

**BELMONT LIGHT**  
Financial Statements  
December 31, 2020 and 2019

BELMONT LIGHT  
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DECEMBER 31, 2020 AND 2019

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GOULET, SALVIDIO  
& ASSOCIATES, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Belmont Municipal Light Board  
Belmont Light  
Belmont, Massachusetts 02478

We have audited the accompanying financial statements of Belmont Light, as of and for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, 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 thirteen and pages 40 through 43 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 44 and 45 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  
May 14, 2021

## 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, 2020 and 2019.

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, comprehensive services 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, 2020, it shows our net position increased by 2.5% to \$23,741,732 from \$23,164,771 compared to the year ended December 31, 2019. 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, 2020 and 2019 was \$1,726,961 and \$2,350,796, 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.

### Impact of COVID-19 Pandemic Emergency on Purchased Power & Kilowatt-Hour Sales

One of the major questions our team confronted throughout 2020 was how the pandemic-induced economic shutdowns would impact customer consumption, and in turn, Belmont Light’s system-wide load and retail sales volumes. In any year, Belmont Light’s system load forecast shapes much of our budgeting and operational planning. Our annual system load determines overall power supply expenses and revenue totals. Drastic changes to normal customer behavior, such as the shift to home-based work, closing of schools, and slowdowns to commercial activity that we saw occur during the pandemic emergency in 2020, posed the possibility to disrupt not only Belmont Light’s actual operations for the year, but also our financial stability.

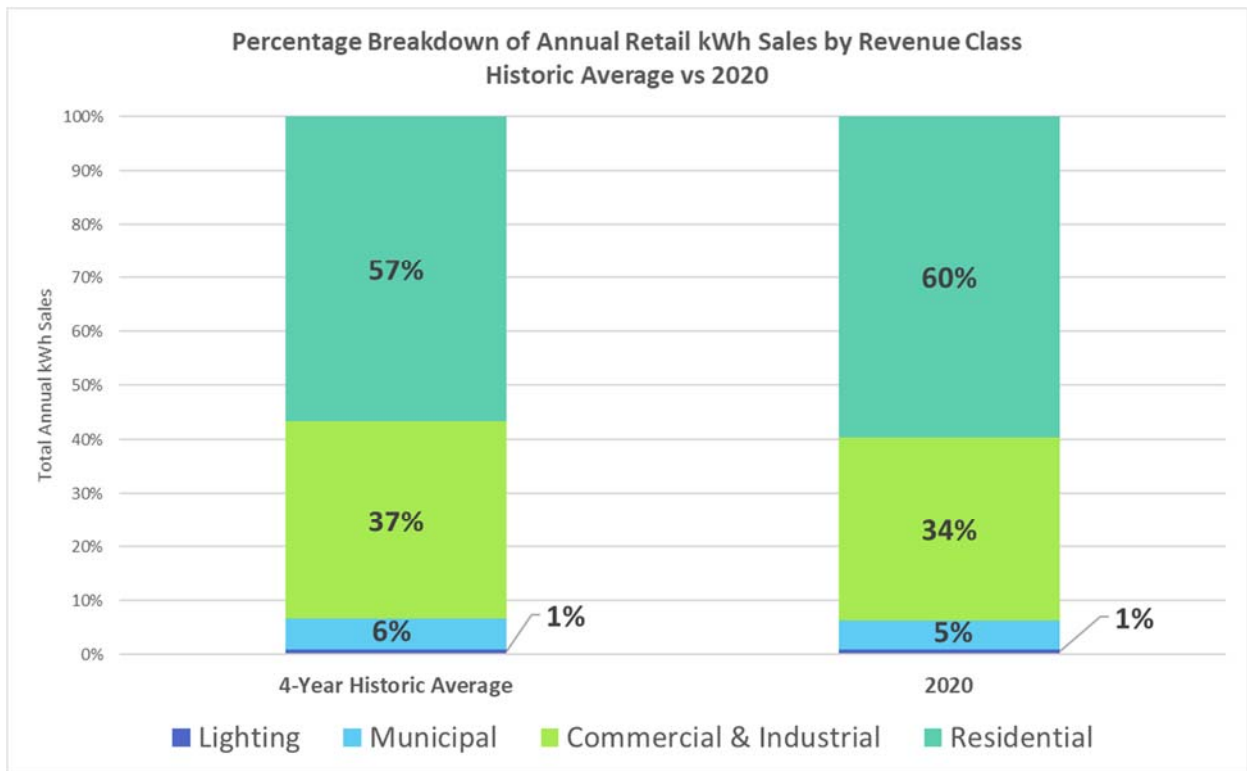
Fortunately, from a revenue and load standpoint, Belmont Light weathered 2020 well. With a predominantly residential customer base, we were insulated from the major sales reductions that other utilities endured. Other municipal utilities in the area reported MWh sales losses of 10% or more during the peak of the shutdowns, while the overall amount of electricity that Belmont Light purchased and sold remained in line with totals from past years.

	Total MWh	Variance from Historic Average (MWh)	Variance from Historic Average (%)
<b>Purchased Power</b>			
3-Year Historic Average	129,919	-	-
2019 Total Purchased Power	127,977	(1,942)	-1.5%
2020 Total Purchased Power	129,650	(269)	-0.2%
<b>Sales</b>			
3-Year Historic Average	123,722	-	-
2019 Sales	121,376	(2,346)	-2%
2020 Sales	122,463	(1,259)	-1%

## Impact of COVID-19 Pandemic Emergency on Purchased Power & Kilowatt-Hour Sales (Continued)

Though 2020 was an average year when looking at year-end system-wide totals, anomalies do appear in load and consumption data for individual months, revenue, and rate classes. As predicted by Belmont Light in its mid-year rework of 2020's original budget, the economic impacts of the pandemic had different effects on each of Belmont Light's main revenue classes. Annual consumption for the commercial and industrial (C&I) class finished approximately 8% lower than 2016-2019's historic average, while the municipal class consumed 6% less. With a large portion of employees shifting to remote work, consumption for the residential revenue class in 2020 was up over 4% from the historic average. Increased consumption from Belmont's residents counteracted reductions from C&I and municipal customers enough to keep Belmont Light's annual system load and kWh sales within an average range.

