

**BELMONT LIGHT**  
Financial Statements  
December 31, 2018 and 2017

BELMONT LIGHT  
TABLE OF CONTENTS  
DECEMBER 31, 2018 AND 2017

	Page
Independent Auditors' Report	1,2
Management's Discussion & Analysis	3-10
Financial Statements:	
Operating Fund:	
Statements of Net Position	11,12
Statements of Revenues, Expenses and Changes in Net Position	13
Statements of Cash Flows	14,15
Other Postemployment Benefits (OPEB) Trust Fund:	
Statements of Fiduciary Net Position	16
Statements of Changes in Fiduciary Net Position	16
Notes to Financial Statements	17-35
Supplementary Information:	
Operating Fund:	
Required Supplementary Information – Net Pension Liability	36
Notes to Required Supplementary Information – Net Pension Liability	37
Operating Fund and OPEB Trust Fund:	
Required Supplementary Information – OPEB	38-39
Notes to Required Supplementary Information – OPEB	40
Operating Fund:	
Schedules of Sales of Electricity	41
Schedules of Operations and Maintenance Expenses	42

**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, 2018 and 2017, 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Belmont Light as of December 31, 2018 and 2017, and the 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, 2018 and 2017, and the changes in financial position, or, where applicable, its cash flows for the years then ended in accordance 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 36 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *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 41 and 42 is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Goulet, Salvidio & Associates, P.C.

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

Worcester, Massachusetts  
May 7, 2019

## 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, 2018 and 2017.

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, 2018, it shows our net position increased 15.3% compared to the year ended December 31, 2017. Increases and decreases in net position may serve as a useful indicator of whether the financial position of Belmont Light is improving or declining.

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, 2018 and 2017 was \$3,503,185 and \$2,802,203, respectively.

In 2018, Belmont Light revised its beginning net position through the implementation of GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The cumulative effect of this revision was to increase the prior year total net position by \$521,365, reduce the net OPEB liability by \$503,086, increase deferred outflows related to OPEB in the amount of \$26,986 and increase deferred inflows related to OPEB by \$8,707.

The Statements of Cash Flows provide 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

	2018	(As Revised) 2017
Current Assets	\$ 22,606,263	\$ 21,387,060
Noncurrent Assets	<u>37,876,275</u>	<u>37,077,013</u>
Total Assets	<u>60,482,538</u>	<u>58,464,073</u>
Deferred Outflows of Resources	<u>2,112,520</u>	<u>1,528,765</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 62,595,058</u>	<u>\$ 59,992,838</u>
Current Liabilities	\$ 4,366,921	\$ 3,372,090
Noncurrent Liabilities	<u>33,515,177</u>	<u>34,026,537</u>
Total Liabilities	<u>37,882,098</u>	<u>37,398,627</u>
Deferred Inflows of Resources	<u>\$ 3,248,985</u>	<u>\$ 3,983,421</u>

### Summary of Net Position (Continued)

	<u>2018</u>	<u>(As Revised) 2017</u>
Net Position:		
Net Investment in Capital Assets, Net of Related Debt	\$ 14,213,870	\$ 12,667,684
Restricted for Depreciation	8,688,527	8,567,511
Unrestricted Net Position	<u>(1,438,422)</u>	<u>(2,624,405)</u>
Total Net Position	<u>21,463,975</u>	<u>18,610,790</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 62,595,058</u>	<u>\$ 59,992,838</u>

### Summary of Changes in Net Position

	<u>2018</u>	<u>(As Revised) 2017</u>
Operating Revenues	\$ 24,862,172	\$ 24,970,965
Operating Expenses	<u>21,214,338</u>	<u>21,831,948</u>
Operating Income	3,647,834	3,139,017
Nonoperating Revenues (Expenses)	<u>(144,649)</u>	<u>(336,814)</u>
Income Before Contributions and Transfers	3,503,185	2,802,203
Beginning Net Position	18,610,790	15,937,222
Implementation of GASB 75	0	521,365
Transfers Out – Payment in Lieu of Taxes	<u>(650,000)</u>	<u>(650,000)</u>
Ending Net Position	<u>\$ 21,463,975</u>	<u>\$ 18,610,790</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 value 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.

#### 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, along with 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 2018.

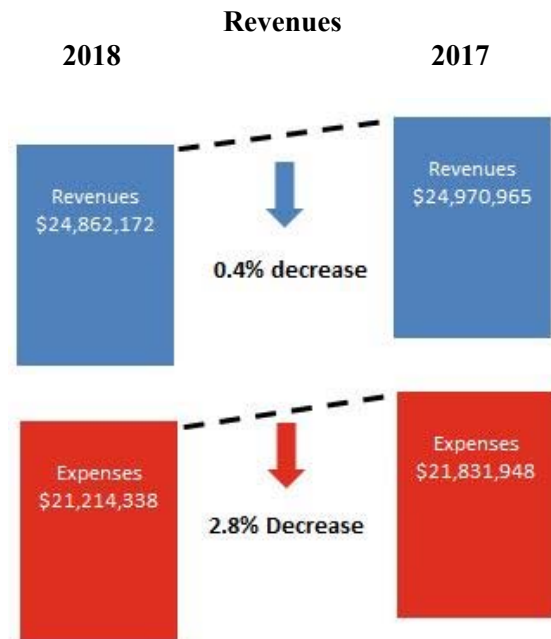
- 125,598,043 kWh of electricity to 11,651 customer accounts.
- Highest system peak demand of 33,332 kWh and occurred on August 29.
- Top 20 kWh users generate ~20% of Belmont Light revenue.

## Operating Overview

### 2018 Revenues

Total revenues decreased by \$108,793:

- Revenues from sale of electricity were \$24,445,754 in 2018 compared to \$24,415,957 in 2017.
- Other operating revenues decreased by \$138,590 (or 25%), due to a change in accounting of Mutual Aid and other reimbursable expenses and Customer Care & Billing module implementation costs invoiced in 2017 to Department of Public Works (DPW) for Water and Sewer's portion of those costs.



### 2018 Expenses vs. 2017 Expenses

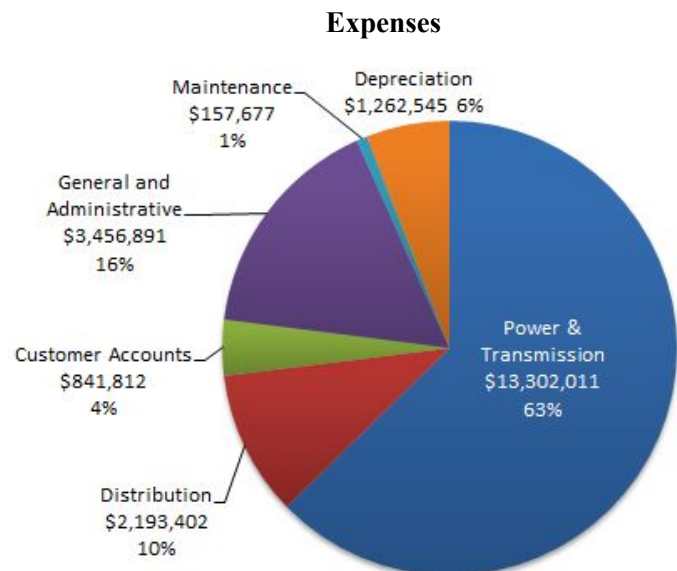
Purchased Power costs were \$13,302,011 in 2018 compared to \$13,952,901 in 2017.

