

BELMONT LIGHT
Financial Statements
December 31, 2019 and 2018

DRAFT

BELMONT LIGHT
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DECEMBER 31, 2019 AND 2018

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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, 2019 and 2018, 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.

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, 2019 and 2018, 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, 2019 and 2018, 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 eleven and pages 39 through 42 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 that collectively comprise Belmont Light's basic financial statements. The Schedules of Sales of Electricity and Schedules of Operations and Maintenance Expenses presented on pages 43 and 44 are presented for purposes of additional analysis and are 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

April XX, 2020

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.

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, 2019 and 2018 was \$2,350,796 and \$3,503,185, respectively.

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

	<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>

Summary of Net Position (Continued)

	2019	2018
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	(2,364,451)	(1,438,422)
Total Net Position	23,164,771	21,463,975
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 62,991,461	\$ 62,595,058

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

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 2019.

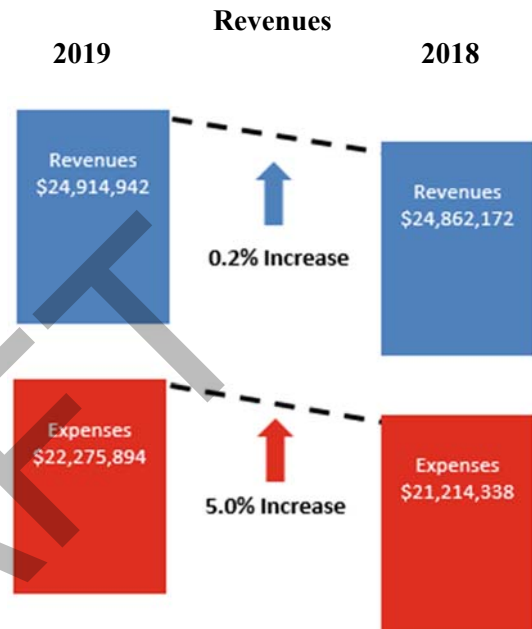
- 121,376,405 kWh of electricity to 11,685 customer accounts.
- Highest system peak demand of 32,202 kWh occurred on July 21st.
- Top 20 kWh users generate ~20% of Belmont Light revenue.

Operating Overview

2019 Revenues vs. 2018 Revenues

Total revenues increased by \$52,770:

- Revenues from sales of electricity for 2019 were \$24,424,683 compared to \$24,445,754 in 2018.
- Other operating revenues increased by \$73,841 (or 18%), primarily due to an increase in billable jobs.



2019 Expenses vs. 2018 Expenses

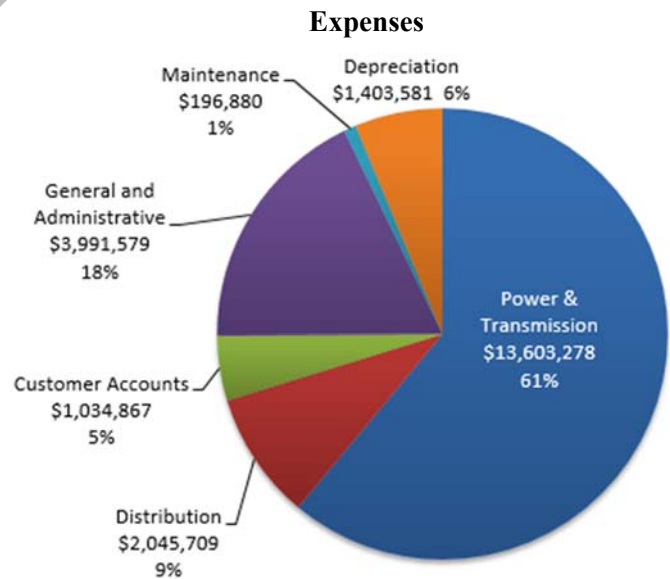
Purchased Power costs were \$13,603,278 in 2019 compared to \$13,302,011 in 2018.

Included in the purchased power costs are credits in the amount of \$137,860 provided to Belmont rooftop solar customers in 2019.

Distribution expenses decreased by \$147,693 (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 an 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 an increase of general and administrative salaries (new energy specialist position and allocation of other payroll expenses), employee's pensions & benefits and outside services 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, 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

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.

Operations

Continuing the work that began with the construction of the Blair Pond Substation, the Belmont Light Engineering and Operations Team completed the installation of a new duct bank along Baker Street and Bright Road. Following installation, crews completed paving of Baker Street, Bright Road, and a section of Washington Street. During the project, Belmont Light added 26,000 linear feet of conduit to its electrical delivery system, which will significantly benefit Belmont Light’s grid modernization efforts.

The major focus for the Engineering and Operations Team during 2019 was on making upgrades to the existing grid from 4.8 kV to 13.8 kV circuits in order to provide a more reliable, state-of-the-art system for Belmont Light customers. One of the key projects in this effort involved providing an additional service and modernized infrastructure at the Belmont Hill School. Crews replaced obsolete transformers, thousands of feet of cable, switchgear, and underground switches. Completing this work was a significant step in toward cutting over the surrounding area of Belmont Hill to the system fed by the Blair Pond Substation.

In 2019, Belmont Light completed a redesign and redevelopment of the service to and around the Sherman Gardens elderly housing complex. The work included replacing a 3-250kVA transformer transclosure, six oil switches, as well as obsolete underground cable with a new transformer and cable. The project increased the reliability, operability, and safety aspects not just of the development, but of the surrounding area.

Belmont Light conducted a significant amount of work in Belmont Center, including the removal and installation of over 10,000 feet of underground cable, pad-mounted and underground transformers, and high voltage switches. This work allowed for the shifting of several services in Belmont Center to the service fed by the Blair Pond Substation, making their services more reliable. Belmont Light will continue this work into 2020.

In order to maintain high reliability and worker safety rates, Belmont Light added and/or replaced several high voltage switches throughout town. This work was conducted on Clifton Street, Common Street, and Concord Avenue, which led to the added benefit of opening up the ability of providing a more reliable and flexible service to the Belmont Public Library.