Revenue Class	-2020- Variance from Historic Average kWh Consumption (%)
Commercial & Industrial	-7.9%
Municipal	-5.9%
Residential	4.3%



## Summary of Net Position

	2020	2019
Current Assets	\$ 21,060,593	\$ 21,107,210
Noncurrent Assets	39,789,590	39,363,545
Total Assets	60,850,183	60,470,755
 Deferred Outflows of Resources	 2,584,925	 2,520,706
Total Assets and Deferred Outflows of Resources	\$ 63,435,108	\$ 62,991,461
 Current Liabilities	 \$ 4,247,651	 \$ 3,532,894
Noncurrent Liabilities	31,933,892	32,937,371
Total Liabilities	36,181,543	36,470,265
 Deferred Inflows of Resources	 3,511,833	 3,356,425
 Net Position:		
Net Investment in Capital Assets, Net of Related Debt	17,581,028	16,370,337
Restricted for Depreciation	9,254,137	9,158,885
Unrestricted Net Position	(3,093,433)	(2,364,451)
Total Net Position	23,741,732	23,164,771
 Total Liabilities, Deferred Inflows of Resources and Net Position	 \$ 63,435,108	 \$ 62,991,461

## Summary of Changes in Net Position

	2020	2019
Operating Revenues	\$ 24,753,863	\$ 24,914,942
Operating Expenses	22,549,939	22,275,894
 Operating Income	 2,203,924	 2,639,048
Nonoperating Revenues (Expenses)	(476,963)	(288,252)
 Income Before Contributions and Transfers	 1,726,961	 2,350,796
 Beginning Net Position	 23,164,771	 21,463,975
 Transfers Out – Payment in Lieu of Taxes	 (1,150,000)	 (650,000)
 Ending Net Position	 \$ 23,741,732	 \$ 23,164,771

The Municipal Light Board, which is also the Select Board, is responsible for determining the voluntary amount that Belmont Light pays to the Town in lieu of taxes. In an effort to assist the Town of Belmont’s general fund FY2021 position, Belmont Light came to an agreement to increase its voluntary Payment in Lieu of Taxes (PILOT) to \$1,150,000 which was approved by the Municipal Light Board in December 2020. Under this agreement, future PILOT payments are expected to be \$650,000 in 2021 including \$500,000 paid by June 30, 2021, \$350,000 in 2022, \$450,000 in 2023, and \$650,000 in 2024, subject to further review and adjustment. The amount paid in 2019 was \$650,000. Any PILOT payments are subject to the availability of funds in accordance with Massachusetts General Laws.

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.

### Overview of Service

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 2020.

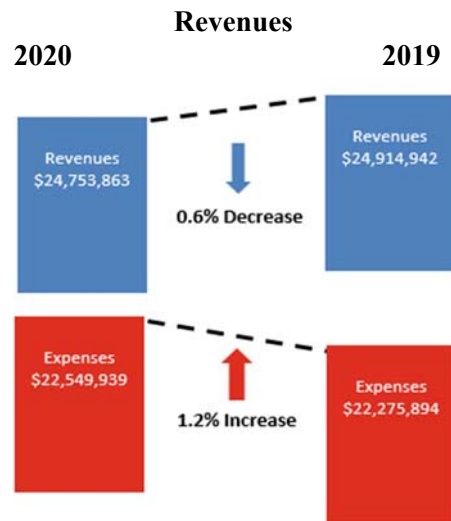
- 122,462,589 kWh of electricity were sold to 11,732 customer accounts comparing to 121,376,405 kWh sold to 11,685 customer accounts in 2019
- Highest system peak demand of 33,671 kWh occurred on July 27<sup>th</sup>.
- Top 20 kWh users generate ~20% of Belmont Light revenue.
- Annually 0.545 outages per customer lasting an average of 86.89 minutes

### Operating Overview

#### 2020 Revenues vs. 2019 Revenues

Total revenues decreased by \$161,079:

- Revenues from sales of electricity for 2020 were \$24,437,130 compared to \$24,424,683 in 2019. The revenue change was due to slightly higher kWh sales off-set by changes in customer mix.
- Other operating revenues decreased by \$173,526 (or 35%) and were \$316,733, mainly due to the COVID-19 moratorium for customer shut-offs, overdue payment interest and penalties, as well as a reduction of scrap metal revenues.





## Operating Overview (Continued)

### 2020 Expenses vs. 2019 Expenses

Purchased Power costs were \$13,804,902 in 2020 and include \$800,000 to increase the Rate Stabilization Fund compared to \$13,603,278 in 2019. There were no transfers to the Rate Stabilization Fund in 2019.

Included in the purchased power costs are credits provided to Belmont rooftop solar customers in the amount of \$153,054 for 2020, compared to \$137,860 for 2019.

Distribution expenses decreased \$392,879 (19%) mainly due to COVID-19 measures where linemen labor expenses were allocated to G&A as a result of a temporary inability to work in the field.

Customer Accounts expenses slightly increased by \$38,121 (4%) due to an increase in customer collections expenses related to customer collections & billing module charges.

General & Administrative expenses increased by \$397,840 (10%) mostly related to COVID-19 idle linemen costs and other expenses; employee's pensions & benefits expenses off-set by a reduction of outside services expenses.

### Utility Plant and Continuing Projects

The general laws of the Commonwealth of Massachusetts under Chapter 164 require "utility plant in service" to be depreciated using a 3% rate. Rates used in depreciating "utility plant in service" are based on financial factors relating to cash flow for plant expansion, rather than engineering factors relating to estimates of useful life.

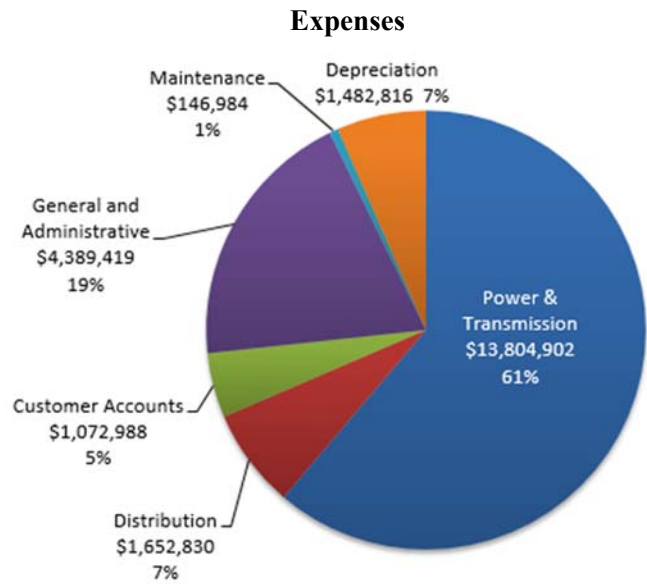
Net electric utility plant in service as of December 31, 2020 was \$26.5 million (\$24.1 million for Distribution Plant, \$2.1 million for General Plant and \$0.3 million for Construction Work In Progress). Depreciation expense was \$1,509,499 in 2020 compared to \$1,426,348 in 2019.

