

**Belmont Light
Audit Committee Meeting
April 27, 2020**

Our Auditors, Goulet, Salvidio & Associates PC, will present the following:

1. DRAFT 2019 Audited Financial Statements
 - Management Discussion & Analysis
 - Financial Activity
 - Notes to the Financial Statements
 - Required Supplementary Information
2. DRAFT 2019 Annual Department of Public Utilities (DPU) Report
3. DRAFT 2019 Internal Control Report
 - Discussion on Findings

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, 2019 and 2018.

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, 2019, it shows our net position increased 7.9% compared to the year ended December 31, 2018. Increases and decreases in net position may serve as a useful indicator of whether the financial position of Belmont Light is improving or declining.

Summary of Net Position

	<u>2019</u>	<u>2018</u>
Current Assets	\$ 21,107,210	\$ 22,606,263
Noncurrent Assets	<u>39,363,545</u>	<u>37,876,275</u>
Total Assets	<u>60,470,755</u>	<u>60,482,538</u>
 Deferred Outflows of Resources	 <u>2,520,706</u>	 <u>2,112,520</u>
Total Assets and Deferred Outflows of Resources	 <u>\$ 62,991,461</u>	 <u>\$ 62,595,058</u>
 Current Liabilities	 \$ 3,532,894	 \$ 4,366,921
Noncurrent Liabilities	<u>32,937,371</u>	<u>33,515,177</u>
Total Liabilities	<u>36,470,265</u>	<u>37,882,098</u>
 Deferred Inflows of Resources	 <u>3,356,425</u>	 <u>3,248,985</u>
 Net Position:		
Net Investment in Capital Assets, Net of Related Debt	16,370,337	14,213,870
Restricted for Depreciation	9,158,885	8,688,527
Unrestricted Net Position	<u>(2,364,451)</u>	<u>(1,438,422)</u>
Total Net Position	<u>23,164,771</u>	<u>21,463,975</u>
 Total Liabilities, Deferred Inflows of Resources and Net Position	 <u>\$ 62,991,461</u>	 <u>\$ 62,595,058</u>

Summary of Changes in Net Position

	2019	2018
Operating Revenues	\$ 24,914,942	\$ 24,862,172
Operating Expenses	22,275,894	21,214,338
Operating Income	2,639,048	3,647,834
Nonoperating Revenues (Expenses)	(288,252)	(144,649)
Income Before Contributions and Transfers	2,350,796	3,503,185
Beginning Net Position	21,463,975	18,610,790
Transfers Out – Payment in Lieu of Taxes	(650,000)	(650,000)
Ending Net Position	\$ 23,164,771	\$ 21,463,975

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 2019.

- 121,376,405 kWh of electricity to 11,685 customer accounts.
- Highest system peak demand of 32,202 kWh occurred on July 21st.
- Top 20 kWh users generate ~20% of Belmont Light revenue.

Operating overview, 2019 vs 2018:

- Total revenues increased by \$52,770;
- Total purchased power costs increased by \$301,267 and included \$137,860 of credits provided to Belmont rooftop solar customers in 2019;
- Distribution expenses decreased by \$147,692 (7%) due to increase in capital line and operation expenses for labor and materials related to the system voltage conversion project;
- Customer Accounts expenses increased by \$193,055 (23%) due to increase in uncollectible expenses (medically protected accounts reserve), customer collections and changes in liens accounting;
- General & Administrative expenses increased by \$534,688 (15%) mainly due to increase of general and administrative salaries (new energy specialist position and allocation of other payroll expenses), employees pensions & benefits and outside services expenses.

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, 2019 was \$26.2 million (\$24 million for Distribution Plant, \$2.14 million for General Plant and \$0.06 million for Construction Work In Progress).