Continuing work related to the new service for the Cushing Square Redevelopment (the Bradford), Belmont Light installed three new pad-mounted transformers as well as several thousand feet of new underground cable. As an added benefit, the addition of new cable allowed Belmont Light to progress its modernization efforts in Waverley Square, which included retiring a significant amount of obsolete cable, switches, transformers, and other equipment.

Operations (Continued)

Following a pilot throughout town, Belmont Light kicked off its LED streetlight retrofit initiative, which will replace every sodium vapor streetlight in town with a new dimmable, 2,700-3,000 Kelvin LED streetlight. When complete, a photo eye in each streetlight will relay back to the Operations Team to report streetlight outages. The Operations Team will also be able to control the brightness of each streetlight remotely based on feedback received from customers. In 2019, Belmont Light replaced approximately 200 existing streetlights. The project will continue through 2021.

Belmont Light also created a land surveyor specification package for the Belmont Hill area. The survey information received from this package will be used to determine the feasibility of installing a new electric duct bank, which will aid in the overall modernization efforts for the town.

Power Supply

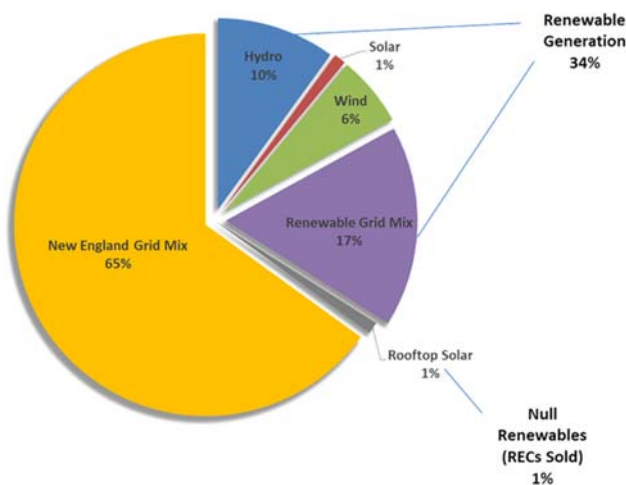
Belmont Light purchases electricity from the Independent System Operator-New England (ISO-NE) marketplace and maintains a diversified power supply portfolio that enables Belmont Light to offer its ratepayers stable electricity pricing.

2019 was a noteworthy year for Belmont Light’s power supply as the department is now officially committed to achieving a 100% non-emitting power supply by the year 2022. In July, The Municipal Light Board approved an updated Power Supply Policy that built upon momentum started in 2017, when Belmont Light first began retiring all RECs, and 2018, when Belmont Light first committed to meeting minimum renewable energy targets. Belmont Light’s delineated path toward a fully decarbonized portfolio aligns with the goals of the Belmont Energy Committee’s Climate Action Roadmap, which was approved by Town Meeting on May 1, 2019 by a vote of 196 in favor, 14 opposed, with 14 abstentions.

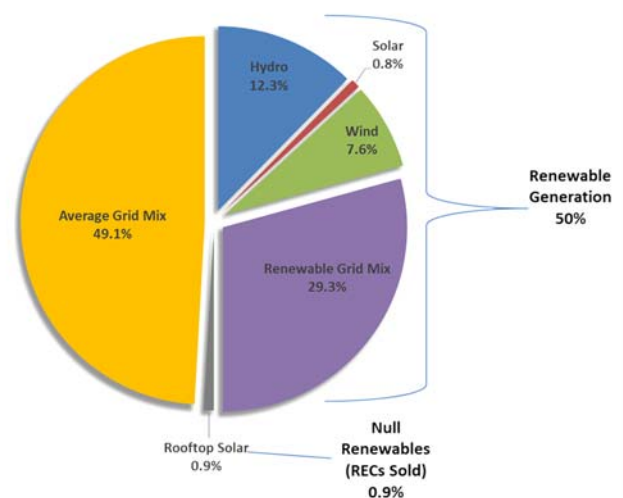


Belmont Light successfully achieved a 34% renewable supply for the 2018 portfolio year—exceeding the goal of 33%—and was on track to reach 50% for 2019. (2019’s portfolio will be finalized in mid-2020.)

Energy Supply Mix - 2018



Expected Energy Supply Mix - 2019



Power Supply (Continued)

Additionally, in 2019, Belmont Light started receiving generation from two new long-term contracts with renewable generators: the Granite Wind project and the FirstLight hydroelectric facility. A power purchase agreement was also signed with Chariot Solar, a Class I solar facility that will reach commercial operation in the next few years.

Demand-Side Management & Energy Conservation

2019 was another successful year for Belmont Light's demand-side management efforts, with a continued key focus on community-wide strategic electrification. In October 2019, Belmont Light was recognized by the American Public Power Association (APPA) with the Smart Energy Provider award, which is given to utilities "for demonstrating commitment to and accomplishment in smart energy program planning, energy efficiency and distributed energy resources, environmental and sustainability programs, and communication and customer experience."

In February 2019, the Energy Resources Team also welcomed on Energy Specialist, Ben Thivierge, who is tasked with administering and promoting all of Belmont Light's residential, commercial, and municipal energy programs and initiatives.

Strategic Electrification

HeatSmart Belmont

Belmont Light staff partnered with the HeatSmart Belmont campaign in 2019 to promote the adoption of clean heating and cooling technologies, specifically air-source heat pumps (ASHPs). The campaign, sponsored by the Massachusetts Clean Energy Center (MassCEC), with technical support from the Cadmus Group, brought together a group of volunteers to put on events, distribute materials, and help fellow residents with information about ASHPs, all with a goal of seeing 50 new ASHP systems in town.

Following a successful "Meet the Installer" kickoff event, which allowed residents to meet the campaign's selected installer, Muirfield Mechanical, volunteers also hosted multiple "Open House" events in order to show interested individuals what ASHP systems were like in the real world. HeatSmart Belmont also hosted an event highlighting the health benefits of ASHPs, featuring a talk from Dr. Regina LaRocque of Massachusetts General Hospital's Division of Infectious Diseases.