### 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

Although the COVID-19 pandemic interfered with pre-planned goals our utility had set, the Operations Team continued to work diligently with enhanced safety protocols in place throughout 2020.



## Operations (Continued)

From the community perspective, one of the most visible activities that the Operations staff worked on throughout 2020 was the Company's LED streetlight retrofit initiative. As of the end of the year, a total of approximately 700 fixtures were converted from sodium-vapor style streetlights to 2,700 Kelvin LED lights. Additionally, Belmont Light worked on and completed the implementation of software allowing staff to control the light output level, as well as to turn the fixtures on and off remotely. The retrofit project will continue through 2021.

A significant amount of effort during 2020 was placed in and around the area of Belmont Center. This included the voltage conversion of the new Police Station on Concord Ave., as well as the partial re-routing of one of the main feeders in Belmont Center, allowing for the future conversion of the area from a 5kV to a 15kV voltage class.

Work was also done related to the new High School. The Company provided the temporary service and worked with the developer on final plans for the permanent service, which is currently under construction.

Various high voltage switches were replaced throughout several different areas around Town. They include underground as well as overhead type switches in Belmont Center, on Belmont Street, and in the area of Sherman Gardens. The installation of the switches has added to the reliability and operational flexibility of the electric system.

As far as customer-driven projects are concerned, Belmont Light completed all the work, including back up infrastructure to the Bradford development in Cushing Square. This included the installation of several thousand feet of underground cable, as well as switchgear and pad mounted transformers. A side benefit that stems from the completion of this project is the fact that Belmont Light worked with the developer and successfully installed additional infrastructure that will support the installation of four additional public electric vehicle chargers.

Waverley Square is another "Town Square" where the Company undertook substantial work during 2020. In addition to re-building some of the civil infrastructure, including a manhole and underground conduits at the intersection of Trapelo Rd. and Waverley St., Belmont Light installed the electric service and supporting infrastructure for the new mixed used development at 493-505 Trapelo Rd.

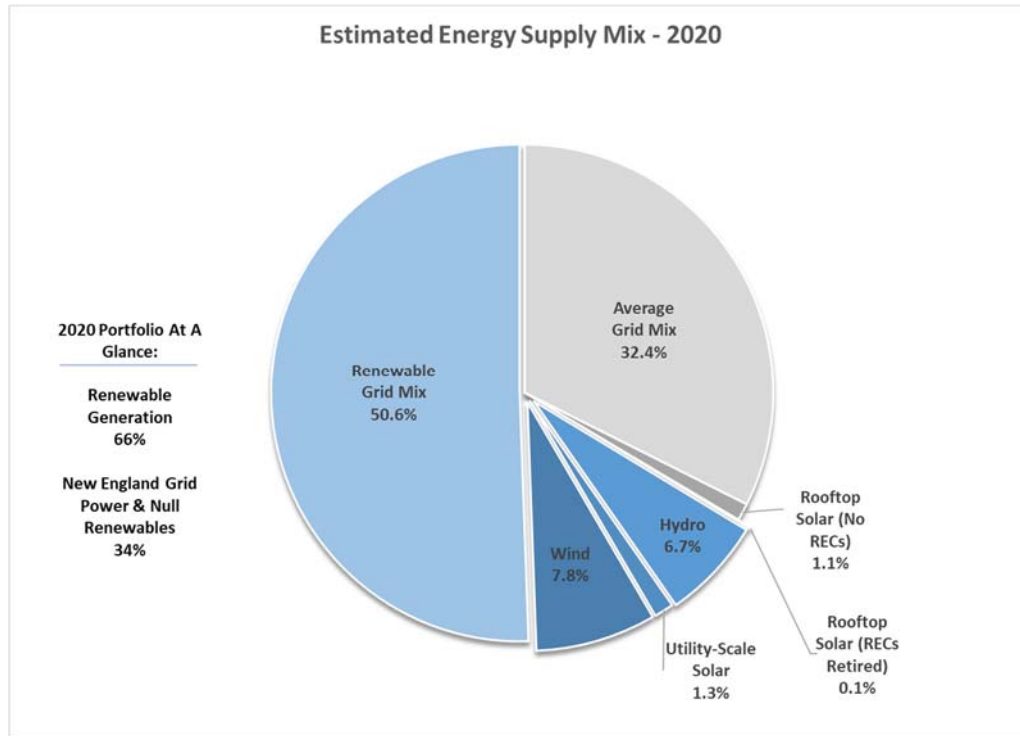
## Supply-Side Management & Renewable Energy

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.

This year, Belmont Light continued progress toward its goal of a 100% renewable power supply by 2022 by achieving a 50.6% renewable supply mix for the 2019 portfolio year. By finishing the year slightly above 50%, Belmont Light marked a second consecutive year of exceeding minimum annual renewable targets set forth in its Power Supply Policy. 2020's portfolio is on track to reach 66% and will be finalized in mid-2021.

Year	Minimum Renewables Target	Total Renewable Level Achieved	Class I Target	Class I Level Achieved
2018	33%	34.0%	16%	16%
2019	50%	50.6%	18%	18%
2020	66%	-	20%	-
2021	83%	-	22%	-
2022	100%	-	24%	-

## Supply-Side Management & Renewable Energy (Continued)



Also, in 2020, Belmont Light signed new power purchase agreements for generation from the Gravel Pit solar facility (MA Class I designation) and from the FirstLight Cabot/Turners Falls hydroelectric facilities (ME Class 2 designation). Belmont Light will begin to receive output from these facilities starting in 2023 and 2021, respectively. Belmont Light's 2020 purchased power expenses totaled \$12.95 million (excluding the Rate Stabilization funds). Energy was the largest spending category, followed by Capacity and Transmission.