Included in the purchased power costs is a transfer of \$1,000,000 from the Rate Stabilization Fund in 2018 which decreased power costs. The 2017 costs included a transfer to the Rate Stabilization Fund which increased power costs by \$300,000. Use of rate stabilization funds was to cover unexpected cost increases related to an Eversource billing issue which was resolved in 2018.

Distribution expenses increased by \$115,475 (5.5%) due to increase in line expenses for labor and materials related to the increased volume of overhead projects.

Customer Accounts costs increased by \$74,138 (9.7%) due to customer collections and changes in liens accounting.

General & Administrative expenses decreased by \$105,164 (3%) decrease of General and Administrative salaries (separation costs and other vacancies), and Marketing expenses.



## **Operating Overview (Continued)**

### 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. 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 as of December 31, 2018 was \$25.3 million (\$22.6 million for Distribution Plant, \$2 million for General Plant and \$0.7 million for Construction Work In Progress).

### Debt Administration

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 matured 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, and an additional general obligation bond of \$12,100,000 was issued. The general obligation bonds were 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 bonds. The bonds mature April 15, 2032 and April 15, 2034, respectively.

On May 6, 2016, the Town issued a Bond Anticipation Note (BAN) in the aggregate amount of \$27,645,452. 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 was 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. On May 5, 2017, the General Obligation Taxable BAN matured and was paid. The amount paid back was \$27,941,549, which included principal of \$27,600,000 and interest of \$341,549.

## **Operations**

Following the previously completed “cutovers” of the Eversource supply lines to the new Blair Pond substation, Belmont Light Engineering and Operations staff focused on installing adequate infrastructure that will allow for the retirement of our existing substations on Concord Avenue, Hittinger Street, and Chenery Middle School. The highlight of this work was the installation of a new electric duct bank which was comprised of 26,000 linear feet of conduit, as well as 9 manholes. The length of the new duct bank spans from the intersection of Baker and Hittinger Street to the intersection of Bright Road and Washington Street and continues on Washington Street, where it connects to existing BMLD infrastructure. The excavating and civil infrastructure work is on schedule to be completed in the Spring of 2019, with the paving of the entire route that was affected by the installation of the new duct bank.

In addition to the installation of the new duct bank, Belmont Light crews have utilized this new, as well as existing infrastructure, by installing and splicing a total of approximately 23,000 feet of underground cable and removing a total of 10,500 feet of obsolete underground cable. In addition, approximately 25,000 feet of overhead cable was installed, and 18,000 feet was removed.

Furthermore, field crews have identified and removed 6 underground switches that were detrimental to the overall condition of the grid and Belmont Light’s ability to modernize the grid further. In conjunction with this type of work, 7 new switches were installed, as well as 13 distribution transformers of various sizes.

During 2018, Belmont Light added a total of 120 new electric meters to its customer base, bringing the total number of electric meters in town to 11,651 as of the end of 2018.



## **Operations (Continued)**

### Blair Pond Electric Resupply Project

The switch over to the new electric supply system represents the culmination of an extremely complex development project that was originally approved by Belmont Town Meeting in 2012, and was completed over five years of planning, design, location and route identification, property negotiations and purchases, local, state and federal regulatory processes, and a complicated construction phase. The five year project was completed in 2017.

### System Upgrade/Decommissioning Project

With Belmont's electric supply problems significantly and successfully addressed, the focus will now turn to a ten-year Plan to retire Belmont's three older and smaller substations while updating an aging and less cost-effective distribution infrastructure. Planning is on-going for retirement and corresponding electrical work continues throughout the year.

### Community & Development Projects

Belmont Light's Operations team supported a number of important infrastructure and building projects in Town this past year.

More localized initiatives during 2018 included the service replacement and upgrade to the Belmont Savings Bank in Belmont Center, continuous work on the property of the new "Cushing Village" development in Cushing Square (including the installation of the infrastructure such as conduit, high and low voltage cable, switchgear and 2 Megawatts of transformation), new supply line and transformer installation at Belmont Day School, installation of new overhead line and transformer, and feeding the modular buildings at Burbank school.

Along with completing the above projects, the following initiatives are still in progress: design and construction work related to the development of new retail space near the CVS building on Trapelo Rd., various infrastructure upgrades on Anis Rd as well as Flanders Rd. Additionally, preliminary design work and initiatives started pertaining to the service for the new high school, the Belmont Hill School, and the police station, as well as various developments including work on Ledgewood Place, Leonard St. and Flanders Rd.

## **Power Supply**

Belmont Light maintains a diversified electricity supply portfolio in the Independent System Operator–New England (ISO-NE) marketplace. The pricing of this electricity supply to customers has been stable.

In March, the Municipal Light Board adopted a Power Supply Policy that commits Belmont Light to provide reliable electric service at the lowest possible cost consistent with the Town's Climate Action Plan, which obligates Belmont to reduce its CO<sub>2</sub> emissions by 80 percent below 2007 levels by 2050. The Power Supply Policy states that, consistent with a modest rate impact, Belmont Light will meet specific minimum renewable energy targets, starting with 16% of electricity sales in 2018 and followed by 2 percent annual increases until reaching an 80% renewable power supply by 2050. These minimum renewable targets match those set forth by the State of Massachusetts Clean Energy Standard 310 CMR 7.75(4).

### 2018 Energy Resources Mix

Belmont Light obtained a total of 82% of its power supply from system power contracts or real-time spot market purchases not tied to any specific generating source. The other 18% was contracted from specific generators, including renewable generators. Belmont Light portfolio was 33% renewable in 2018.

## **Power Supply (Continued)**

### 2018 Energy Resources Mix (continued)

On average, natural gas and nuclear resources are the most abundant generation source in New England, together accounting for 79% of generation in the region in 2018. Approximately 19% of New England's power supply comes from hydro, wind, solar, and refuse resources. This percentage is set to increase steadily over the coming years as Massachusetts aims to achieve its emissions reduction goals. A decreasing amount of power in New England (2.1% in 2018) comes from coal and oil generators.

### Direct Contracts & Renewables

As defined by the U.S. Environmental Protection Agency, a renewable energy certificate (REC) is “a market-based instrument that represents the property rights to the environmental, social and other non-power attributes of renewable electricity generation. RECs are issued when one megawatt-hour (MWh) of electricity is generated and delivered to the electricity grid from a renewable energy resource.” The owner of the REC can claim to have purchased renewable energy. Retirement occurs when a REC is not sold on the market but is used by its owner to make such a claim.

Progressing on a pathway toward a 100% renewable power supply Belmont Light plans to retire all of the RECs associated with Belmont Light's direct, long-term renewables contracts. Separate transactions will also be made to acquire and retire a quantity of Class I and Class II RECs that represented 15.9% of the power purchased through Belmont Light's bilateral contracts and spot market transactions. The portfolio, to be finalized in mid-2019, will consist of a total of approximately 33% renewable energy resources: 10.5% hydropower, 5.8% wind, 1.1% solar, and 15.9% renewable grid power. Residents continued to contribute to the renewable energy portfolio through the 2018 Green Choice Program, funding the retirement of over \$10,000 worth of RECs.

Belmont residents and businesses further contributed to the portfolio by supplying generation from their rooftop solar installations throughout the year. However, as Belmont Light did not directly retire the RECs associated with this generation, it cannot be claimed as renewable and is instead categorized as “null power.”

## **Demand-Side Management & Energy Conservation**

In 2018, Belmont Light continued its demand-side management efforts, with a key focus on community-wide strategic electrification.

