60,063 and \$121,016, respectively.

NOTE 17 - PURCHASE POWER TRANSMISSION ADJUSTMENT:

Belmont Light's rates include 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 a deferred inflow/outflow of resources and either credited or billed to customers over subsequent periods.

NOTE 18 - COMMITMENTS AND CONTINGENCIES:

Environmental Matters

Belmont Light is subject, like other electric utilities, to evolving standards administered by federal, state and local authorities relating to the quality of the environment.

BELMONT LIGHT  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2016 AND 2015

NOTE 18 - COMMITMENTS AND CONTINGENCIES (Continued):

Environmental Matters (continued)

These standards affect the siting of electric property, ambient air and water quality, plant safety and other environmental factors. These standards have had an impact on Belmont Light's operations in the past and they will continue to have an impact on future operations, capital costs and construction schedules.

Purchase Power Commitment

Belmont Light has entered into various power contracts through Energy New England (ENE), as their acting agent. These power contracts began in 2009 and go through the year 2041.

BMLD's annual energy costs related to its long-term power purchase commitments as of 2016 are approximately as follows:

For the Years Ending December 31, 2017	\$	3,557,598
2018		2,329,083
2019		1,195,621
2020		1,205,929
2021		994,156
2022-2026		4,208,120
2027-2031		2,261,720
2032-2036		1,703,799
2037-2041		404,609
	\$	17,860,635

NOTE 19 - OTHER POSTEMPLOYMENT BENEFITS LIABILITY TRUST FUND:

Belmont Light contributes to an Other Postemployment Trust Fund. The Fund is held under the custodianship of the treasurer of the Town of Belmont. Belmont Light's share of the Trust Fund as of December 31, 2016 and 2015 was \$226,073 and \$201,758, respectively. The total amount of this investment pool as of December 31, 2016 was \$2,908,677, of which Belmont Light's ownership was approximately 7.8%.

NOTE 20 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

December 31, 2008 was the initial year that Belmont Light implemented GASB Statement 45, *Accounting for Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. As allowed by GASB 45, Belmont Light 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.* Belmont Light participates in the town sponsored single employer defined benefit health plan. Belmont Light 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.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

NOTE 20 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued):

As of July 1, 2016 Belmont Light's membership consisted of the following:

Current retirees beneficiaries	22
Current active members	<u>31</u>
Total	<u><u>53</u></u>

*Funding Policy* - Belmont Light 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 Belmont Light by the Town, which aggregated approximately \$475,172 and \$470,402 for the years ended December 31, 2016 and 2015, respectively. 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.

*Annual OPEB Costs* - Belmont Light'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 information shows the components of Belmont Light's annual OPEB cost for the years ending December 31, 2016 and 2015, the amount actually contributed to the plan, and changes in Belmont Light's net OPEB obligation based on an actuarial valuation as of July 1, 2016.

	2016	2015
Normal cost	\$ 284,600	\$ 169,753
Amortization of unfunded actuarial accrued liability	443,878	424,669
Interest	<u>30,960</u>	<u>26,749</u>
Annual required contribution	759,438	621,171
Interest on net OPEB obligation	159,954	143,873
Adjustment to annual required contribution	(218,204)	(196,266)
Expected benefit payments	<u>(189,498)</u>	<u>(180,398)</u>
 Increase in net OPEB obligation	 511,690	 388,380
 Contributions to Trust Fund	 (14,435)	 (16,503)
 Net OPEB obligation – Beginning of Year	 3,569,045	 3,197,168
Change in Actuarial Assumptions	<u>(14,506)</u>	<u>0</u>
 Net OPEB obligation – End of Year	 <u><u>\$ 4,051,794</u></u>	 <u><u>\$ 3,569,045</u></u>

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

NOTE 20 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued):

Belmont Light' 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>
2014	\$ 621,171	31%	\$ 3,197,168
2015	\$ 621,171	32%	\$ 3,569,045
2016	\$ 759,438	27%	\$ 4,051,794

*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.

The funded status is as follows:

Actuarial accrued liability (AAL)	\$ 7,975,777
Value of plan assets	<u>(226,073)</u>
Unfunded actuarial accrued liability	\$ 7,749,704
Funded ratio (actuarial value of plan assets/AAL)	2.83%
Covered payroll (active plan members)	\$ 2,965,006
UAAL as a percentage of covered payroll	261.37%

*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 the July 1, 2016 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.25% investment rate of return and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after 7 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. Belmont Light's unfunded actuarial accrued liability is being amortized assuming a 30 year level dollar basis.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

NOTE 21 - PENSION PLAN:

*Plan Description* - Belmont Light, 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 cost-sharing multiple-employer contributory defined benefit plan for all town employees except those employees who are covered by teachers' retirement board. The Plan's separately issued financial statements can be obtained by contacting Belmont Contributory Retirement System at 455 Concord Avenue, 1<sup>st</sup> floor, Belmont, Massachusetts 02478.