2020 Purchased Power Expenses	
<b>Total MWh Purchased</b>	129,650
<b>Total \$- Energy*</b>	\$ 6,127,046
<b>Total \$- Capacity</b>	\$ 3,317,928
<b>Total \$- Transmission</b>	\$ 3,064,176
<b>Total \$- RECs**</b>	\$ 444,849
<b>2020 All-In Power Costs***</b>	\$ 12,953,998
<b>\$/MWh</b>	\$ 99.92

\*Includes Fixed Contract, ISO Ancillary, and ISO Scheduling Costs

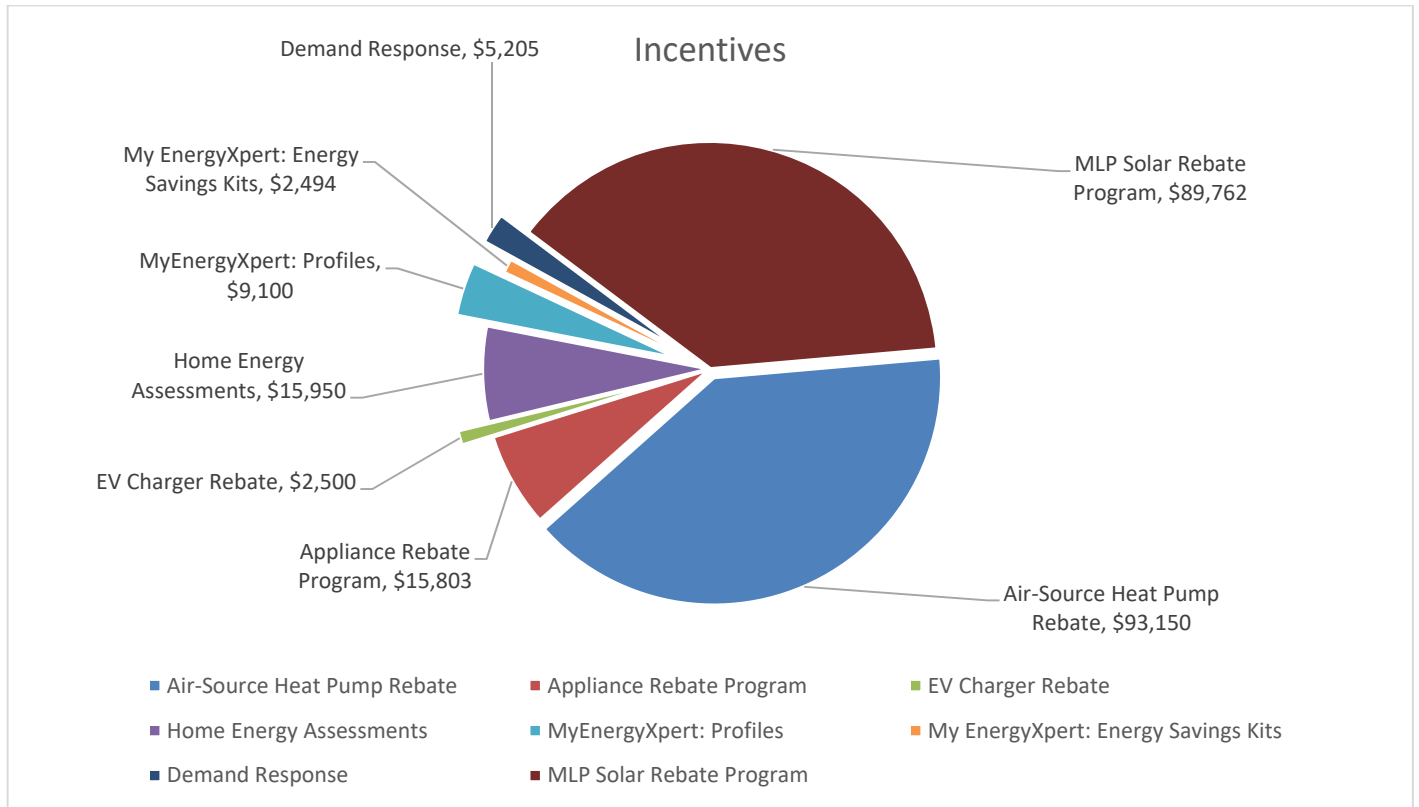
\*\*Does not include Green Choice REC Costs

\*\*\*Does not include Rate Stabilization funds

## Demand-Side Management & Energy Conservation

Even with the constraints of operating primarily via video and phone in 2020, Belmont Light's demand-side management efforts were still on par with previous years. Our modus operandi changed, but our focus remained on strategically boosting electrification throughout the community to both help achieve Belmont's Climate Action goals and keep rates stable into the future. Further, while some programs saw lower-than-usual engagement, others had increased enrollment and attention. In total, our incentives and administration and marketing costs associated with the residential programs totaled \$331,169 comparing to \$311,419 in 2019.

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



### ***Residential Rebate Programs***

#### Air-Source Heat Pump Rebate

Based on the successful HeatSmart Belmont campaign in 2019, Belmont Light continued its efforts to promote the installation of air-source heat pumps (ASHPs). Despite social-distancing restrictions, residents still sought to install ASHPs in their homes. Over the course of 2020, 62 systems were installed and rebated, with total incentives at \$93,150.

For comparison, this is a slightly larger number of systems installed than in 2019. We also provided an increased number of rebate dollars to residents as the systems installed were larger and eligible for higher rebate levels. This is indicative that residents are entrusting ASHPs with more of their heating and cooling loads, and that Belmont's plans around wider adoption of electric-based technology is taking hold.

#### CleanComfort

As a result of a series of workshops with our fellow Municipal Light Plants (MLPs), Belmont Light signed on to the CleanComfort program, which offers technical support from Abode Energy Management (Abode) to support Belmont residents in the adoption of air-source heat pumps. Abode's Heat Pump Specialist is available for residents just starting out to ones that have quotes to answer questions and help ensure the project scope is correct. Abode works with the contractors if there are any issues with the project's scope of work or design, acting as a third-party review. At the conclusion of the installation, contractors are required to submit photos from the install and answer some questions to ensure a good installation. Belmont Light and Abode can use this documentation to go back if the resident feels like the ASHP system is not performing like it should.

## ***Residential Rebate Programs (Continued)***

### Appliance and Smart Device Rebate Program

For the 2020 program year, Belmont Light chose to maintain the appliance rebate program and incentive amounts from 2019. This is to still encourage residents to purchase devices that may use more electricity instead of a fossil fuel or will use electricity in a more efficient manner than a previous device. For the 2021 program year, Belmont Light hopes to expand the offerings to include more electric-based devices for residents to consider. Belmont Light issued 152 rebates for appliances and smart devices in 2020, for a total of \$15,803 in bill credits to customers.