The deadline for Belmont residents to sign contracts for ASHP system installation under HeatSmart Belmont was set for January 31, 2020, although Belmont Light will continue to promote and incentivize the use of ASHPs as a clean and green way to heat and cool a home. During 2019, there were 111 site visits to potential ASHP system owners, and 43 Belmont resident signed contracts to install ASHPs at their homes.

Demand Response

In 2019, Belmont Light introduced the Peak Reduction Rewards Program (PRRP) to encourage peak-shaving behavior in customers. The program allows participants to earn monthly credits for allowing Belmont Light to make brief, limited adjustments to connected devices in their homes during times of peak electric demand ("events").

Strategic Electrification (Continued)

Demand Response (continued)

A pilot program began in July 2019 and concluded in September 2019. During the pilot, 23 customers signed up for the load-control program with their electric vehicle chargers. Belmont Light called 7 events during the pilot between July and September. Participation during those events was overall at 99%, with customers agreeing to cease use of their EV chargers for periods of up to 4 hours. Each peak event saw an anticipated reduction of 30kW for the EV chargers signed up for the program.

Belmont Light has continued to actively recruit customers for the program, which now has 31 customers signed up. The anticipated load saved currently during a peak event is 60kW.

In 2020, Belmont Light will look to expand the PRRP from solely EV chargers to other home devices such as smart thermostats, HVAC equipment, and hot water heaters.

Residential Rebate Programs

Air-Source Heat Pump Rebate

Thanks in large part to the HeatSmart Belmont campaign promoting the benefits of ASHPs, Belmont Light saw a significant increase in the number of rebates it issued for the systems in 2019. An increase in the rebate levels was also a contributing factor in the increased number of rebates issued. Beginning in 2020, Belmont Light will offer an additional incentive for customers who completely remove a fossil fuel system to replace it with an ASHP system.

In 2019, Belmont Light issued 60 ASHP rebates for a total of \$66,350 in incentives. This includes 46 ASHP rebates (77% of yearly total) after the kickoff of the HeatSmart Belmont campaign. For comparison, a total of 28 rebates were issued in 2018 and 22 were issued in 2017.

Appliance and Smart Device Rebate Program

In order to adhere to a new strategy of beneficial electrification, Belmont Light reframed the previous Appliance Rebate Program in a way that encourages customers to purchase energy efficient products that increase Belmont Light's electricity load. This approach aligns with the Town of Belmont's aims to reduce its carbon footprint, as switching appliances and equipment in one's home to electricity and then changing the source of the electricity to a renewable source (Belmont Light has a goal of 100% renewable electricity) is a pathway to reducing a home's carbon emissions.

Belmont Light also introduced rebates on smart devices that allow customers to turn "dumb" devices, like water heaters and window air conditioner units, and make them smart by connecting them to WiFi-enabled controls. These smart devices give a homeowner more control over their usage.

Belmont Light issued 150 rebates for appliances and smart devices in 2019, for a total of \$18,261 in bill credits to customers.

Residential Rebate Programs (Continued)

Electric Vehicle Charger Rebate Program

Belmont Light customers who install eligible charger equipment at their residence for their electric vehicle are eligible for a rebate of up to \$250 through Belmont Light. This rebate is separate from the Peak Reduction Reward Program in that it is for the charger equipment itself.

In 2019, Belmont Light issued 16 rebates for EV charger equipment installations for a total of \$4,000 in rebates.

Home Energy Assessments

Belmont Light offers no-cost, comprehensive energy assessments to all residential customers. Customers receive a digital report of the assessment, including a Home Performance Energy Scorecard. In 2019, Belmont Light representatives completed 72 home energy assessments of residences in Belmont.

Municipal Light Plant (MLP) Solar Rebate Program

Starting in 2019, Belmont Light partnered with the Department of Energy Resources (DOER) to aid customers in installing photovoltaic solar systems on their homes. This program was a joint effort with all 41 MLPs across the state, who were in talks with the DOER to create a program for MLP customers who did not qualify for the SMART program, the State's new solar incentive program. The MLP partnership is a 50/50 cost-share program in which the MLPs contribute half of the funding and the DOER matches the other half. Belmont Light contributed \$100,000 to the program, allowing customers to apply for rebates from a \$200,000 incentive pool. Customers were rebated at a rate of \$1.20 per watt for their PV solar system installations.

23 Belmont Light customers applied for the MLP Solar Rebate Program for a total approved amount of \$90,129.

Commercial Rebate Programs

Belmont Light kicked off pilots for commercial rebate programs starting with a Commercial Energy Assessment Program and a Commercial Lighting Retrofit Program. While adoption of these programs has thus far been low, Belmont Light is exploring ways to increase participation from commercial customers, including offering no-cost energy assessments, as in the residential energy assessment program.

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

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.

New Rates (Continued)

A flat Purchased Power and Transmission Adjustment (PPTA) charge of \$0.002/kWh was set up in 2018 but was waived effective March 1, 2019, when the new electric rates were implemented. Effective December 1, 2019, a new Power Cost Adjustment (PCA) schedule replaced the PPTA tariff and changed the approach to the calculation of the adjustment to a comparison of the base cost for power supply and actual purchased power costs. Other rate schedules were revised as of December 1, 2019 without any changes to the base rates.

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 regularly to verify the correctness of the charge (or credit) that has been established and makes changes if necessary.

Detailed information on Belmont Light’s rates is available at www.belmontlight.com.

Community Outreach

Belmont Light staff worked closely with the community throughout 2019 to spread awareness about the benefits of public power and safe electricity usage, with an emphasis on bill management and energy conservation. In 2019, Belmont Light participated in and supported the following:

- Belmont Town Day
- Meet Belmont
- Civic and community organizations, including the Belmont Foundation for Education, the Beech Street Senior Center
- The Belmont Farmers’ Market
- HeatSmart Belmont
- Presentation to third grade classes at the Winn Brook School
- Public presentations and forums
- The Annual “Light Up the Town” Tree Lighting Ceremony.

During the Fall of 2019, Belmont Light aided the Belmont Recreation Department in installing all new automated external defibrillators (AEDs) at five Town-owned parks; Pequossette (PQ) Park, Grove Street Park, Payson Park, Winn Brook Playground, and Town Field. Belmont Light performed the electrical work and provided construction support during the installation.