### Strategic Electrification

Belmont Light sustained its support of electric vehicle (EV) adoption through the Belmont Drives Electric (BDE) community campaign and its Smart Charging Program. BDE, a partnership between the Belmont Energy Committee, Sustainable Belmont, resident EV enthusiasts, and Belmont Light, held Ride & Drive events at Chenery Middle School in April and June, where attendees took nearly 90 test drives in electric vehicles and learned about the benefits of driving electric. BDE collaborated with Concord Drives Electric and Concord Municipal Light Department at an event at Walden Pond during National Drive Electric Week.

Due to the BDE team's efforts, Belmont continued its reign as the top EV zip code in Massachusetts for the majority of the year. Over 94 Belmont residents purchased or leased EVs in 2018, bringing the town's overall total to more than 211. December 2018 alone saw the addition of 24 new vehicles, an unprecedented record for a single month in Belmont. This rate of EV adoption will stimulate meaningful benefits for Belmont's emissions reductions.

## **Demand-Side Management & Energy Conservation (Continued)**

### Strategic Electrification (continued)

There were 55 households that participated in Belmont Light's Smart Charging Program in 2018, charging their vehicles during off-peak hours and/or receiving rebates for selecting "smart" charging equipment. By shifting their EV charging load to overnight and weekend hours, these participants helped other ratepayers save on capacity and transmission costs. The value of the Smart Charging Program is set to continue as New England's energy costs remain expensive and as more and more residents adopt EVs, so Belmont Light will continue to build the program in 2020.

Like EVs, air-source heat pump technology will help Belmont Light and the Town achieve both environmental and cost-savings goals. By replacing fossil-fuel based systems with highly efficient heat pumps, residents and businesses can reduce their carbon footprints by up to 50%, while reducing their energy costs. Belmont Light's Heat Pump Grant Program, originally launched in 2014, encourages the installation of heat pumps through generous incentives. The program funded 28 new heat pumps in 2018 with \$28,700. Belmont Light has a goal to drastically increase the number of heat pumps in town in coming years. To that end, Belmont Light will work in partnership with the Massachusetts Clean Energy Center, Belmont Energy Committee, Sustainable Belmont, and resident volunteers on a town-wide HeatSmart Belmont campaign in 2019. The campaign, to be modeled after previously successful awareness initiatives like Belmont Goes Solar and BDE, will provide group-buying discounts that will reduce costs for participating residents and businesses.

Other program highlights for 2018 include:

- Providing \$10,150 in rebates for 128 residents who participated in the 2018 ENERGY STAR Appliance Rebate Program. The replacement of older appliances with more efficient versions is expected to help program participants generate approximately 19,900 in kWh savings per year.
- Nearly quadrupling the number of free home energy assessment and thermal scans provided to Belmont residents from 39 in 2017 to 148 in 2018. Belmont Light enhanced its Home Energy Assessment Program in mid-2018 by introducing a new method of cloud-based modeling that allows for a more tailored and efficient experience for participating residents. Through the new program, Belmont Light supplied 205 LED light bulbs, which will help achieve about 7,708 kWh savings per year. Belmont Light also started providing energy saving advanced power strips this year.
- Emphasizing strategic, data-driven program decisions via an analytics platform that synthesizes real-time and historic smart meter data.

## **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. Prior to 2019, there had been no changes in Belmont Light's base rates for residential, commercial, and municipal customers since 2014.

Belmont Light is using a Purchased Power and Transmission Adjustment (PPTA), also known as Power or Fuel Cost adjustment (PCA or FCA), to regulate any fluctuations between the cost of purchased power and the revenue generated from the sale of that power.

Projections of the power costs and revenues are done annually at the end of December for the following calendar year and adjusted when needed. Belmont Light prepares a "true-up" of projections quarterly to verify the correctness of the charge (or credit) that has been established, and makes changes if necessary.

## **Rates (Continued)**

Belmont Light had a Cost of Service Study in 2018 and adjusted rates were implemented effective March 1, 2019, assuming a 2% increase across the board.

Detailed information on Belmont Light's rates is available at [www.belmontlight.com](http://www.belmontlight.com).

## **Community Outreach**

Belmont Light staff worked closely with the community throughout 2018 to spread awareness about the benefits of public power and safe electricity usage, with an emphasis on bill management and energy conservation. In 2018, 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;
- The Belmont Farmers' Market;
- Belmont Drives Electric
- Public presentations and forums; and
- The Annual "Light Up the Town" Tree Lighting Ceremony.

In May 2018, Belmont Light responded to a request from the Belmont Farmers' Market to provide power to its vendors. After discussion and planning, Belmont Light workers installed a metered electric service in the Claflin Municipal Parking Lot that can support the electrical requirements for 4 vendors.

Belmont Light also held its fifth annual Winter Solstice event in December. At the event, residents donated over 75 blankets 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.

BELMONT LIGHT  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2018 AND 2017

OPERATING FUND

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2018</u>	<u>(As Revised) 2017</u>
<b>CURRENT ASSETS:</b>		
Funds on Deposit with Town Treasurer		
Operating Cash	\$ 6,465,124	\$ 4,087,041
Construction Cash	12,266,173	13,529,892
Accounts Receivable - Customers, Net	1,254,478	1,286,281
Accounts Receivable - Other	464,044	386,298
Materials and Supplies	345,992	386,054
Prepaid Expenses	41,667	27,938
Purchased Power Prepayments	<u>1,768,785</u>	<u>1,683,556</u>
 TOTAL CURRENT ASSETS	 <u>22,606,263</u>	 <u>21,387,060</u>
 <b>NONCURRENT ASSETS:</b>		
Funds on Deposit with Town Treasurer		
Depreciation Fund	8,688,527	8,567,511
Customer Deposits	136,577	145,745
Rate Stabilization Reserve Fund	1,658,449	2,629,590
Debt Sinking Reserve Fund - Premium	1,641,624	1,618,895
Rate Stabilization Reserve Fund - MMWEC	414,889	409,030
Utility Plant Assets, Net	<u>25,336,209</u>	<u>23,706,242</u>
 TOTAL NONCURRENT ASSETS	 <u>37,876,275</u>	 <u>37,077,013</u>
 TOTAL ASSETS	 <u>60,482,538</u>	 <u>58,464,073</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred Outflows of Resources Related to Pensions	2,080,630	1,501,779
Deferred Outflows of Resources Related to OPEB	<u>31,890</u>	<u>26,986</u>
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 <u>2,112,520</u>	 <u>1,528,765</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u>\$ 62,595,058</u>	 <u>\$ 59,992,838</u>

See Accompanying Notes to Financial Statements

BELMONT LIGHT  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2018 AND 2017