### 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 our residential demand response program incentives. In 2020, Belmont Light issued 10 rebates for EV charger equipment installations for a total of \$2,500 in rebates, a decrease in rebates and funds of 16 and \$4,000 from 2019, respectively. EVs is one of a few programming areas where the COVID-19 pandemic emergency clearly influenced slowdowns in adoption and engagement among Belmont's residents. This trend was not endemic to Belmont, as EV sales numbers were down state-wide and at the national level as well.

### Home Energy Assessments

Belmont Light offers no-cost, comprehensive energy assessments to all residential customers. Participating residents receive a digital report of their assessments, including a Home Performance Energy Scorecard. With social distancing, Belmont Light and its contractor, Energy New England (ENE), adapted practices to perform virtual assessments via smart devices and video calls. Until further notice, all of Belmont Light's home assessments will be performed virtually.

Even with the changes to the assessment practices, there was a sharp decrease in the number of assessments being completed from 2019. In 2020, Belmont Light representatives completed 39 home energy assessments of residences in Belmont.

### MyEnergyXpert

In September 2020, Belmont Light began offering an online self-assessment tool for residents. The software platform allows residents to create home profiles and see if there are any improvements that can be made within the home. At the end of the assessments, residents are shown the list of improvements and potential savings, including a list of rebates and programs offered by Belmont Light specific for them. These customer-made profiles are available for residents to go back and update the improvement lists as they make updates to their homes and see how their savings grow.

Over the last few months of 2020, 260 residents created profiles and completed assessments. In terms of participation, MyEnergyXpert had one of Belmont Light's most successful program debuts to date.

### 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"). This program was continued into 2020 with the addition of thermostats and hot water heaters to the list of devices.

Belmont Light called 7 events between July and September, which collectively saved an estimated \$38k in peak supply costs. Participation during those events was overall at 99%. Each peak event saw an anticipated reduction of around 240kW. The program statistics for the first full year of the program are impressive and signify great potential for the program in the future. Belmont Light has continued to actively recruit customers for the program, which now has 51 devices enrolled.

## ***Residential Rebate Programs (Continued)***

### Solar

At the end of 2020, Belmont had 2,300.235 kW of distributed solar, an increase of 98.11 kW since December 2019.

### 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. Customers were rebated at a rate of \$1.20 per watt for their PV solar system installations.

Belmont Light initially contributed \$100,000 to the program. Due to the continued success of the program in Belmont, Belmont Light decided to add more to the available funds. Belmont Light committed an additional \$85,000, allowing customers to apply for rebates from a \$370,000 incentive pool. 16 Belmont Light customers applied for the MLP Solar Rebate Program for a total approved amount of \$89,762.

## ***Commercial Rebate Programs***

### Commercial Energy Assessment Program

Though a small uptake, some commercial customers took up the option to have their buildings evaluated for its current energy use and potential savings. Three customers took advantage of the program in 2020, with Belmont Light covering \$5,670 in assessment costs.

### Commercial Lighting Rebate Program

Similar to the Assessment Program, few individual commercial customers applied for the program. Two businesses installed LED lighting upgrades in their locations with a total incentive of \$6,500 and annual energy savings of 8,970 kWh. With the incentive, the customers should see payback for their investment in around 3.5-4.0 years.

## **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. In 2020, there were no changes in Belmont Light's base rates for residential, commercial, and municipal customers.

Belmont Light is using a Power Cost adjustment (PCA) to regulate any fluctuations between the cost of purchased power and the revenue generated from the sale of that power. During 2020 there were no PCA charges (or credits) applied to customer accounts.

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](http://www.belmontlight.com).

## **Community Outreach**

The impacts of the COVID-19 pandemic severely limited Belmont Light staff's ability to connect with the community in person throughout 2020 to spread awareness about the benefits of public power and safe electricity usage. However, Belmont Light continued its commitment to the community in a virtual way and by helping those impacted the most in many financial ways, including:

- Suspending all shutoffs for nonpayment
- Eliminating fees for late payments
- Removing interest and penalties for the duration of this crisis
- Working with our customers on flexible payment plans
- Providing energy-saving tips to help prevent any potential increases in customer bills due to more at-home time

In 2020, Belmont Light participated in and/or supported:

- The Belmont Farmers' Market
- HeatSmart Belmont
- Virtual presentations and forums

In May 2020, Belmont Light crews installed a new pad-mounted transformer at the newly renovated Belmont Police Department headquarters at 460 Concord Avenue.

In November 2020, Belmont Light aided in the installation of new outside lighting at the Skip Vigliolo Skating Rink.

In December 2020, Belmont Light continued the tradition of hanging holiday lighting in Belmont Center, Waverley Square, and Cushing Square.

BELMONT LIGHT  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2020 AND 2019

OPERATING FUND

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2020	2019
<b>CURRENT ASSETS:</b>		
Funds on Deposit with Town Treasurer		
Operating Cash	\$ 4,796,545	\$ 4,748,403
Construction Cash	11,951,879	12,285,752
Accounts Receivable - Customers, Net	1,268,983	1,348,030
Accounts Receivable - Other	393,275	383,963
Materials and Supplies	766,737	495,393
Prepaid Expenses	87,573	54,740
Purchased Power Prepayments	1,795,601	1,790,929
 TOTAL CURRENT ASSETS	 21,060,593	 21,107,210
 <b>NONCURRENT ASSETS:</b>		
Funds on Deposit with Town Treasurer		
Depreciation Fund	9,254,137	9,158,885
Customer Deposits	136,577	136,577
Rate Stabilization Reserve Fund	1,745,846	1,718,274
Debt Sinking Reserve Fund - Premium	1,695,414	1,674,626
Rate Stabilization Reserve Fund - MMWEC	429,832	422,025
Utility Plant Assets, Net	26,527,784	26,253,158
 TOTAL NONCURRENT ASSETS	 39,789,590	 39,363,545
 TOTAL ASSETS	 60,850,183	 60,470,755
 <b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred Outflows of Resources Related to Pensions	2,525,180	2,493,578
Deferred Outflows of Resources Related to OPEB	59,745	27,128
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 2,584,925	 2,520,706
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 \$ 63,435,108	 \$ 62,991,461