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

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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

OPERATING FUND

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 24,980,254	\$ 23,841,779
Cash Paid to Suppliers	(16,286,672)	(13,573,333)
Cash Paid to Employees	(3,581,997)	(3,320,698)
Cash Paid for Benefits	(1,857,084)	(1,806,464)
Payment in Lieu of Taxes	<u>(650,000)</u>	<u>(650,000)</u>
Net Cash Provided by Operating Activities	<u>2,604,501</u>	<u>4,491,284</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Grant Income	2,500	0
Grant Expense	<u>(2,490)</u>	<u>0</u>
Net Cash Provided by Noncapital Financing Activities	<u>10</u>	<u>0</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal Repayment on Bond Payable	(1,120,000)	(1,080,000)
Contribution in Aid of Construction	130,552	40,173
Additions to Plant Assets	(2,343,297)	(2,543,116)
Interest Expense	<u>(808,225)</u>	<u>(852,225)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(4,140,970)</u>	<u>(4,435,168)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Income	46,543	49,080
Transfers from (to) Rate Stabilization	0	1,000,000
Net Transfers to Depreciation Fund	<u>(207,226)</u>	<u>0</u>
Net Cash Provided (Used) by Investing Activities	<u>(160,683)</u>	<u>1,049,080</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,697,142)	1,105,196
CASH AND CASH EQUIVALENTS - BEGINNING	<u>18,867,874</u>	<u>17,762,678</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 17,170,732</u>	<u>\$ 18,867,874</u>

See Accompanying Notes to Financial Statements

BELMONT LIGHT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

OPERATING FUND

	2019	2018
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 2,639,048	\$ 3,647,834
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,426,348	1,284,107
Amortization of Contribution in Aid of Construction	(22,767)	(21,562)
Allowance for Doubtful Accounts	92,565	95,736
Rate Stabilization Reserve	66,971	(965,282)
Payment in Lieu of Taxes	(650,000)	(650,000)
Pension Expense	1,150,222	1,005,669
OPEB Expense	352,014	412,284
(Increase) Decrease in Assets:		
Accounts Receivable - Customers, Net	(186,117)	(63,933)
Accounts Receivable - Other	80,081	(77,746)
Materials and Supplies	(149,401)	40,062
Deferred Outflows Related to Pensions	(1,045,824)	(910,577)
Prepaid Expenses	(13,073)	(13,729)
Purchased Power Prepayments	(22,144)	(85,229)
Increase (Decrease) in Liabilities:		
Accounts Payable	(851,165)	1,005,954
Customer Deposits	11,812	(9,168)
Accrued Expenses	(22,476)	(41,985)
Net Other Postemployment Benefits Liability	(251,593)	(161,151)
Net Cash Provided by Operating Activities	\$ 2,604,501	\$ 4,491,284

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

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

	2019	2018
Operating Cash	\$ 4,748,403	\$ 6,465,124
Construction Cash	12,285,752	12,266,173
Customer Deposits	136,577	136,577
	\$ 17,170,732	\$ 18,867,874

See Accompanying Notes to Financial Statements

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

OPEB TRUST FUND

ASSETS

	2019	2018
Funds on Deposit with Town Treasurer		
Cash and Investments	\$ 351,307	\$ 282,971

FIDUCIARY NET POSITION

FIDUCIARY NET POSITION - Restricted	\$ 351,307	\$ 282,971
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BELMONT LIGHT
 STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

OPEB TRUST FUND

	2019	2018
Contributions	\$ 24,313	\$ 20,645
Net Investment Income (Loss)	44,023	(4,697)
CHANGE IN FIDUCIARY NET POSITION	68,336	15,948
FIDUCIARY NET POSITION - JANUARY 1	282,971	267,023
FIDUCIARY NET POSITION - DECEMBER 31	\$ 351,307	\$ 282,971

See Accompanying Notes to Financial Statements

BELMONT LIGHT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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 2019 and 2018 was 3%.

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

Taxes

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

Materials and Supplies

Materials and supplies are valued using the average cost method.

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 2019 presentation.

BELMONT LIGHT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

Revenue Recognition

Belmont Light owns and maintains an electric distribution network serving the Town of Belmont, Massachusetts. Distribution revenues are primarily from the sale of electricity to Town customers. Distribution sales are regulated by the DPU, which is responsible for determining the prices and other terms of services as part of the ratemaking process. The arrangement where a utility provides a service to a customer in exchange for a price approved by a regulator is referred to as a tariff sales contract. Electric distribution revenues are derived from the regulated sale and distribution of electricity to residential, commercial, and industrial customers within the Town of Belmont under the tariff rates. 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. The tariff rates approved by the regulator are designed to recover the costs incurred by Belmont Light for products and services provided along with a return on investment.

The performance obligation for distribution sales is to provide electricity to the customer on demand. The electricity supplied under the tariff represents a single performance obligation as it is a series of distinct goods and services that are substantially the same. The performance obligation is satisfied over time because the customer simultaneously receives and consumes the electricity as Belmont Light provides this service. Belmont Light records revenues related to the distribution sales based upon the approved tariff rate and the volume delivered to the customers, which corresponds with the amount Belmont Light has the right to invoice.

Revenues are recognized for energy service provided on a monthly billing cycle basis. No recognition is given to the amount of sales to customers which are unbilled at the end of the accounting period.

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.

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.

BELMONT LIGHT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

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.

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.

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, 2019 and 2018 was \$2,140,299 and \$2,073,338, 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, 2019 and 2018, funds held by MMWEC amounted to \$422,025 and \$414,889, respectively. The total amount of this investment pool as of December 31, 2019 and 2018 was \$81,726,980 and \$84,051,022 respectively, of which Belmont Light's ownership was approximately 0.52% and 0.49%, respectively.

BELMONT LIGHT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 - RATE STABILIZATION FUND (Continued):

As of December 31, 2019 and 2018, rate stabilization funds held by the Town of Belmont amounted to \$1,718,274 and \$1,658,449, respectively. See Note 12 for disclosure of Belmont Light investments held by the Town of Belmont.