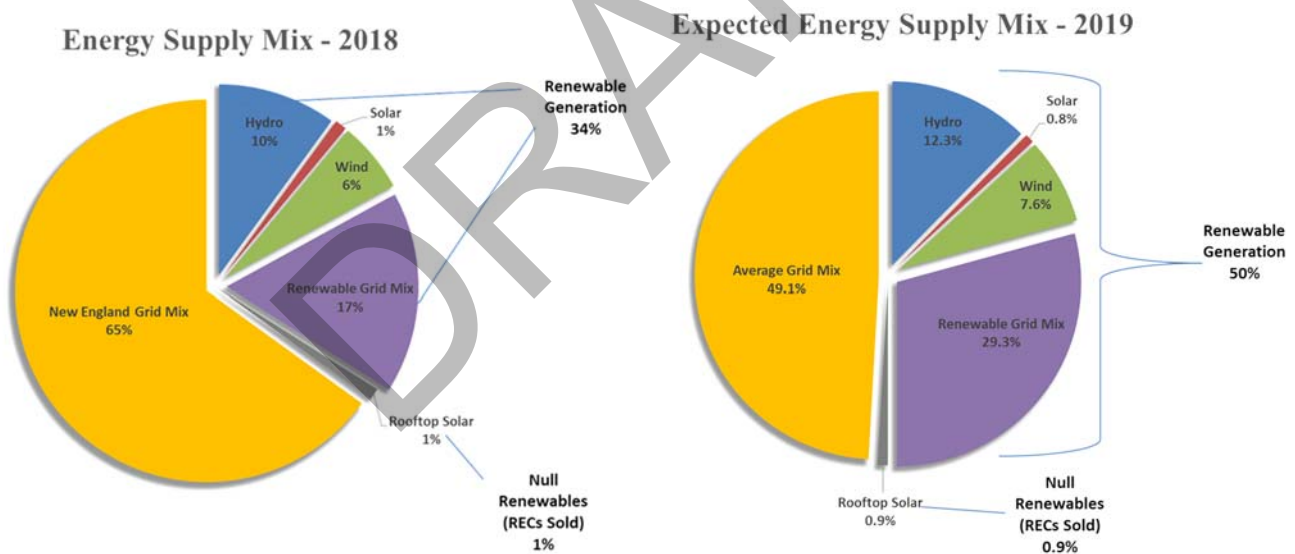
Debt Administration

Belmont Light carries two general obligation bonds of \$14,000,000 and \$12,100,000 which are 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.

Power Supply

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

Belmont Light successfully achieved a 34% renewable supply for the 2018 portfolio year—exceeding the goal of 33%—and was on track to reach 50% for 2019. (2019’s portfolio will be finalized in mid-2020.)



New Rates

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.

BELMONT LIGHT
STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018

OPERATING FUND

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2019	2018
CURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Operating Cash	\$ 4,748,403	\$ 6,465,124
Construction Cash	12,285,752	12,266,173
Accounts Receivable - Customers, Net	1,348,030	1,254,478
Accounts Receivable - Other	383,963	464,044
Materials and Supplies	495,393	345,992
Prepaid Expenses	54,740	41,667
Purchased Power Prepayments	1,790,929	1,768,785
TOTAL CURRENT ASSETS	21,107,210	22,606,263
NONCURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Depreciation Fund	9,158,885	8,688,527
Customer Deposits	136,577	136,577
Rate Stabilization Reserve Fund	1,718,274	1,658,449
Debt Sinking Reserve Fund - Premium	1,674,626	1,641,624
Rate Stabilization Reserve Fund - MMWEC	422,025	414,889
Utility Plant Assets, Net	26,253,158	25,336,209
TOTAL NONCURRENT ASSETS	39,363,545	37,876,275
TOTAL ASSETS	60,470,755	60,482,538
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows of Resources Related to Pensions	2,493,578	2,080,630
Deferred Outflows of Resources Related to OPEB	27,128	31,890
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,520,706	2,112,520
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 62,991,461	\$ 62,595,058

See Accompanying Notes to Financial Statements

BELMONT LIGHT
STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018

OPERATING FUND

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2019</u>	<u>2018</u>
CURRENT LIABILITIES:		
Bond Payable, Current	\$ 1,269,938	\$ 1,219,938
Accounts Payable	1,742,311	2,593,476
Accrued Expenses	<u>520,645</u>	<u>553,507</u>
TOTAL CURRENT LIABILITIES	<u>3,532,894</u>	<u>4,366,921</u>
NONCURRENT LIABILITIES:		
Customer Deposits	148,389	136,577
Bond Payable, Net of Current Portion	20,898,635	22,168,574
Net Pension Liability	7,814,033	6,975,686
Net Other Postemployment Benefit Liability	<u>4,076,314</u>	<u>4,234,340</u>
TOTAL NONCURRENT LIABILITIES	<u>32,937,371</u>	<u>33,515,177</u>
TOTAL LIABILITIES	<u>36,470,265</u>	<u>37,882,098</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows of Resources Related to Pensions	83,482	404,483
Deferred Inflows of Resources Related to OPEB	310,050	56,365
Rate Stabilization Reserve	2,140,309	2,073,338
Contribution in Aid of Construction, Net of Amortization	<u>822,584</u>	<u>714,799</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,356,425</u>	<u>3,248,985</u>
NET POSITION:		
Net Investment in Capital Assets, Net of Related Debt	16,370,337	14,213,870
Restricted for Depreciation	9,158,885	8,688,527
Unrestricted Net Position	<u>(2,364,451)</u>	<u>(1,438,422)</u>
TOTAL NET POSITION	<u>23,164,771</u>	<u>21,463,975</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 62,991,461</u></u>	<u><u>\$ 62,595,058</u></u>