OPERATING FUND

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2018</u>	<u>(As Revised) 2017</u>
<b>CURRENT LIABILITIES:</b>		
Bond Payable, Current	\$ 1,219,938	\$ 1,179,938
Accounts Payable	2,593,476	1,587,522
Accrued Expenses	<u>553,507</u>	<u>604,630</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>4,366,921</u>	<u>3,372,090</u>
<b>NONCURRENT LIABILITIES:</b>		
Customer Deposits	136,577	145,745
Bond Payable, Net of Current Portion	22,168,574	23,388,512
Net Pension Liability	6,975,686	6,466,318
Net Other Postemployment Benefit Liability	<u>4,234,340</u>	<u>4,025,962</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>33,515,177</u>	<u>34,026,537</u>
<b>TOTAL LIABILITIES</b>	<u>37,882,098</u>	<u>37,398,627</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred Inflows of Resources Related to Pensions	404,483	239,907
Deferred Inflows of Resources Related to OPEB	56,365	8,707
Rate Stabilization Reserve	2,073,338	3,038,620
Contribution in Aid of Construction, Net of Amortization	<u>714,799</u>	<u>696,187</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>3,248,985</u>	<u>3,983,421</u>
<b>NET POSITION:</b>		
Net Investment in Capital Assets, Net of Related Debt	14,213,870	12,667,684
Restricted for Depreciation	8,688,527	8,567,511
Unrestricted Net Position	<u>(1,438,422)</u>	<u>(2,624,405)</u>
<b>TOTAL NET POSITION</b>	<u>21,463,975</u>	<u>18,610,790</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 62,595,058</u>	<u>\$ 59,992,838</u>

See Accompanying Notes to Financial Statements

BELMONT LIGHT  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

OPERATING FUND

	<u>2018</u>	<u>(As Revised) 2017</u>
<b>OPERATING REVENUES:</b>		
Sales of Electricity	\$ 24,445,754	\$ 24,415,957
Other Operating Revenues	<u>416,418</u>	<u>555,008</u>
<b>TOTAL OPERATING REVENUES</b>	<u>24,862,172</u>	<u>24,970,965</u>
<b>OPERATING EXPENSES:</b>		
Operations and Maintenance	19,951,793	20,603,895
Depreciation, Net of Amortization	<u>1,262,545</u>	<u>1,228,053</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>21,214,338</u>	<u>21,831,948</u>
<b>OPERATING INCOME</b>	<u>3,647,834</u>	<u>3,139,017</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment Income	327,480	256,441
Bond Interest Expense	(472,129)	(608,255)
Grant Income	0	17,146
Grant Expenses	<u>0</u>	<u>(2,146)</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(144,649)</u>	<u>(336,814)</u>
Income Before Contributions and Transfers	3,503,185	2,802,203
<b>NET POSITION - JANUARY 1</b>	18,610,790	15,937,222
Implementation of GASB 75	0	521,365
Transfers Out - Payment in Lieu of Taxes	<u>(650,000)</u>	<u>(650,000)</u>
<b>NET POSITION - DECEMBER 31</b>	<u>\$ 21,463,975</u>	<u>\$ 18,610,790</u>

See Accompanying Notes to Financial Statements

BELMONT LIGHT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

OPERATING FUND

		(As Revised)
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 23,841,779	\$ 25,504,663
Cash Paid to Suppliers	(13,552,688)	(16,678,146)
Cash Paid to Employees	(3,320,698)	(3,147,743)
Cash Paid for Benefits	(1,806,464)	(1,798,556)
Payment in Lieu of Taxes	(650,000)	(650,000)
Net Cash Provided by Operating Activities	4,511,929	3,230,218
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Grant Income	0	17,146
Grant Expense	0	(2,146)
Net Cash Provided by Noncapital Financing Activities	0	15,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Principal Repayment on BAN Payable	0	(27,600,000)
Principal Repayment on Bond Payable	(1,080,000)	(1,045,000)
Contribution in Aid of Construction	40,173	287,870
Additions to Plant Assets	(2,543,116)	(7,122,080)
Interest Expense	(852,225)	(889,500)
Proceeds from Sale of Capital Assets	0	1,249,891
Net Cash Used by Capital and Related Financing Activities	(4,435,168)	(35,118,819)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment Income	49,080	70,774
Transfers from (to) Rate Stabilization	1,000,000	(300,000)
Transfers to OPEB Trust Fund	(20,645)	(16,158)
Transfers to Depreciation Fund	0	(400,000)
Net Cash Provided (Used) by Investing Activities	1,028,435	(645,384)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,105,196	(32,518,985)
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	17,762,678	50,281,663
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	\$ 18,867,874	\$ 17,762,678

See Accompanying Notes to Financial Statements



BELMONT LIGHT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

OPERATING FUND

	2018	(As Revised) 2017
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 3,647,834	\$ 3,139,017
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,284,107	1,236,273
Amortization of Contribution in Aid of Construction	(21,562)	(8,220)
Allowance for Doubtful Accounts	95,736	17,299
Rate Stabilization Reserve	(965,282)	315,697
Payment in Lieu of Taxes	(650,000)	(650,000)
Pension Expense	1,005,669	751,204
OPEB Expense	412,284	493,412
(Increase) Decrease in Assets:		
Accounts Receivable - Customers, Net	(63,933)	113,824
Accounts Receivable - Other	(77,746)	68,598
Materials and Supplies	40,062	(53,170)
Deferred Outflows Related to Pensions	(910,577)	(848,861)
Prepaid Expenses	(13,729)	36,165
Purchased Power Prepayments	(85,229)	(8,964)
Increase (Decrease) in Liabilities:		
Accounts Payable	1,005,954	(349,481)
Customer Deposits	(9,168)	18,280
Accrued Expenses	(41,985)	(679,108)
Net Pension Liability	0	(361,747)
Other Postemployment Benefits Obligation	(140,506)	0
Net Cash Provided by Operating Activities	\$ 4,511,929	\$ 3,230,218

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

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

	2018	(As Revised) 2017
Operating Cash	\$ 6,465,124	\$ 4,087,041
Construction Cash	12,266,173	13,529,892
Customer Deposits	136,577	145,745
	\$ 18,867,874	\$ 17,762,678

See Accompanying Notes to Financial Statements

BELMONT LIGHT  
STATEMENTS OF FIDUCIARY NET POSITION  
DECEMBER 31, 2018 AND 2017

OPEB TRUST FUND

ASSETS

	2018	2017
Funds on Deposit with Town Treasurer		
Cash and Investments	\$ 282,971	\$ 267,023

FIDUCIARY NET POSITION

FIDUCIARY NET POSITION - Restricted	\$ 282,971	\$ 267,023
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BELMONT LIGHT  
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

OPEB TRUST FUND

	2018	2017
Contributions	\$ 20,645	\$ 16,158
Net Investment Income (Loss)	(4,697)	24,792
CHANGES IN FIDUCIARY NET POSITION	15,948	40,950
FIDUCIARY NET POSITION - JANUARY 1	267,023	226,073
FIDUCIARY NET POSITION - DECEMBER 31	\$ 282,971	\$ 267,023

See Accompanying Notes to Financial Statements

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

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 2018 and 2017 was 3%.

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.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

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

Materials and Supplies

Materials and supplies are valued using the average cost method.

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 2018 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.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

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

Unbilled Revenue

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

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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of Belmont Light's OPEB Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Financial Statement Revision

Belmont Light revised its beginning net position through the implementation of GASB Statement #75 related to accounting for OPEB. The cumulative effect of this revision was to increase the prior year total net position by \$521,365, reduce the net OPEB liability by \$503,086, increase deferred outflows related to OPEB in the amount of \$26,986 and increase deferred inflows related to OPEB by \$8,707.

NOTE 2 - 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 total Rate Stabilization Fund balance at December 31, 2018 and 2017 was \$2,073,338 and \$3,038,620, 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 held by the Town of Belmont and MMWEC. As of December 31, 2018 and 2017 funds held by MMWEC amounted to \$414,889 and \$409,030, respectively. The total amount of this investment pool as of December 31, 2018 and 2017 was \$84,051,022 and \$80,295,538 respectively, of which Belmont Light's ownership was approximately 0.49% and 0.51%, respectively.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NOTE 2 - RATE STABILIZATION FUND (Continued):

As of December 31, 2018 and 2017 rate stabilization funds held by the Town of Belmont amounted to \$1,658,449 and \$2,629,590, respectively. See Note 12 for disclosure of Belmont Light investments held by the Town of Belmont.