NOTE 3 - PREPAID PASNY FUND:

The Power Authority of the State of New York (PASNY) is a New York State public-benefit corporation. It is commonly referred to as New York Power Authority (NYPA). The electricity generated from the NYPA hydro-facilities in New York provides a reduced rate for electricity specifically for residential customers in New York and New England. This is an account maintained by MMWEC from which they may pay our power obligation for the delivery of power and other obligations associated with NYPA's hydro projects. The NYPA fund balance at December 31, 2019 and 2018 was \$113,204 and \$116,066, respectively. These funds are commingled and deposited in investment pools. The total amount of these investment pools as of December 31, 2019 and 2018 was \$4,312,120 and \$4,287,198, respectively, of which Ashburnham Municipal Light Plant's ownership was approximately 2.63% and 2.71%, respectively.

NOTE 4 - DEPRECIATION FUND:

Pursuant to provisions of the Commonwealth's General Laws, cash in an amount equivalent to the annual depreciation expense is transferred from unrestricted funds to the depreciation fund. Interest earned on the balance of the fund must also remain in the fund. Such cash may be used for the cost of plant, nuclear decommissioning costs, costs of contractual commitments, and future costs related to such commitments which the Municipal Light Board determines are above market value. The balance at December 31, 2019 and 2018 was \$9,158,885 and \$8,688,527, respectively. See Note 12 for disclosure of Belmont Light's investments held by the Town of Belmont.

NOTE 5 - ACCOUNTS RECEIVABLE - CUSTOMERS, NET:

	2019	2018
Accounts Receivable - Customers	\$ 1,711,607	\$ 1,525,490
Allowance for Doubtful Accounts	(363,577)	(271,012)
Net Accounts Receivable - Customers	\$ 1,348,030	\$ 1,254,478

NOTE 6 - RELATED PARTY TRANSACTIONS:

In 2019 and 2018, Belmont Light received payments from the Town in the amount of \$1,785,595 and \$1,474,376, respectively, and made payments to the Town in the amount of \$2,421,001 and \$2,333,532, respectively. At December 31, 2019 and 2018, the outstanding receivable balance was \$127,645 and \$116,215, respectively. As of December 31, 2019 and 2018 amounts due to the Town were \$5,585 and \$1,736, respectively.

BELMONT LIGHT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 7 - UTILITY PLANT ASSETS:

	Balance January 1, 2019	Increases	Decreases	Balance December 31, 2019
Capital Assets Not Being Depreciated:				
Land	\$ 1,586,597	\$ 0	\$ 0	\$ 1,586,597
Construction in Progress	<u>697,663</u>	<u>732,892</u>	<u>(1,368,115)</u>	<u>62,440</u>
Total Capital Assets Not Being Depreciated	<u>2,284,260</u>	<u>732,892</u>	<u>(1,368,115)</u>	<u>1,649,037</u>
Capital Assets Being Depreciated:				
Distribution Plant	37,981,138	2,555,478	(206,812)	40,329,804
General Plant	<u>9,563,799</u>	<u>423,042</u>	<u>0</u>	<u>9,986,841</u>
Total Capital Assets Being Depreciated	<u>47,544,937</u>	<u>2,978,520</u>	<u>(206,812)</u>	<u>50,316,645</u>
Less Accumulated Depreciation for:				
Distribution Plant	(16,933,599)	(1,139,434)	206,812	(17,866,221)
General Plant	<u>(7,559,389)</u>	<u>(286,914)</u>	<u>0</u>	<u>(7,846,303)</u>
Total Accumulated Depreciation	<u>(24,492,988)</u>	<u>(1,426,348)</u>	<u>206,812</u>	<u>(25,712,524)</u>
Capital Assets Being Depreciated, Net	<u>23,051,949</u>	<u>1,552,172</u>	<u>0</u>	<u>24,604,121</u>
Utility Plant Assets, Net	<u>\$ 25,336,209</u>	<u>\$ 2,285,064</u>	<u>\$ (1,368,115)</u>	<u>\$ 26,253,158</u>

Depreciation for the years ended December 31, 2019 and 2018 was \$1,426,348 and \$1,284,107, respectively. Depreciation expense reported on the Statements of Revenues, Expenses and Changes in Net Position is net of amortization of \$22,767 and \$21,562 related to contribution in aid of construction for the years ended December 31, 2019 and 2018, respectively.

NOTE 8 - NET INVESTMENT IN CAPITAL ASSETS:

	2019	2018
Cost of Capital Assets Acquired	\$ 51,965,682	\$ 49,829,197
Less: Accumulated Depreciation	(25,712,524)	(24,492,988)
Less: Outstanding Debt Related to Capital Assets	<u>(9,882,821)</u>	<u>(11,122,339)</u>
Net Investment in Capital Assets	<u>\$ 16,370,337</u>	<u>\$ 14,213,870</u>

BELMONT LIGHT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 9 - BONDS PAYABLE:

On April 26, 2012, the Town issued a Bond Anticipation Note (BAN) in the aggregate amount of \$14,000,000, which included a bond premium, bearing interest at 1.83% and 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.

At December 31, 2019 and 2018, the outstanding principal was \$20,860,000 and \$21,980,000, respectively. Capitalized interest expense relating to this bond amounted to zero and \$370,958 as of December 31, 2019 and 2018, respectively.

Future maturities of the bonds are as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the Years Ending December 31,	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	1,365,000	553,500	1,918,500
	2025-2029	7,630,000	2,006,256	9,636,256
	2030-2034	<u>6,910,000</u>	<u>551,182</u>	<u>7,461,182</u>
		20,860,000	<u>\$ 5,867,138</u>	<u>\$ 26,727,138</u>
Plus: Unamortized Bond Premium		1,308,573		
Less: Current Maturities of Long Term Debt		<u>(1,269,938)</u>		
		<u>\$ 20,898,635</u>		

NOTE 10 - ACCRUED EXPENSES:

Accrued expenses as of December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Sales Tax	\$ 0	\$ 15,267
Interest on Bonds and BAN	165,324	175,709
Accrued Payroll	89,391	130,267
Compensated Absences	<u>265,930</u>	<u>232,264</u>
Total Accrued Expenses	<u>\$ 520,645</u>	<u>\$ 553,507</u>

BELMONT LIGHT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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, 2019 and 2018, 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 below.