See Accompanying Notes to the Financial Statements



BELMONT LIGHT  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2020 AND 2019

OPERATING FUND

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2020	2019
<b>CURRENT LIABILITIES:</b>		
Bond Payable, Current	\$ 1,314,938	\$ 1,269,938
Accounts Payable	1,524,950	1,742,311
Due to Rate Stabilization Reserve	800,000	0
Accrued Expenses	607,763	520,645
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,247,651</b>	<b>3,532,894</b>
<b>NONCURRENT LIABILITIES:</b>		
Customer Deposits	146,302	148,389
Bond Payable, Net of Current Portion	19,583,697	20,898,635
Net Pension Liability	7,870,726	7,814,033
Net Other Postemployment Benefit Liability	4,333,167	4,076,314
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>31,933,892</b>	<b>32,937,371</b>
<b>TOTAL LIABILITIES</b>	<b>36,181,543</b>	<b>36,470,265</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred Inflows of Resources Related to Pensions	281,063	83,482
Deferred Inflows of Resources Related to OPEB	227,926	310,050
Rate Stabilization Reserve	2,175,688	2,140,309
Contribution in Aid of Construction, Net of Amortization	827,156	822,584
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>3,511,833</b>	<b>3,356,425</b>
<b>NET POSITION:</b>		
Net Investment in Capital Assets, Net of Related Debt	17,581,028	16,370,337
Restricted for Depreciation	9,254,137	9,158,885
Unrestricted Net Position	(3,093,433)	(2,364,451)
<b>TOTAL NET POSITION</b>	<b>23,741,732</b>	<b>23,164,771</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 63,435,108</b>	<b>\$ 62,991,461</b>

See Accompanying Notes to the Financial Statements

BELMONT LIGHT  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

OPERATING FUND

	2020	2019
OPERATING REVENUES:		
Sales of Electricity	\$ 24,437,130	\$ 24,424,683
Other Operating Revenues	316,733	490,259
 TOTAL OPERATING REVENUES	 24,753,863	 24,914,942
 OPERATING EXPENSES:		
Operations and Maintenance	21,067,123	20,872,313
Depreciation, Net of Amortization	1,482,816	1,403,581
 TOTAL OPERATING EXPENSES	 22,549,939	 22,275,894
 OPERATING INCOME	 2,203,924	 2,639,048
 NONOPERATING REVENUES (EXPENSES):		
Investment Income	276,636	509,577
Bond Interest Expense	(753,433)	(797,839)
Grant Income	115,000	2,500
Grant Expenses	(115,166)	(2,490)
 TOTAL NONOPERATING REVENUES (EXPENSES)	 (476,963)	 (288,252)
 Income Before Contributions and Transfers	1,726,961	2,350,796
 NET POSITION - JANUARY 1	23,164,771	21,463,975
 Transfers Out - Payment in Lieu of Taxes	 (1,150,000)	 (650,000)
 NET POSITION - DECEMBER 31	 \$ 23,741,732	 \$ 23,164,771

See Accompanying Notes to the Financial Statements

BELMONT LIGHT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

OPERATING FUND

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 25,656,891	\$ 24,980,254
Cash Paid to Suppliers	(15,623,372)	(16,286,672)
Cash Paid to Employees	(3,392,464)	(3,581,997)
Cash Paid for Benefits	(2,116,603)	(1,857,084)
Payment in Lieu of Taxes	(1,150,000)	(650,000)
Net Cash Provided by Operating Activities	3,374,452	2,604,501
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Grant Income	115,000	2,500
Grant Expense	(115,166)	(2,490)
Net Cash Provided (Used) by Noncapital Financing Activities	(166)	10
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Principal Repayment on Bond Payable	(1,170,000)	(1,120,000)
Contribution in Aid of Construction	31,255	130,552
Additions to Plant Assets	(1,784,124)	(2,343,297)
Interest Expense	(762,425)	(808,225)
Net Cash Used by Capital and Related Financing Activities	(3,685,294)	(4,140,970)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment Income	25,277	46,543
Net Transfers to Depreciation Fund	0	(207,226)
Net Cash Provided (Used) by Investing Activities	25,277	(160,683)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(285,731)	(1,697,142)
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	17,170,732	18,867,874
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	\$ 16,885,001	\$ 17,170,732

See Accompanying Notes to the Financial Statements

BELMONT LIGHT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

OPERATING FUND

	2020	2019
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 2,203,924	\$ 2,639,048
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,509,499	1,426,348
Amortization of Contribution in Aid of Construction	(26,683)	(22,767)
Allowance for Doubtful Accounts	109,948	92,565
Rate Stabilization Reserve	835,380	66,971
Payment in Lieu of Taxes	(1,150,000)	(650,000)
Pension Expense	1,328,744	1,150,222
OPEB Expense	411,091	352,014
(Increase) Decrease in Assets:		
Accounts Receivable - Customers, Net	(30,901)	(186,117)
Accounts Receivable - Other	(9,312)	80,081
Materials and Supplies	(271,344)	(149,401)
Deferred Outflows Related to Pensions	(1,106,072)	(1,045,824)
Prepaid Expenses	(32,833)	(13,073)
Purchased Power Prepayments	(4,672)	(22,144)
Increase (Decrease) in Liabilities:		
Accounts Payable	(217,361)	(851,165)
Customer Deposits	(2,087)	11,812
Accrued Expenses	96,110	(22,476)
Net Other Postemployment Benefits Liability	(268,979)	(251,593)
Net Cash Provided by Operating Activities	\$ 3,374,452	\$ 2,604,501

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

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

	2020	2019
Operating Cash	\$ 4,796,545	\$ 4,748,403
Construction Cash	11,951,879	12,285,752
Customer Deposits	136,577	136,577
	\$ 16,885,001	\$ 17,170,732

See Accompanying Notes to the Financial Statements

BELMONT LIGHT  
 STATEMENTS OF FIDUCIARY NET POSITION  
 DECEMBER 31, 2020 AND 2019

OPEB TRUST FUND

ASSETS

	2020	2019
Funds on Deposit with Town Treasurer		
Cash and Investments	\$ 389,213	\$ 351,307

FIDUCIARY NET POSITION

FIDUCIARY NET POSITION - Restricted	\$ 389,213	\$ 351,307
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 BELMONT LIGHT  
 STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

OPEB TRUST FUND

	2020	2019
Contributions	\$ 16,858	\$ 24,313
Net Investment Income	21,048	44,023
CHANGE IN FIDUCIARY NET POSITION	37,906	68,336
FIDUCIARY NET POSITION - JANUARY 1	351,307	282,971
FIDUCIARY NET POSITION - DECEMBER 31	\$ 389,213	\$ 351,307

See Accompanying Notes to the Financial Statements

BELMONT LIGHT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

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 2020 and 2019 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 2020 presentation.