See Accompanying Notes to Financial Statements

BELMONT LIGHT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

OPERATING FUND

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES:		
Sales of Electricity	\$ 24,424,683	\$ 24,445,754
Other Operating Revenues	<u>490,259</u>	<u>416,418</u>
 TOTAL OPERATING REVENUES	 <u>24,914,942</u>	 <u>24,862,172</u>
 OPERATING EXPENSES:		
Operations and Maintenance	20,872,313	19,951,793
Depreciation, Net of Amortization	<u>1,403,581</u>	<u>1,262,545</u>
 TOTAL OPERATING EXPENSES	 <u>22,275,894</u>	 <u>21,214,338</u>
 OPERATING INCOME	 <u>2,639,048</u>	 <u>3,647,834</u>
 NONOPERATING REVENUES (EXPENSES):		
Investment Income	509,577	327,480
Bond Interest Expense	(797,839)	(472,129)
Grant Income	2,500	0
Grant Expenses	<u>(2,490)</u>	<u>0</u>
 TOTAL NONOPERATING REVENUES (EXPENSES)	 <u>(288,252)</u>	 <u>(144,649)</u>
 Income Before Contributions and Transfers	 2,350,796	 3,503,185
 NET POSITION - JANUARY 1	 21,463,975	 18,610,790
 Transfers Out - Payment in Lieu of Taxes	 <u>(650,000)</u>	 <u>(650,000)</u>
 NET POSITION - DECEMBER 31	 <u>\$ 23,164,771</u>	 <u>\$ 21,463,975</u>

See Accompanying Notes to Financial Statements

BELMONT LIGHT
SCHEDULES OF SALES OF ELECTRICITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

OPERATING FUND

	<u>2019</u>	<u>2018</u>
SALES OF ELECTRICITY:		
Residential	\$ 14,317,587	\$ 14,443,122
Commercial	3,961,477	3,995,906
Industrial	4,622,199	4,540,854
Municipal	1,165,531	1,120,889
Private Lighting	60,194	60,647
Street Lights	<u>297,695</u>	<u>284,336</u>
TOTAL SALES OF ELECTRICITY	<u><u>\$ 24,424,683</u></u>	<u><u>\$ 24,445,754</u></u>

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See Independent Auditors' Report

BELMONT LIGHT
SCHEDULES OF OPERATIONS AND MAINTENANCE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

OPERATING FUND

	<u>2019</u>	<u>2018</u>
POWER PRODUCTION EXPENSES:		
Purchased Power Expense	\$ 10,894,645	\$ 10,448,892
Transmission Expense	<u>2,708,633</u>	<u>2,853,119</u>
Total Power Production Expenses	<u>13,603,278</u>	<u>13,302,011</u>
DISTRIBUTION EXPENSES:		
Miscellaneous Distribution Expenses	158,073	129,813
Line Expenses	781,984	845,860
Operation Supplies and Expenses	769,192	894,961
Maintenance of Meters	166,956	146,282
Customer Installations Expense	57,071	87,062
Stores Expense	<u>112,433</u>	<u>89,424</u>
Total Distribution Expenses	<u>2,045,709</u>	<u>2,193,402</u>
CUSTOMER ACCOUNT EXPENSES:		
Customer Accounting and Collection Expense	735,728	646,667
Meter Reading Expense	139,615	99,409
Uncollectible Accounts	<u>159,524</u>	<u>95,736</u>
Total Customer Accounts	<u>1,034,867</u>	<u>841,812</u>
GENERAL AND ADMINISTRATIVE EXPENSES:		
Administrative and General Salaries	915,473	673,886
Office Supplies and Expenses	208,795	201,507
Outside Services Employed	557,772	456,321
Insurance, Injuries and Damages	236,795	189,977
Employees' Pension and Benefits	1,857,084	1,806,464
Dues, Meetings, and Other General Expenses	43,099	20,973
Transportation Expenses	74,139	23,125
Marketing Expenses	<u>98,422</u>	<u>84,638</u>
Total General and Administrative Expenses	<u>3,991,579</u>	<u>3,456,891</u>
MAINTENANCE EXPENSES:		
Maintenance - Other	<u>196,880</u>	<u>157,677</u>
TOTAL OPERATIONS AND MAINTENANCE EXPENSES	<u><u>\$ 20,872,313</u></u>	<u><u>\$ 19,951,793</u></u>

See Independent Auditors' Report