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.

BELMONT LIGHT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 12 - CASH AND INVESTMENTS (Continued):

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

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, Equities, Mutual Funds and Certificates of Deposit:
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 following 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, 2019 and 2018 held by the Town of Belmont. As of December 31, 2019 and 2018, 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, 2019 AND 2018

NOTE 12 - CASH AND INVESTMENTS (Continued):

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

	December 31, 2019 Quoted Prices in Active Markets for Identical Assets (All Level 1)	December 31, 2018 Quoted Prices in Active Markets for Identical Assets (All Level 1)
<u>FMV Investments:</u>		
U.S. Government Securities	\$ 8,770,167	\$ 8,622,879
Equities	224,612	0
Mutual Funds	<u>1,908,472</u>	<u>0</u>
Total Investments	10,903,251	8,622,879
<u>Other Securities:</u>		
Money Markets	212,215	1,678,092
Certificates of Deposit	<u>1,436,319</u>	<u>1,687,629</u>
Total Other Securities	<u>1,648,534</u>	<u>3,365,721</u>
Total	<u>\$ 12,551,785</u>	<u>\$ 11,988,600</u>

	Ratings As of Year End	2019 Fair Value	2019 Under 1 Year	2019 1-5 Years	2018 Fair Value
<u>Term Securities:</u>					
Certificates of Deposit	Exempt	<u>\$ 1,436,319</u>	<u>\$ 714,636</u>	<u>\$ 721,683</u>	<u>\$ 1,687,629</u>

The following accounts were considered to be investments as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Debt Sinking Fund	\$ 1,674,626	\$ 1,641,624
Depreciation Fund	9,158,885	8,688,527
Rate Stabilization Fund	<u>1,718,274</u>	<u>1,658,449</u>
	<u>\$ 12,551,785</u>	<u>\$ 11,988,600</u>

As of December 31, 2019 and 2018, 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, 2019 and 2018.

BELMONT LIGHT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 14 - GRANT INCOME:

During 2019, Belmont Light was selected to participate in the HeatSmart Massachusetts Program administered by the Massachusetts Clean Energy Center (MassCEC). The purpose of the grant program is to increase outreach, education, and adoption of clean heating and cooling technology systems within the community. Belmont Light received a reimbursement of marketing expenses for its participation in the program, in the amount of \$2,500. Grant expenditures for the year ended December 31, 2019 were \$2,490.

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 2043.

Belmont Light's annual energy costs related to its long-term power purchase commitments as of 2019 are approximately as follows:

For the Years Ending December 31, 2020	\$	2,817,651
2021		1,896,089
2022		1,373,007
2023		1,640,449
2024		1,316,002
2025-2029		5,460,383
2030-2034		4,702,039
2035-2039		2,896,865
2040-2041		1,413,310
		<u>\$ 23,515,795</u>

BELMONT LIGHT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2019 AND 2018

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, 2019 and 2018 was \$351,307 and \$282,971, respectively. The total amount of this investment pool as of December 31, 2019 and 2018 was \$5,382,058 and \$4,131,572, respectively, of which Belmont Light's ownership was approximately 6.5% and 6.8%, respectively.

Government Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, provides an actuarial cost method and discount rate as well as 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, 2019, OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	29
Active plan members	30
Total Number of Participants	<u>59</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, 2019 AND 2018

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:

	2019	2018
Total OPEB Liability	\$ 4,427,621	\$ 4,517,311
Fiduciary Net Position	(351,307)	(282,971)
Net OPEB Liability	\$ 4,076,314	\$ 4,234,340

Fiduciary net position as a percentage of the total OPEB liability as of the measured date of December 31, 2019 and 2018 was 7.93% and 6.26%.

Actuarial Assumptions

The total OPEB liability as of December 31, 2019 was determined by an actuarial valuation as of June 30, 2019, 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>	7.25% decreasing by 0.25% each year to an ultimate level of 4.5% per year.
<i>Non-Medicare (Prescription Drug)</i>	8.25% decreasing by 0.25% each year to an ultimate level of 4.5% per year.
<i>Medicare Supplement (Medical Only)</i>	6.50% decreasing by 0.25% each year to an ultimate level of 4.5% per year.
<i>Medicare Prescription Drug</i>	7.00% decreasing by 0.25% each year to an ultimate level of 4.5% per year.
<i>Medicare Advantage</i>	4.5%
<i>Administration</i>	3.0%
<i>Contributions Non-Medicare</i>	7.25% decreasing by 0.25% each year to an ultimate level of 4.5% per year.
<i>Contributions Medicare Supplement</i>	6.50% decreasing by 0.25% each year to an ultimate level of 4.5% per year.
<i>Contributions Medicare Advantage</i>	4.5%

BELMONT LIGHT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

Actuarial Assumptions (continued)

Mortality tables

Pre-Retirement Mortality

RP-2014 Blue Collar Employee Mortality Table set forward one year for females projected generationally with Scale MP-2017.

Healthy Mortality

RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year for females projected generationally with Scale MP-2017.

Disabled Mortality

RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017.

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, 2019 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic Equity	61.90%	6.15%
Core Fixed Income	38.10%	1.68%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.93% as of December 31, 2019. 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 (2.74% as of December 31, 2019). 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 5.93%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.93%) or 1-percentage point higher (6.93%) than the current rate:

	1% Decrease <u>4.93%</u>	Current Discount Rate <u>5.93%</u>	1% Increase <u>6.93%</u>
Net OPEB Liability	\$ 4,630,842	\$ 4,076,314	\$ 3,617,770

BELMONT LIGHT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

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:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 3,542,950	\$ 4,076,314	\$ 4,738,179

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY:

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 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, 2019, OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	29
Active plan members	<u>30</u>
Total Number of Participants	<u><u>59</u></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 years ending on and the measurement date of December 31, 2019 and 2018, total premiums plus implicit costs for the retiree medical program were \$227,280 and \$140,506, respectively. During 2019 and 2018, Belmont Light also made contributions to an OPEB Trust of \$24,313 and \$20,645, respectively, for a total contribution during 2019 and 2018 of \$251,593 and \$161,151, respectively.