NOTE 3 - 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, 2018 and 2017 was \$8,688,527 and \$8,567,511, respectively.

NOTE 4 - UTILITY PLANT ASSETS:

	Balance January 1, 2018	Increases	Decreases	Balance December 31, 2018
Capital Assets Not Being Depreciated:				
Land	\$ 1,586,597	\$ 0	\$ 0	\$ 1,586,597
Construction in Progress	2,689,498	2,215,785	(4,207,620)	697,663
Total Capital Assets Not Being Depreciated	<u>4,276,095</u>	<u>2,215,785</u>	<u>(4,207,620)</u>	<u>2,284,260</u>
Capital Assets Being Depreciated:				
Distribution Plant	33,465,955	4,679,695	(164,512)	37,981,138
General Plant	9,337,585	226,214	0	9,563,799
Total Capital Assets Being Depreciated	<u>42,803,540</u>	<u>4,905,909</u>	<u>(164,512)</u>	<u>47,544,937</u>
Less Accumulated Depreciation For:				
Distribution Plant	(16,094,132)	(1,003,979)	164,512	(16,933,599)
General Plant	(7,279,261)	(280,128)	0	(7,559,389)
Total Accumulated Depreciation	<u>(23,373,393)</u>	<u>(1,284,107)</u>	<u>164,512</u>	<u>(24,492,988)</u>
Capital Assets Being Depreciated, Net	<u>19,430,147</u>	<u>3,621,802</u>	<u>0</u>	<u>23,051,949</u>
Utility Plant Assets, Net	<u>\$ 23,706,242</u>	<u>\$ 5,837,587</u>	<u>\$ (4,207,620)</u>	<u>\$ 25,336,209</u>

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NOTE 4 - UTILITY PLANT ASSETS (Continued):

Depreciation for the years ended December 31, 2018 and 2017 was \$1,284,107 and \$1,236,273, respectively. Depreciation expense reported on the Statements of Revenues, Expenses and Changes in Net Position is net of amortization of \$21,562 and \$8,220 related to contribution in aid of construction for the years ended December 31, 2018 and 2017, respectively.

NOTE 5 - NET INVESTMENT IN CAPITAL ASSETS:

	<u>2018</u>	<u>2017</u>
Cost of Capital Assets Acquired	\$ 49,829,197	\$ 47,079,635
Less: Accumulated Depreciation	(24,492,988)	(23,373,393)
Less: Outstanding Debt Related to Capital Assets	<u>(11,122,339)</u>	<u>(11,038,558)</u>
Net Investment in Capital Assets	<u>\$ 14,213,870</u>	<u>\$ 12,667,684</u>

NOTE 6 - CONSTRUCTION IN PROGRESS:

During 2016, Belmont Light began construction a new substation to upgrade their transmission service to 115kV. During 2017, the 115kV transmission service upgrade project was completed and Belmont Light continued construction on 115kV Project B, the interconnection of transmission service, this phase of the project was completed during 2018. The total amount invested in 115kV Project B included in construction in progress as of December 31, 2018 and 2017 was zero and \$2,308,321, respectively.

Belmont Light has several other construction projects in progress. The total amount invested in these projects that were not completed as of December 31, 2018 and 2017 was \$697,663 and \$381,176, respectively.

NOTE 7 - BONDS PAYABLE:

On May 6, 2016, the Town issued a Bond Anticipation Note (BAN) in the aggregate amount of \$27,645,452. 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 was 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.

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 matured 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, and an additional general obligation bond of \$12,100,000 was issued. The general obligation bonds were 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 bonds. The bonds mature April 15, 2032 and April 15, 2034, respectively.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NOTE 7 - BONDS PAYABLE (Continued):

At December 31, 2018 and 2017, the outstanding principal was \$21,980,000 and \$23,060,000, respectively. Capitalized interest expense relating to this bond amounted to \$370,958 and \$274,613 as of December 31, 2018 and 2017, respectively.

Future maturities of the bonds are as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the Years Ending December 31,	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	1,260,000	665,225	1,925,225
	2023	1,310,000	613,825	1,923,825
	2024-2028	7,370,000	2,264,544	9,634,544
	2029-2033	7,695,000	829,594	8,524,594
	2034	<u>840,000</u>	<u>16,800</u>	<u>856,800</u>
		21,980,000	<u>\$ 6,675,363</u>	<u>\$ 28,655,363</u>
Plus: Unamortized Bond Premium		1,408,512		
Less: Current Maturities of Long Term Debt		<u>(1,219,938)</u>		
		<u>\$ 22,168,574</u>		

NOTE 8 - ACCRUED EXPENSES:

Accrued expenses as of December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Sales Tax	\$ 15,267	\$ 21,714
Interest on Bonds and BAN	175,709	184,847
Accrued Payroll	130,267	183,616
Compensated Absences	<u>232,264</u>	<u>214,453</u>
Total Accrued Expenses	<u>\$ 553,507</u>	<u>\$ 604,630</u>

NOTE 9 - ACCOUNTS RECEIVABLE - CUSTOMERS, NET:

	<u>2018</u>	<u>2017</u>
Accounts Receivable - Customers	\$ 1,525,490	\$ 1,461,557
Allowance for Doubtful Accounts	<u>(271,012)</u>	<u>(175,276)</u>
Net Accounts Receivable - Customers	<u>\$ 1,254,478</u>	<u>\$ 1,286,281</u>



BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NOTE 10 - RELATED PARTY TRANSACTIONS:

In 2018 and 2017, Belmont Light received payments from the Town in the amount of \$1,474,376 and \$1,561,484, respectively, and made payments to the Town in the amount of \$2,333,532 and \$2,555,809, respectively. At December 31, 2018 and 2017, the outstanding receivable balance was \$116,215 and \$99,065, respectively. As of December 31, 2018 and 2017 amounts due to the Town were \$1,736 and zero, respectively.

NOTE 11 - 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 12 - 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, Belmont Light 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, 2018 and 2017, Belmont Light does not have custodial risk exposure in their investments in U.S. Treasury/Agency Securities, Certificate of Deposits, Mutual Funds and Money Market accounts. Belmont Light'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 Fund, Depreciation Fund and Rate Stabilization Fund

Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, 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, 2018 AND 2017

NOTE 12 - CASH AND INVESTMENTS (Continued):

Investments - Debt Sinking Fund, Depreciation Fund and Rate Stabilization Fund (continued)

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Belmont Light 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 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 next page sets forth, by level within the fair value hierarchy, Belmont Light's investments in the Debt Sinking Fund, Depreciation Fund and Rate Stabilization Fund at fair value at December 31, 2018 and 2017. As of December 31, 2018 and 2017, Belmont Light did not have any investments that were measured using Level 2 or Level 3 inputs.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NOTE 12 - CASH AND INVESTMENTS (Continued):

Investments - Debt Sinking Fund, Depreciation Fund and Rate Stabilization Fund (continued)