BELMONT LIGHT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

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 residential, commercial, and industrial customers within the Town of Belmont. The rates are designed to recover the costs incurred by the Belmont Light for products and services provided along with a return on investment.

The performance obligation for electricity sales is to provide electricity to the customer on demand. The electricity supplied 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 immediately as the customer simultaneously receives and consumes the electricity as Belmont Light provides this service. Belmont Light records revenues related to the electricity sales based upon the effective rates 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.

Belmont Light's rates include a Power Cost Adjustment (PCA) 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 PCA 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.

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.

Compensated Absences

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

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

Contribution in Aid of Construction

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

BELMONT LIGHT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

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

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, 2020 and 2019 was \$2,175,678 and \$2,140,299, 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, 2020 and 2019, funds held by MMWEC amounted to \$429,832 and \$422,025, respectively. The total amount of this investment pool as of December 31, 2020 and 2019 was \$86,014,914 and \$81,726,980 respectively, of which Belmont Light's ownership was approximately 0.50% and 0.52%, respectively. As of December 31, 2020 and 2019, rate stabilization funds held by the Town of Belmont amounted to \$1,745,846 and \$1,718,274, respectively. See Note 12 for disclosure of Belmont Light investments held by the Town of Belmont.



BELMONT LIGHT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

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, 2020 and 2019 was \$113,204. These funds are commingled and deposited in investment pools. The total amount of these investment pools as of December 31, 2020 and 2019 was \$4,349,339 and \$4,312,120, respectively, of which Belmont Light's ownership was approximately 2.60% and 2.63%, 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, 2020 and 2019 was \$9,254,137 and \$9,158,885, respectively. See Note 12 for disclosure of Belmont Light's investments held by the Town of Belmont.

NOTE 5 - ACCOUNTS RECEIVABLE - CUSTOMERS, NET:

	2020	2019
Accounts Receivable - Customers	\$ 1,742,508	\$ 1,711,607
Allowance for Doubtful Accounts	(473,525)	(363,577)
Net Accounts Receivable - Customers	\$ 1,268,983	\$ 1,348,030

NOTE 6 - RELATED PARTY TRANSACTIONS:

In 2020 and 2019, Belmont Light received payments from the Town in the amount of \$1,549,286 and \$1,785,595, respectively, and made payments to the Town in the amount of \$2,974,376 and \$2,421,001, respectively. At December 31, 2020 and 2019, the outstanding receivable balance was \$123,192 and \$127,645, respectively. As of December 31, 2020 and 2019 amounts due to the Town were \$624 and \$5,585, respectively.

BELMONT LIGHT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

NOTE 7 - UTILITY PLANT ASSETS:

	Balance January 1, 2020	Increases	Decreases	Balance December 31, 2020
Capital Assets Not Being Depreciated:				
Land	\$ 1,586,597	\$ 0	\$ 0	\$ 1,586,597
Construction in Progress	<u>62,440</u>	<u>289,826</u>	<u>(28,081)</u>	<u>324,185</u>
Total Capital Assets Not Being Depreciated	<u>1,649,037</u>	<u>289,826</u>	<u>(28,081)</u>	<u>1,910,782</u>
Capital Assets Being Depreciated:				
Distribution Plant	40,329,804	1,265,760	(425,589)	41,169,975
General Plant	<u>9,986,841</u>	<u>256,620</u>	<u>(480,800)</u>	<u>9,762,661</u>
Total Capital Assets Being Depreciated	<u>50,316,645</u>	<u>1,522,380</u>	<u>(906,389)</u>	<u>50,932,636</u>
Less Accumulated Depreciation for:				
Distribution Plant	(17,866,221)	(1,209,894)	425,589	(18,650,526)
General Plant	<u>(7,846,303)</u>	<u>(299,605)</u>	<u>480,800</u>	<u>(7,665,108)</u>
Total Accumulated Depreciation	<u>(25,712,524)</u>	<u>(1,509,499)</u>	<u>906,389</u>	<u>(26,315,634)</u>
Capital Assets Being Depreciated, Net	<u>24,604,121</u>	<u>12,881</u>	<u>0</u>	<u>24,617,002</u>
Utility Plant Assets, Net	<u>\$ 26,253,158</u>	<u>\$ 302,707</u>	<u>\$ (28,081)</u>	<u>\$ 26,527,784</u>

Depreciation for the years ended December 31, 2020 and 2019 was \$1,509,499 and \$1,426,348, respectively. Depreciation expense reported on the Statements of Revenues, Expenses and Changes in Net Position is net of amortization of \$26,683 and \$22,767 related to contribution in aid of construction for the years ended December 31, 2020 and 2019, respectively.

NOTE 8 - NET INVESTMENT IN CAPITAL ASSETS:

	2020	2019
Cost of Capital Assets Acquired	\$ 52,843,418	\$ 51,965,682
Less: Accumulated Depreciation	(26,315,634)	(25,712,524)
Less: Outstanding Debt Related to Capital Assets	<u>(8,946,756)</u>	<u>(9,882,821)</u>
Net Investment in Capital Assets	<u>\$ 17,581,028</u>	<u>\$ 16,370,337</u>

BELMONT LIGHT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

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, 2020 and 2019, the outstanding principal was \$19,690,000 and \$20,860,000, respectively.