*Benefits Provided* - The System provides retirement, disability and death benefits to plan members and beneficiaries. 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. For members who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are three classes of membership in the retirement system: Group 1, Group 2, and Group 4. Group 1 consists of general employees which includes clerical and administrative positions. Group 2 consists of positions that have been specified as hazardous. Lastly, Group 4 consists of police officers, firefighters, and other hazardous positions.

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 if hired after 1978 and if classified in group 1 or 2. A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance upon reaching the age of 60 with 10 years of service if in group 1, 55 years of age with 10 years of service if in group 2, and 55 years of age if classified in group 4 or hired prior to 1978. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions normal retirement is at age 55).

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. 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 increase 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.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

NOTE 21 - PENSION PLAN (Continued):

*Contributions* - Active members are required to contribute at rates from 5-9% 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. The Department is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the member units based on the actuarial study. The actuarially determined Department contribution is an amount, when combined with employee contributions, is expected to finance the cost of benefits earned by the employees during the year, with an additional amount to finance the unfunded liability. The Department's contribution to the System for the years ended December 31, 2016 and 2015 was \$676,065 and \$653,600, respectively, of which \$338,033 and \$326,800 were paid during calendar year 2015 and 2014, respectively.

*Pension Liabilities* - At December 31, 2016 and 2015, Belmont Light reported a liability of \$6,611,771 and \$6,236,954, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015 and 2014, respectively, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of January 1, 2016 and 2014, respectively. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating member units. Belmont Light's portion of the net pension liability was based on the percentage of the Department's contributions to the total Town's contributions as of the measured date of December 31, 2015 and 2014, respectively. At the measured date of December 31, 2015 and 2014, the Department's portion was 8.58% and 8.87%, respectively of the Town's total contributions.

*Pension Expense* - For the years ended December 31, 2016 and 2015, Belmont Light recognized a pension expense of \$650,645 and \$612,850, respectively. For the years ended December 31, 2016 and 2015, Belmont Light reported deferred outflows of resources related to pensions of \$1,267,532 and \$523,969, respectively, consisting of the differences between projected and actual investment earnings which amounted to \$446,914 and \$185,936, respectively, changes of assumptions which amounted to \$458,869 and zero, respectively, and the amount paid for contributions made subsequent to the measurement date which amounted to \$361,749 and \$338,033, respectively. For the years ended December 31, 2016 and 2015, Belmont Light reported deferred inflows of resources related to pensions of \$319,611 and zero, respectively, consisting of the differences between expected and actual experiences which amounted to \$158,513 and zero, respectively, and consisting of changes in proportion and differences between employer contributions and proportionate share of contributions which amounted to \$161,098 and zero, respectively.

Belmont Light's net deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Years Ended December 31:	2017	\$	150,014
	2018		150,014
	2019		150,015
	2020		<u>136,129</u>
	Total	\$	<u>586,172</u>

*Actuarial Assumptions* - The total pension liability as of December 31, 2016 was determined by an actuarial valuation as of January 1, 2016, using the actuarial assumptions on the following page, applied to all periods included in the measurement.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

NOTE 21 - PENSION PLAN (Continued):

*Actuarial Assumptions (continued):*

Valuation Date	January 1, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level payments on the 2002 ERI liability, payments increasing 4.5% per year for the 2003 ERI liability, and remaining liability amortized so that total payment increases 6.97% annually.
Remaining Amortization Period	As of July 1, 2014, 4 years for the 2002 ERI liability, 11 years for the 2003 ERI liability and 13 years for the remaining unfunded liability.
Asset Valuation Method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and expected return on a market value basis, and is recognized over a five-year period at 20% per year, further adjusted, if necessary, to be within 20% of the market value.
Inflation Rate	Assumed rate of 3.00% (previously 4.00%)
Projected Salary Increases	Varies by length of service with ultimate rates of 3.75% for Groups 1 and 2, and 4.25% for Group 4.
Cost of Living Allowance	3.00% of first \$12,000 of retirement income.
Rates of Retirement	Varies based upon age for general employees, police and fire employees.
Mortality Rates:	
Pre-Retirement	RP-2000 Employee Mortality Table generationally using Scale BB2D from 2009.
Healthy Retirees	RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2009.
Disabled Retirees	RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2015.
Investment Rate of Return	7.5% (previously 7.75%), net of pension plan investment expense, including inflation