	<u>December 31, 2018</u> Quoted Prices in Active Markets for Identical Assets (All Level 1)	<u>December 31, 2017</u> Quoted Prices in Active Markets for Identical Assets (All Level 1)
<u>FMV Investments:</u>		
U.S. Government Securities	\$ 8,622,879	\$ 5,868,155
<u>Other Securities:</u>		
Money Markets	1,678,092	3,532,978
Certificates of Deposit	<u>1,687,629</u>	<u>3,414,863</u>
Total Other Securities	<u>3,365,721</u>	<u>6,947,841</u>
Total Investments	<u>\$ 11,988,600</u>	<u>\$ 12,815,996</u>

	<u>Ratings</u> As of <u>Year End</u>	<u>2018</u> Fair Value	<u>2018</u> Under 1 Year	<u>2018</u> 1-5 Years	<u>2017</u> Fair Value
<u>Term Securities:</u>					
Certificates of Deposit	Exempt	<u>\$ 1,687,629</u>	<u>\$ 0</u>	<u>\$ 1,687,629</u>	<u>\$ 3,414,863</u>

The following accounts were considered to be investments as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Debt Sinking Fund	\$ 1,641,624	\$ 1,618,895
Depreciation Fund	8,688,527	8,567,511
Rate Stabilization Fund	<u>1,658,449</u>	<u>2,629,590</u>
	<u>\$ 11,988,600</u>	<u>\$ 12,815,996</u>

As of December 31, 2018 and 2017, 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 13 - 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, 2018 and 2017.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NOTE 14 - GRANT INCOME:

During 2017, Belmont Light was awarded a grant from the Massachusetts Electric Vehicle Incentive Program (MassEVIP) a program administered by the Massachusetts Department of Environmental Protection (MassDEP). The grant, in the amount of \$15,000, was to fund the purchase of an all-electric vehicle, and for the installation of a charging station. In addition, Belmont Light received a grant from Sagewell, Inc. for reimbursement of marketing expenses for participation in the National Drive Electric Week Event, in the amount of \$2,146. Grant expenditures for the year ended December 31, 2017 were \$2,146.

NOTE 15 - 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 16 - 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.

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.

Belmont Light's annual energy costs related to its long-term power purchase commitments as of 2018 are approximately as follows:

For the Years Ending December 31,	2019	\$	3,759,998
	2020		2,553,637
	2021		1,126,594
	2022		981,591
	2023		984,491
	2024-2028		4,202,422
	2029-2033		3,082,048
	2034-2038		1,785,720
	2039-2041		<u>217,349</u>
		\$	<u>18,693,850</u>

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS 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 balance in the Trust Fund as of December 31, 2018 and 2017 was \$282,971 and \$267,023, respectively. The total amount of this investment pool as of December 31, 2018 and 2017 was \$4,131,572 and \$3,618,894, respectively, of which Belmont Light's ownership was approximately 6.8% and 7.4%, respectively.

The Trust adopted GASB 74 for the year ended December 31, 2017, which introduced a new actuarial cost method and discount rate as well as new disclosures and methodologies for reporting plan liabilities and OPEB expenses.

Plan Administration

The Town of Belmont administers the retiree health care benefits program-a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time employees.

Plan Membership

As of the valuation date of June 30, 2017, OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	23
Active plan members	<u>24</u>
Total Number of Participants	<u><u>47</u></u>

Benefits provided

Belmont Light provides health care benefits for retirees and their dependents. Benefits are provided through the Town, and the full cost of benefits is shared between the Town and retirees.

Contributions

Belmont Light annually contributes an actuarially determined contribution based on the results of the most recent actuarial valuation.

Investment Policy

The OPEB plan's investment policy in regard to the allocation of invested assets is established by the Town, and may be amended at any time. It is the policy of the Town to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio, 60% using equity investments from the Massachusetts Legal List and 40% fixed using certificates of deposit, corporate bonds and governmental agencies.

Rate of Return

The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of OPEB plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the OPEB plan investments at the ending fair value of OPEB plan investments.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS TRUST FUND (Continued):

Net OPEB Liability of the Plan

The components of the net OPEB liability of Belmont Light were as follows:

	2018	2017
Total OPEB Liability	\$ 4,517,311	\$ 4,292,985
Fiduciary Net Position	(282,971)	(267,023)
Net OPEB Liability	\$ 4,234,340	\$ 4,025,962

Fiduciary net position as a percentage of the total OPEB liability as of the measured date of December 31, 2018 and 2017 was 6.26% and 6.22%.

Actuarial Assumptions

The total OPEB liability as of December 31, 2018 was determined by an actuarial valuation as of June 30, 2017, using the following assumptions, applied to all periods included in the measurement:

Payroll growth	3.0%
Investment rate of return	6.5%
Healthcare cost trend rate	
<i>Non-Medicare (Medical)</i>	7% decreasing by 0.5% each year to an ultimate level of 4.5% per year.
<i>Medicare (Medical Only)</i>	4.5%
<i>Prescription Drug</i>	9% decreasing by 0.5% each year to an ultimate level of 4.5% per year.
<i>Medicare Advantage</i>	7.5% decreasing by 0.5% each year to an ultimate level of 4.5% per year.
<i>Administration</i>	3.0%
<i>Contributions</i>	7.5% decreasing by 0.5% each year to an ultimate level of 4.5% per year.
Mortality tables	
<i>Pre-Retirement Mortality</i>	RP-2000 Employee Mortality Table projected generationally from 2009 with scale BB2D.
<i>Healthy Mortality</i>	RP-2000 Healthy Annuitant Mortality Table projected generationally from 2009 with scale BB2D.
<i>Disabled Mortality</i>	RP-2000 Healthy Annuitant Mortality Table projected generationally from 2015 with scale BB2D.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS TRUST FUND (Continued):

Actuarial Assumptions (continued)

The long-term expected rate of return on OPEB 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 investment expense and inflation) are developed for each major asset class. These returns 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 and subtracting expected investment expenses and risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of long-term expected investment rate of return assumption as of December 31, 2018 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Equity	60.00%	6.15%
Core Fixed Income	40.00%	1.68%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.01% as of December 31, 2018. The discount rate is a blend of the long-term expected rate of return on OPEB Trust assets and yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (4.1% as of December 31, 2018). The blending is based on the sufficiency of projected assets to make projected benefit payments.

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

The following presents the net OPEB liability calculated using the discount rate of 6.01%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.01%) or 1-percentage point higher (7.01%) than the current rate:

	1% Decrease 5.01%	Current Discount Rate 6.01%	1% Increase 7.01%
Net OPEB Liability	\$ 4,781,379	\$ 4,234,340	\$ 3,780,488

Sensitivity of the Net Pension Liability to Changes in the Healthcare Cost Trend Rates

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

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB Liability	\$ 3,680,912	\$ 4,234,340	\$ 4,916,762

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY:

As described in Note 1, Belmont Light implemented GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* for the year ended December 31, 2018. As required by GASB 75, Belmont Light has recorded the net OPEB obligation at the beginning of the transition year as determined by an actuarial study, and has applied the measurement recognition requirements of GASB 75 on a prospective basis.

Plan Description

The Town of Belmont administers the retiree health care benefits program-a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time employees.

Plan Membership

As of the valuation date of June 30, 2017, OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	23
Active plan members	24
Total Number of Participants	<u>47</u>

Contributions

Belmont Light's Actuarial Determined Contribution (ADC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 74/75 which represents a level of funding that, if paid on an ongoing basis, is projected to cover the service cost each year and amortize any unfunded actuarial liabilities (or funding excess). The contribution requirements of plan members and Belmont Light are established and may be amended through Department ordinances. For the year ending on and the measurement date of December 31, 2018, total premiums plus implicit costs for the retiree medical program were \$140,506. Belmont Light also made contributions to an OPEB Trust of \$20,645 for a total contribution during the period of \$161,151.