OPEB Liabilities

At December 31, 2019 and 2018 Belmont Light reported a liability of \$4,076,314 and \$4,234,340, respectively, for its net OPEB liability. The 2019 and 2018 net OPEB liability was measured as of December 31, 2019 and 2018, and was determined by an actuarial valuation as of June 30, 2019 and 2017.

BELMONT LIGHT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

OPEB Expense

For the years ended December 31, 2019 and 2018, Belmont Light recognized OPEB Expense of \$352,014 and \$412,284, respectively. At December 31, 2019 and 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>2019</u>	<u>2018</u>
Changes of assumptions	\$ 13,494	\$ 20,240
Net difference between projected and actual earnings on OPEB Trust investments	<u>13,634</u>	<u>11,650</u>
Total	<u>\$ 27,128</u>	<u>\$ 31,890</u>
 <u>Deferred Inflows of Resources Related to OPEB</u>	 <u>2019</u>	 <u>2018</u>
Changes of assumptions	\$ 163,570	\$ 56,365
Net difference between projected and actual earnings on OPEB Trust investments	24,224	0
Net Difference between expected and actual experience	<u>122,256</u>	<u>0</u>
Total	<u>\$ 310,050</u>	<u>\$ 56,365</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:	
2020	\$ 11,291	2020	\$ 82,124
2021	11,293	2021	82,122
2022	4,544	2022	79,948
2023	<u>0</u>	2023	<u>65,856</u>
Total	<u>\$ 27,128</u>	Total	<u>\$ 310,050</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.

BELMONT LIGHT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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, 1st floor, Belmont, Massachusetts 02478.

Benefits Provided

The System provides retirement, disability and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of member's highest three-year average annual rate of regular compensation.

For members who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

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

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

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors: including whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veterans' status, and group classification. Employees who resign from state service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total contributions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

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

BELMONT LIGHT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 19 - PENSION PLAN (Continued):

Contributions

Active members are required to contribute at rates from 5-9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired after 1978 contribute an additional 2% of annual pay above \$30,000. 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, 2019 and 2018 were \$910,577 and \$848,861, respectively, which were paid during calendar years 2018 and 2017, respectively.

Pension Liabilities

At December 31, 2019 and 2018, Belmont Light reported a liability of \$7,814,033 and \$6,975,686, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018 and 2017, 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, 2018 and 2017, respectively. At the measured dates of December 31, 2018 and 2017, Belmont Light's portion was 9.44% and 9.42%, respectively of the total System contributions.

Pension Expense

For the years ended December 31, 2019 and 2018, Belmont Light recognized a pension expense of \$1,150,222 and \$1,005,671, respectively. For the years ended December 31, 2019 and 2018, 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>2019</u>	<u>2018</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 360,384	\$ 461,043
Differences between expected and actual experience	157,668	209,639
Changes of assumptions	312,461	499,371
Net difference between projected and actual earnings on pension plan investments	617,241	0
Department contributions subsequent to the measurement date	<u>1,045,824</u>	<u>910,577</u>
Total	<u>\$ 2,493,578</u>	<u>\$ 2,080,630</u>

BELMONT LIGHT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 19 - PENSION PLAN (Continued):

Pension Expense (continued)

<u>Deferred Inflows of Resources Related to Pensions</u>	<u>2019</u>	<u>2018</u>
Differences between expected and actual experience	\$ 43,604	\$ 86,965
Net difference between projected and actual earnings on pension plan investments	0	237,093
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>39,878</u>	<u>80,425</u>
Total	<u>\$ 83,482</u>	<u>\$ 404,483</u>

Of the total amount reported as deferred outflows of resources related to pensions, \$1,045,824 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 years ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Net Deferred Outflows and Inflows of Resources Related to Pensions

For the Years Ended December 31:	2020	\$ 482,108
	2021	328,341
	2022	334,805
	2023	<u>219,018</u>
	Total	<u>\$ 1,364,272</u>

Actuarial Assumptions

The total pension liability as of December 31, 2019 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 January 1, 2018, 7 years for the 2003 ERI liability, 11 years for the remaining unfunded liability.
Inflation Rate	3% per year

BELMONT LIGHT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 19 - PENSION PLAN (Continued):

Actuarial Assumptions (continued)

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% of first \$12,000 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%, net of pension plan investment expense, including inflation

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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic Equity	23%	6.16%
International Developed Markets Equity	13%	6.69%
International Emerging Markets Equity	7%	9.47%
Core Fixed Income	10%	1.89%
High-Yield Fixed Income	11%	4.00%
Real Estate	12%	4.58%
Commodities	10%	4.77%
Hedge Fund, GTAA, Risk Parity	7%	3.68%
Private Equity	7%	10.00%

BELMONT LIGHT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 19 - PENSION PLAN (Continued):

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	\$ 9,727,795	\$ 7,814,033	\$ 6,207,425

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.

NOTE 20 - CHANGE IN ACCOUNTING PRINCIPLE:

The FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASC 606 revises and consolidates prior guidance, eliminates industry-specific revenue recognition guidance and establishes a comprehensive principle-based approach for determining revenue recognition. The core principle of the guidance is that an entity must recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for providing those goods or services. Management adopted this update for Belmont Light's calendar year beginning January 1, 2019, using a modified retrospective approach. Under this approach, Belmont Light's financial statements are prepared under the revised guidance for the year of adoption, but not for prior years, and Belmont Light recognizes a cumulative adjustment to the opening balance of retained earnings for contracts that still require performance by Belmont Light at the date of adoption. The adoption of ASC 606 on January 1, 2019 did not result in a material impact that required recognition of a cumulative adjustment of the opening retained earnings balance for contracts that still required performance at December 31, 2018. As such Belmont Light's contracts continue to be recognized over time considering the continuous transfer of control to its customers.