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

NOTE 21 - PENSION PLAN (Continued):

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 category asset class. These ranges are combined to produce the long-term expected rate of return by weighting 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 asset class included in the pensions plan's target asset allocation as of the measured date of December 31, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>
Cash	1.11%
Domestic Equity	6.49%
International Developed Markets Equity	7.16%
International Emerging Markets Equity	9.46%
Core Fixed Income	1.68%
High-Yield Fixed Income	4.76%
Real Estate	4.37%
Commodities	4.13%
Hedge Fund, GTAA, Risk Parity	3.60%
Private Equity	11.04%

*Discount Rate* - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that Belmont Contributory Retirement System contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* - The following presents the net pension liability of the Belmont Contributory Retirement System, calculated using the discount rate of 7.5%, as well as what the Belmont Contributory Retirement System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Proportionate share of the Net Pension Liability	\$ 8,139,480	\$ 6,611,771	\$ 5,316,147

*Pension Plan Fiduciary Net Position* - Detailed information about the pension plan's fiduciary net position is available in the separately issued Belmont Contributory Retirement System financial report.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

NOTE 22 - SUBSEQUENT EVENT:

On December 16, 2016, Belmont Light received a preliminary payment of \$45,060,270 from Eversource for the purchase of 115kV Transmission Project assets. On May 25, 2017, Belmont Light came to an agreement for the final settlement with Eversource on the sale of the 115kV assets with an additional payment of \$1,249,891, which has been recognized as accounts receivable as of December 31, 2016. Total amounts received from Eversource for the purchase of 115kV Transmission Project assets were \$46,310,161.

On May 5, 2017, the \$27,600,000 BAN matured and was paid by Belmont Light. Total interest on the BAN of \$341,549 was paid at maturity.

BELMONT LIGHT  
REQUIRED SUPPLEMENTARY INFORMATION  
NET PENSION LIABILITY

OPERATING FUND

**Schedule of Belmont Light's Proportionate Share of the Net Pension Liability (NPL)**

Actuarial Valuation Date	Measurement Date	For the Year Ending	Belmont Light's Portion of the NPL	Belmont Light's Proportionate Share of the NPL	Belmont Light's Covered Employee Payroll	NPL as a Percentage of Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
1/1/2014	12/31/2014	12/31/2015	8.8700%	\$ 6,236,954	\$ 2,193,362	284.36%	56.19%
1/1/2016	12/31/2015	12/31/2016	8.5800%	\$ 6,611,771	\$ 2,384,359	277.30%	53.55%

**Schedule of Contributions**

Actuarial Valuation Date	Measurement Date	For the Year Ending	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Belmont Light's Covered Employee Payroll	Contribution as a Percentage of the Belmont Light's Covered Employee Payroll
1/1/2014	12/31/2014	12/31/2015	\$ 653,599	\$ 653,599	\$ -	\$ 2,193,362	29.80%
1/1/2016	12/31/2015	12/31/2016	\$ 676,065	\$ 676,065	\$ -	\$ 2,384,359	28.35%

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

BELMONT LIGHT  
REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFITS

OPERATING FUND

**Schedule of Funding Progress - Other Postemployment Benefits:**

Actuarial Valuation Date	For The Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Total Employee Payroll	UAAL as a Percentage of Payroll
7/1/2008	12/31/2008	\$ -	\$ 8,150,711	\$ 8,150,711	0.00%	\$ 1,981,500	411.34%
7/1/2008	12/31/2009	\$ -	\$ 8,150,711	\$ 8,150,711	0.00%	\$ 1,981,500	411.34%
7/1/2010	12/31/2010	\$ 138,455	\$ 8,862,929	\$ 8,724,474	1.56%	\$ 2,268,090	384.66%
7/1/2010	12/31/2011	\$ 138,814	\$ 8,862,929	\$ 8,724,115	1.57%	\$ 2,219,267	393.11%
7/1/2012	12/31/2012	\$ 139,992	\$ 8,627,779	\$ 8,487,787	1.62%	\$ 2,325,901	364.92%
7/1/2012	12/31/2013	\$ 162,231	\$ 8,627,779	\$ 8,465,548	1.88%	\$ 2,504,505	338.01%
7/1/2014	12/31/2014	\$ 181,457	\$ 7,393,170	\$ 7,211,713	2.45%	\$ 2,632,109	273.99%
7/1/2014	12/31/2015	\$ 201,758	\$ 7,393,170	\$ 7,191,412	2.73%	\$ 2,735,987	262.85%
7/1/2016	12/31/2016	\$ 226,073	\$ 7,975,777	\$ 7,749,704	2.83%	\$ 2,965,006	261.37%