OPEB Liabilities

At December 31, 2018 and 2017 Belmont Light reported a liability of \$4,234,340 and \$4,025,962, respectively, for its net OPEB liability. The 2018 and 2017 net OPEB liability was measured as of December 31, 2018, and was determined by an actuarial valuation as of June 30, 2017.

OPEB Expense

For the year ended December 31, 2018, Belmont Light recognized OPEB Expense of \$412,284. At December 31, 2018, Belmont Light reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

<u>Deferred Outflows of Resources Related to OPEB</u>	<u>2018</u>	<u>2017</u>
Changes of assumptions	\$ 20,240	\$ 26,986
Net difference between projected and actual earnings on OPEB Trust investments	<u>11,650</u>	<u>0</u>
Total	<u>\$ 31,890</u>	<u>\$ 26,986</u>



BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

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

OPEB Expense (continued)

<u>Deferred Inflows of Resources Related to OPEB</u>	<u>2018</u>	<u>2017</u>
Changes of assumptions	\$ 56,365	\$ 0
Net difference between projected and actual earnings on OPEB Trust investments	<u>0</u>	<u>8,707</u>
Total	<u>\$ 56,365</u>	<u>\$ 8,707</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in Belmont Light's OPEB expense as follows:

<u>Deferred Outflows of Resources</u>			<u>Deferred Inflows of Resources</u>		
Year Ended December 31:			Year Ended December 31:		
2019	\$	9,114	2019	\$	14,091
2020		9,114	2020		14,091
2021		9,118	2021		14,091
2022		<u>4,544</u>	2022		<u>14,092</u>
Total	\$	<u>31,890</u>		\$	<u>56,365</u>

GASB 75 requires the disclosure of actuarial assumptions, the discount rate, and sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. Refer to the previous note "Other Postemployment Benefits Trust Fund" for these disclosures.

NOTE 19 - 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.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NOTE 19 - PENSION PLAN (Continued):

Benefits Provided (continued)

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.

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. Belmont Light 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 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. Belmont Light's required contributions to the System for the years ended December 31, 2018 and 2017 were \$848,861 and \$723,497, respectively, of which \$848,861 and \$361,749 was paid during calendar years 2017 and 2016, respectively.

Pension Liabilities

At December 31, 2018 and 2017, Belmont Light reported a liability of \$6,975,686 and \$6,466,318, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017 and 2016, respectively, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of January 1, 2018. Belmont Light's portion of the net pension liability was based on the current employees, retirees, inactive participants and actual share of net position to the entire system. Belmont Light's portion of the net pension liability was based on the percentage of the Belmont Light's contributions to the total System contributions as of the measured dates of December 31, 2017 and 2016, respectively.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NOTE 19 - PENSION PLAN (Continued):

Pension Liabilities (continued)

At the measured dates of December 31, 2017 and 2016, Belmont Light's portion was 9.42% and 8.59%, respectively of the total System contributions.

Pension Expense

For the years ended December 31, 2018 and 2017, Belmont Light recognized a pension expense of \$1,005,671 and \$751,204, respectively. For the years ended December 31, 2018 and 2017, Belmont Light reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Outflows of Resources Related to Pensions</u>	<u>2018</u>	<u>2017</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 461,043	\$ 1,937
Differences between expected and actual experience	209,639	0
Changes of assumptions	499,371	344,294
Net difference between projected and actual earnings on pension plan investments	0	306,687
Department contributions subsequent to the measurement date	<u>910,577</u>	<u>848,861</u>
Total	<u>\$ 2,080,630</u>	<u>\$ 1,501,779</u>
<u>Deferred Inflows of Resources Related to Pensions</u>	<u>2018</u>	<u>2017</u>
Differences between expected and actual experience	\$ 86,965	\$ 118,934
Net difference between projected and actual earnings on pension plan investments	237,093	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>80,425</u>	<u>120,973</u>
Total	<u>\$ 404,483</u>	<u>\$ 239,907</u>

Of the total amount reported as deferred outflows of resources related to pensions, \$910,577 resulting from contributions paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the Years Ended December 31:	2019	\$ 277,878
	2020	262,567
	2021	109,339
	2022	<u>115,786</u>
	Total	<u>\$ 765,570</u>

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NOTE 19 - PENSION PLAN (Continued):

Actuarial Assumptions

The total pension liability as of December 31, 2018 was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement.

Valuation Date	January 1, 2018
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 by 6.97% in 2019 and 4.45% thereafter.
Remaining Amortization Period	As of July 1, 2016, 2 years for the 2002 ERI liability, 9 years for the 2003 ERI liability and 13 years for the remaining unfunded liability.
Inflation Rate	3.00%
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.
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 \$13,000 of retirement income.
Mortality Rates:	
Pre-Retirement	RP-2014 Blue Collar Employee Mortality Table set forward one year for female participants projected generationally with Scale MP-2017.
Healthy Retirees	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year for female participants projected generationally with Scale MP-2017.
Disabled Retirees	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP-2017.
Investment Rate of Return	7.4% (previously 7.5%), net of pension plan investment expense, including inflation

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NOTE 19 - PENSION PLAN (Continued):

Actuarial Assumptions (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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic Equity	28%	6.15%
International Developed Markets Equity	10%	7.11%
International Emerging Markets Equity	5%	9.41%
Core Fixed Income	10%	1.68%
High-Yield Fixed Income	11%	4.13%
Real Estate	12%	4.90%
Commodities	10%	4.71%
Hedge Fund, GTAA, Risk Parity	7%	3.94%
Private Equity	7%	10.28%

Discount Rate

The discount rate used to measure the total pension liability was 7.4%. 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 7.4%, 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 (6.4%) or 1-percentage-point higher (8.4%) than the current rate:

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
Proportionate share of the Net Pension Liability	\$ 8,839,909	\$ 6,975,686	\$ 5,409,127

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  
REQUIRED SUPPLEMENTARY INFORMATION  
NET PENSION LIABILITY

OPERATING FUND

For the Year Ending December 31,	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarial Valuation Date	1/1/2018	1/1/2016	1/1/2016	1/1/2014
Measurement Date	12/31/2017	12/31/2016	12/31/2015	12/31/2014

**Schedule of the Department's Proportionate Share  
of the Net Pension Liability (NPL):**

Department's Portion of the NPL	9.42%	8.59%	8.58%	8.87%
Department's Proportionate Share of the NPL	\$ 6,975,686	\$ 6,466,318	\$ 6,611,771	\$ 6,236,954
Department's Covered Payroll	\$ 2,730,334	\$ 2,485,260	\$ 2,384,359	\$ 2,193,362
NPL as a Percentage of Total Employee Payroll	255.49%	260.19%	277.30%	284.36%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	59.53%	55.97%	53.55%	56.19%

**Schedule of Contributions:**

Actuarially Determined Contributions	\$ 848,861	\$ 723,497	\$ 676,065	\$ 653,599
Contributions in Relation to the Actuarially Determined Contribution	<u>(848,861)</u>	<u>(723,497)</u>	<u>(676,065)</u>	<u>(653,599)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Department's Covered Payroll	\$ 2,730,334	\$ 2,485,260	\$ 2,384,359	\$ 2,193,362
Contributions as a Percentage of the Department's Total Employee Payroll	31.09%	29.11%	28.35%	29.80%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, pension plans should present information for those years for which information is available.