BELMONT LIGHT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 21 - SUBSEQUENT EVENT:

Management has evaluated subsequent events through **April XX, 2020** the date on which the financial statements were available to be issued. Changes in investment returns and fair values can have a significant effect on Belmont Light's investments and OPEB Trust Fund. Since December 31, 2019, the U.S. and world markets have continued to experience significant declines. Management is monitoring investment market conditions and the impact such declines are having on Belmont Light's investments and OPEB Trust Fund's investment portfolio. Due to the volatility of the financial markets as of the date of this report, there is uncertainty regarding the impact that continued volatility might have on Belmont Light's investments and OPEB Trust Fund's investment portfolio.

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BELMONT LIGHT
REQUIRED SUPPLEMENTARY INFORMATION
NET PENSION LIABILITY

OPERATING FUND

For the Year Ending December 31,	2019	2018	2017	2016	2015
Actuarial Valuation Date	1/1/2018	1/1/2018	1/1/2016	1/1/2016	1/1/2014
Measurement Date	12/31/2018	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	9.44%	9.42%	8.59%	8.58%	8.87%
Department's Proportionate Share of the NPL	\$ 7,814,033	\$ 6,975,686	\$ 6,466,318	\$ 6,611,771	\$ 6,236,954
Department's Covered Payroll	\$ 2,834,630	\$ 2,730,334	\$ 2,485,260	\$ 2,384,359	\$ 2,193,362
NPL as a Percentage of Covered Payroll	275.66%	255.49%	260.19%	277.30%	284.36%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	56.16%	59.53%	55.97%	53.55%	56.19%

Schedule of Contributions:

Actuarially Determined Contributions	\$ 910,577	\$ 848,861	\$ 723,497	\$ 676,065	\$ 653,599
Contributions in Relation to the Actuarially Determined Contribution	(910,577)	(848,861)	(723,497)	(676,065)	(653,599)
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Department's Covered Payroll	\$ 2,834,630	\$ 2,730,334	\$ 2,485,260	\$ 2,384,359	\$ 2,193,362
Contributions as a Percentage of the Department's Total Employee Payroll	32.12%	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.

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

OPERATING FUND AND OPEB TRUST FUND

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability:			
Service Cost	\$ 179,506	\$ 176,967	\$ 171,763
Interest	275,449	258,321	239,224
Change of Benefit Terms	(12,924)	0	0
Differences Between Expected and Actual Experience	(152,821)	0	0
Changes of Assumptions	(151,620)	(70,456)	33,732
Benefit Payments	<u>(227,280)</u>	<u>(140,506)</u>	<u>(135,832)</u>
Net Change in Total OPEB Liability	(89,690)	224,326	308,887
Total OPEB Liability - Beginning	<u>4,517,311</u>	<u>4,292,985</u>	<u>3,984,098</u>
Total OPEB Liability - Ending	<u>\$ 4,427,621</u>	<u>\$ 4,517,311</u>	<u>\$ 4,292,985</u>
Plan Fiduciary Net Position:			
Contributions-Employer	\$ 251,593	\$ 161,151	\$ 151,990
Net Investment Income	44,023	(4,697)	24,792
Benefit Payments	<u>(227,280)</u>	<u>(140,506)</u>	<u>(135,832)</u>
Net Change in Plan Fiduciary Net Position	68,336	15,948	40,950
Plan Fiduciary Net Position - Beginning	<u>282,971</u>	<u>267,023</u>	<u>226,073</u>
Plan Fiduciary Net Position - Ending	<u>\$ 351,307</u>	<u>\$ 282,971</u>	<u>\$ 267,023</u>
Net OPEB Liability - Ending	<u>\$ 4,076,314</u>	<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>2019</u>	<u>2018</u>	<u>2017</u>
Schedules of Net OPEB Liability:			
Total OPEB Liability	\$ 4,427,621	\$ 4,517,311	\$ 4,292,985
Plan Fiduciary Net Position	<u>351,307</u>	<u>282,971</u>	<u>267,023</u>
Net OPEB Liability	<u><u>\$ 4,076,314</u></u>	<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	7.93%	6.26%	6.22%
Total Employee Payroll*	\$ 3,581,997	\$ 3,320,698	\$ 3,147,743
Net OPEB Liability as a Percentage of Total Employee Payroll	113.80%	127.51%	127.90%
Schedules of Employer Contributions:			
Actuarially Determined Contributions	\$ 404,501	\$ 194,521	\$ 759,438
Contributions in relation to the actuarially determined contribution	<u>(251,593)</u>	<u>(161,151)</u>	<u>(151,990)</u>
Contribution Deficiency (Excess)	<u><u>\$ 152,908</u></u>	<u><u>\$ 33,370</u></u>	<u><u>\$ 607,448</u></u>
Total Employee Payroll*	\$ 3,581,997	\$ 3,320,698	\$ 3,147,743
Contributions as a percentage of Total Employee Payroll	7.02%	4.85%	4.83%
Schedules of Investment Returns:			
Annual Money-Weighted rate of Return, net of investment expenses	15.24%	-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, 2019 AND 2018

OPERATING FUND AND OPEB TRUST FUND

NOTE A – OTHER POSTEMPLOYMENT BENEFITS:

Changes in Assumptions

The per capita health costs were updated to reflect current experience.

The health cost trend assumptions were revised to reflect current experience and future expectations.

The mortality assumptions were changed to match the assumption used in the Belmont Contributory Retirement System Actuarial Valuation and Review as of January 1, 2018, dated September 12, 2018, completed by Segal Consulting.

The impact of the excise tax on high cost health plans was removed, as the tax was repealed effective December 20, 2019.

The Medicare enrollment assumption for retirees under age 65 and actives hired prior to 1986 was changed from 90% to 100% based on recent experience.

The percent married assumption was changed from 50% to 60% based on recent experience.

The discount rate was lowered from 6.01% as of December 31, 2018 to 5.93% as of December 31, 2019.

Change in Plan Provisions

Changes to the Harvard Pilgrim HMO and PPO plans, effective February 1, 2020, have been reflected.

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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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>

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