**Schedule of Actuarial Methods and Assumptions**

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

Actuarial Methods

Valuation Date	7/1/2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar amount over thirty (30) years
Remaining Amortization Period	21 years

Actuarial Assumptions

Discount Rate:	4.25%
Projected Salary Increase	3.25%
Health Care Cost Trend Rate	Initially 8%, reduced by decrements of .5% per year over 7 years; ultimate rate of 5%

BELMONT LIGHT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2016 AND 2015

OPERATING FUND

NOTE A - PENSION PLAN:

Changes of Assumptions

The investment return assumption was lowered from 7.75% to 7.5%

The mortality assumption for employees was changed from the RP-2000 Employee Mortality Table projected 27 years using Scale AA to RP-2000 Employee Mortality Table projected generationally using Scale BB2D from 2009.

The mortality assumption for non-disabled retirees was changed from RP-2000 Healthy Annuitant Mortality Table projected 19 years using Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2009.

The mortality assumption for disabled retirees was changed from the RP-2000 Healthy Annuitant Mortality Table set forward 3 years projected 19 years using Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2015.

The administrative expense assumption was increased from \$175,000 to \$290,000.

The allowance for net 3(8)(c) reimbursements was changed from \$200,000 for 2014, increasing 4.0% per year, to \$200,000 for 2016, increasing 3.0% per year.

BELMONT LIGHT  
SCHEDULES OF SALES OF ELECTRICITY  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

OPERATING FUND

	<u>2016</u>	<u>2015</u>
SALES OF ELECTRICITY:		
Residential	\$ 13,783,331	\$ 14,918,141
Commercial	3,723,617	4,091,142
Industrial	4,536,423	4,719,452
Municipal	1,088,423	1,153,861
Private Lighting	57,754	57,202
Street Lights	<u>229,447</u>	<u>298,088</u>
TOTAL SALES OF ELECTRICITY	<u>\$ 23,418,995</u>	<u>\$ 25,237,886</u>

See Independent Auditors' Report

BELMONT LIGHT  
SCHEDULES OF OPERATIONS AND MAINTENANCE EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

OPERATING FUND

	2016	2015
<b>POWER PRODUCTION EXPENSES:</b>		
Purchased Power Expense	\$ 10,595,552	\$ 11,539,335
Transmission Expense	3,315,871	3,371,639
Total Power Production Expenses	13,911,423	14,910,974
<b>DISTRIBUTION EXPENSES:</b>		
Miscellaneous Distribution Expenses	122,489	122,920
Line Expenses	933,839	1,071,993
Operation Supplies and Expenses	787,274	795,193
Maintenance of Meters	160,473	133,740
Customer Installations Expense	75,881	29,602
Stores Expense	103,756	63,471
Total Distribution Expenses	2,183,712	2,216,919
<b>CUSTOMER ACCOUNT EXPENSES:</b>		
Customer Accounting and Collection Expense	581,048	376,958
Meter Reading Expense	123,399	101,413
Uncollectible Accounts	(2,674)	73,013
Total Customer Accounts	701,773	551,384
<b>GENERAL AND ADMINISTRATIVE EXPENSES:</b>		
Administrative and General Salaries	587,674	515,320
Office Supplies and Expenses	224,821	224,982
Outside Services Employed	391,572	354,758
Insurance, Injuries and Damages	146,010	147,643
Employees' Pension and Benefits	1,662,954	1,471,632
Dues, Meetings, and Other General Expenses	29,902	38,860
Transportation Expenses	52,463	65,539
Marketing Expenses	95,488	106,868
Total General and Administrative Expenses	3,190,884	2,925,602
<b>MAINTENANCE EXPENSES:</b>		
Maintenance - Other	186,591	267,609
<b>TOTAL OPERATIONS AND MAINTENANCE EXPENSES</b>	<b>\$ 20,174,383</b>	<b>\$ 20,872,488</b>

See Independent Auditors' Report