See Independent Auditors' Report

BELMONT LIGHT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2018 AND 2017

OPERATING FUND

NOTE A – PENSION PLAN

Changes in Assumptions

The mortality assumption for non-disabled participants was updated from the RP-2000 Employee and Healthy Annuitant Mortality Table projected generationally from 2009 with Scale BB2D to the RP-2014 Blue Collar Employee and Healthy Annuitant Mortality Tables set forward one year for female participants projected generationally with Scale MP-2017.

The mortality assumption for disabled participants was updated from the RP-2000 Healthy Annuitant Mortality Table projected generationally from 2015 with Scale BB2D to the RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP-2017.

The investment return assumption was lowered from 7.5% to 7.4%.

Changes in Plan Provisions

As permitted by Section 63 of Chapter 139 of the Acts of 2012, the Board has increased the Section 101 annual allowance from \$6,000 to \$12,000 as of July 1, 2018

As permitted by Section 19 of Chapter 188 of the Acts of 2010, the Cost of Living Adjustment base was increased from \$12,000 to \$13,000 as of July 1, 2019.

As permitted by Section 30 of Chapter 176 of the Acts of 2011, the Board has adopted an increase to the Section 12 minimum annual allowance from \$3,000 to \$6,000.

BELMONT LIGHT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF CHANGES IN THE NET OPEB LIABILITY

OPERATING FUND AND OPEB TRUST FUND

	<u>2018</u>	<u>(As Revised) 2017</u>
<b>Total OPEB Liability:</b>		
Service Cost	\$ 176,967	\$ 171,763
Interest	258,321	239,224
Changes of Assumptions	(70,456)	33,732
Benefit Payments	(140,506)	(135,832)
Net Change in Total OPEB Liability	<u>224,326</u>	<u>308,887</u>
Total OPEB Liability - Beginning	4,292,985	3,984,098
Total OPEB Liability - Ending	<u>\$ 4,517,311</u>	<u>\$ 4,292,985</u>
<b>Plan Fiduciary Net Position:</b>		
Contributions-Employer	\$ 161,151	\$ 151,990
Net Investment Income	(4,697)	24,792
Benefit Payments	(140,506)	(135,832)
Net Change in Plan Fiduciary Net Position	<u>15,948</u>	<u>40,950</u>
Plan Fiduciary Net Position - Beginning	267,023	226,073
Plan Fiduciary Net Position - Ending	<u>\$ 282,971</u>	<u>\$ 267,023</u>
<b>Net OPEB Liability - Ending</b>	<u>\$ 4,234,340</u>	<u>\$ 4,025,962</u>

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, OPEB plans should present information for those years for which information is available.



BELMONT LIGHT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF NET OPEB LIABILITY, EMPLOYER CONTRIBUTIONS AND INVESTMENT RETURNS

OPERATING FUND AND OPEB TRUST FUND

	<u>2018</u>	<u>(As Revised) 2017</u>
<b>Schedules of Net OPEB Liability:</b>		
Total OPEB Liability	\$ 4,517,311	\$ 4,292,985
Plan Fiduciary Net Position	<u>282,971</u>	<u>267,023</u>
Net OPEB Liability	<u><u>\$ 4,234,340</u></u>	<u><u>\$ 4,025,962</u></u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	6.26%	6.22%
Total Employee Payroll*	\$ 3,320,698	\$ 3,147,743
Net OPEB Liability as a Percentage of Total Employee Payroll	127.51%	127.90%
<b>Schedules of Employer Contributions:</b>		
Actuarially Determined Contributions	\$ 194,521	\$ 759,438
Contributions in relation to the actuarially determined contribution	<u>(161,151)</u>	<u>(151,990)</u>
Contribution Deficiency (Excess)	<u><u>\$ 33,370</u></u>	<u><u>\$ 607,448</u></u>
Total Employee Payroll*	\$ 3,320,698	\$ 3,147,743
Contributions as a percentage of Total Employee Payroll	4.85%	4.83%
<b>Schedules of Investment Returns:</b>		
Annual Money-Weighted rate of Return, net of investment expenses	-1.75%	4.67%

\*Covered payroll was not disclosed in the actuarial reports, therefore total employee payroll was used in the above schedules.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, OPEB plans should present information for those years for which information is available.

See Independent Auditors' Report

BELMONT LIGHT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2018 AND 2017

OPERATING FUND AND OPEB TRUST FUND

NOTE A – OTHER POSTEMPLOYMENT BENEFITS

Changes in Assumptions

The discount rate was increased from 5.87% as of December 31, 2017 to 6.01% as of December 31, 2018.

BELMONT LIGHT  
 SCHEDULES OF SALES OF ELECTRICITY  
 FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

OPERATING FUND

	<u>2018</u>	<u>(As Revised) 2017</u>
SALES OF ELECTRICITY:		
Residential	\$ 14,443,122	\$ 14,274,015
Commercial	3,995,906	4,045,641
Industrial	4,540,854	4,612,914
Municipal	1,120,889	1,158,131
Private Lighting	60,647	61,636
Street Lights	<u>284,336</u>	<u>263,620</u>
TOTAL SALES OF ELECTRICITY	<u><u>\$ 24,445,754</u></u>	<u><u>\$ 24,415,957</u></u>

See Independent Auditors' Report

BELMONT LIGHT  
SCHEDULES OF OPERATIONS AND MAINTENANCE EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

OPERATING FUND

	<u>2018</u>	<u>(As Revised)</u> <u>2017</u>
<b>POWER PRODUCTION EXPENSES:</b>		
Purchased Power Expense	\$ 10,448,892	\$ 10,659,416
Transmission Expense	<u>2,853,119</u>	<u>3,293,485</u>
Total Power Production Expenses	<u>13,302,011</u>	<u>13,952,901</u>
<b>DISTRIBUTION EXPENSES:</b>		
Miscellaneous Distribution Expenses	129,813	119,652
Line Expenses	845,860	771,520
Operation Supplies and Expenses	894,961	827,395
Maintenance of Meters	146,282	161,395
Customer Installations Expense	87,062	72,057
Stores Expense	<u>89,424</u>	<u>125,908</u>
Total Distribution Expenses	<u>2,193,402</u>	<u>2,077,927</u>
<b>CUSTOMER ACCOUNT EXPENSES:</b>		
Customer Accounting and Collection Expense	646,667	627,117
Meter Reading Expense	99,409	91,984
Uncollectible Accounts	<u>95,736</u>	<u>48,573</u>
Total Customer Accounts	<u>841,812</u>	<u>767,674</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES:</b>		
Administrative and General Salaries	673,886	722,935
Office Supplies and Expenses	201,507	176,578
Outside Services Employed	456,321	458,874
Insurance, Injuries and Damages	189,977	214,894
Employees' Pension and Benefits	1,806,464	1,798,556
Dues, Meetings, and Other General Expenses	20,973	14,543
Transportation Expenses	23,125	51,995
Marketing Expenses	<u>84,638</u>	<u>123,680</u>
Total General and Administrative Expenses	<u>3,456,891</u>	<u>3,562,055</u>
<b>MAINTENANCE EXPENSES:</b>		
Maintenance - Other	<u>157,677</u>	<u>243,338</u>
<b>TOTAL OPERATIONS AND MAINTENANCE EXPENSES</b>	<u><u>\$ 19,951,793</u></u>	<u><u>\$ 20,603,895</u></u>

See Independent Auditors' Report