Future maturities of the bonds are as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the Years Ending December 31,	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	1,430,000	497,925	1,927,925
	2026-2030	7,885,000	1,737,344	9,622,344
	2031-2034	<u>5,225,000</u>	<u>322,169</u>	<u>5,547,169</u>
		19,690,000	<u>\$ 5,104,713</u>	<u>\$ 24,794,713</u>
Plus: Unamortized Bond Premium		1,208,635		
Less: Current Maturities of Long Term Debt		<u>(1,314,938)</u>		
		<u>\$ 19,583,697</u>		

NOTE 10 - ACCRUED EXPENSES:

Accrued expenses as of December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Interest on Bonds and BAN	\$ 156,332	\$ 165,324
Accrued Payroll	115,101	89,391
Compensated Absences	<u>336,330</u>	<u>265,930</u>
Total Accrued Expenses	<u>\$ 607,763</u>	<u>\$ 520,645</u>

BELMONT LIGHT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

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, 2020 and 2019, Belmont Light does not have custodial risk exposure in their investments in U.S. Treasury/Agency Securities, Certificate of Deposits, Equities, 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 THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

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, 2020 and 2019 held by the Town of Belmont. As of December 31, 2020 and 2019, Belmont Light did not have any investments that were measured using Level 2 or Level 3 inputs.

BELMONT LIGHT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

NOTE 12 - CASH AND INVESTMENTS (Continued):

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

	December 31, 2020 Quoted Prices in Active Markets for Identical Assets (All Level 1)	December 31, 2019 Quoted Prices in Active Markets for Identical Assets (All Level 1)
<u>FMV Investments:</u>		
U.S. Government Securities	\$ 10,191,578	\$ 8,770,167
Equities	803,326	224,612
Mutual Funds	410,074	1,908,472
Total Investments	<u>11,404,978</u>	<u>10,903,251</u>
<u>Other Securities:</u>		
Money Markets	782,338	212,215
Certificates of Deposit	508,081	1,436,319
Total Other Securities	<u>1,290,419</u>	<u>1,648,534</u>
Total	<u>\$ 12,695,397</u>	<u>\$ 12,551,785</u>

	Ratings As of Year End	2020 Fair Value	2020 Under 1 Year	2020 1-5 Years	2019 Fair Value
<u>Term Securities:</u>					
Certificates of Deposit	Exempt	<u>\$ 508,081</u>	<u>\$ 245,791</u>	<u>\$ 262,290</u>	<u>\$ 1,436,319</u>

The following accounts were considered to be investments as of December 31, 2020 and 2019:

	2020	2019
Debt Sinking Fund	\$ 1,695,414	\$ 1,674,626
Depreciation Fund	9,254,137	9,158,885
Rate Stabilization Fund	<u>1,745,846</u>	<u>1,718,274</u>
	<u>\$ 12,695,397</u>	<u>\$ 12,551,785</u>

As of December 31, 2020 and 2019, there were no investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represented 5% or more of total investments.

NOTE 13 - PAYMENT IN LIEU OF TAXES:

The Municipal Light Board, which is also the Select Board, is responsible for determining the amount that Belmont Light pays to the Town in lieu of taxes. The payment in lieu of taxes was \$1,150,000 and \$650,000 for the years ended December 31, 2020 and 2019, respectively.

BELMONT LIGHT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

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 years ended December 31, 2020 and 2019 were \$166 and \$2,490, respectively.

During 2020, Belmont Light was awarded a Demonstration of Energy & Efficiency Development (DEED) grant by the American Public Power Association (APPA). The DEED program is dedicated to improving the operations and services of public power utilities by supporting and demonstrating its members' innovative activities through research, funding and education. For the year ended December 31, 2020, Belmont Light received grant funding of \$115,000, for its participation in the program. Grant expenditures related to this program for the year ended December 31, 2020 were \$115,000.

NOTE 15 - 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 2047.

Belmont Light's annual energy costs related to its long-term power purchase commitments as of 2020 are approximately as follows:

For the Years Ending December 31, 2021	\$	3,796,802
2022		3,190,580
2023		2,950,770
2024		1,702,222
2025		1,701,845
2026-2030		6,969,297
2031-2035		5,004,474
2036-2040		3,110,012
2041-2045		1,720,613
2046-2047		<u>255,430</u>
	\$	<u>30,402,045</u>

BELMONT LIGHT  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2020 AND 2019

NOTE 16 - 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, 2020 and 2019 was \$389,213 and \$351,307, respectively. The total amount of this investment pool as of December 31, 2020 and 2019 was \$5,763,783 and \$5,382,058, respectively, of which Belmont Light's ownership was approximately 6.75% and 6.53%, 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 THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

NOTE 16 - 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:

	2020	2019
Total OPEB Liability	\$ 4,722,380	\$ 4,427,621
Fiduciary Net Position	(389,213)	(351,307)
Net OPEB Liability	\$ 4,333,167	\$ 4,076,314

Fiduciary net position as a percentage of the total OPEB liability as of the measured date of December 31, 2020 and 2019 was 8.24% and 7.93%.

Actuarial Assumptions

The total OPEB liability as of December 31, 2020 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>	*0.23%, 7.25% decreasing by 0.25% each year to an ultimate level of 4.5% per year.
<i>Non-Medicare (Prescription Drug)</i>	*1.16%, 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>	*0.23%, then 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%

\*First year trend reflects plan changes effective February 1, 2020.

BELMONT LIGHT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

NOTE 16 - 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, 2020 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Equity	59.9%	6.15%
Core Fixed Income	40.1%	1.11%
Total	100%	

Discount Rate

The discount rate is a blend of long-term expected rate of return on OPEB Trust assets (6.5% as of June 30, 2019 and 6.5% as of June 30, 2020) and a 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 and 2.12% as of December 31, 2020). The blending is based on the sufficiency of projected assets to make projected benefit payments. Since assets are partially sufficient to cover projected benefit payments, the blended discount rate used to measure the total OPEB liability was 5.93% as of December 31, 2019 and 5.83% as of December 31, 2020.

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 5.83%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.83%) or 1-percentage point higher (6.83%) than the current rate:

	1% Decrease 4.83%	Current Discount Rate 5.83%	1% Increase 6.83%
Net OPEB Liability	\$ 4,941,548	\$ 4,333,167	\$ 3,832,066

BELMONT LIGHT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

NOTE 16 - 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	\$ 3,719,570	\$ 4,333,167	\$ 5,099,359

NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY:

Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, provides an actuarial cost method and discount rate as well as disclosures and methodologies for reporting employer liabilities and OPEB expenses.

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, 2020 and 2019, total premiums plus implicit costs for the retiree medical program were \$252,121 and \$227,280, respectively. During 2020 and 2019, Belmont Light also made contributions to an OPEB Trust of \$16,858 and \$24,313, respectively, for a total contribution during 2020 and 2019 of \$268,979 and \$251,593, respectively.

OPEB Liabilities

At December 31, 2020 and 2019 Belmont Light reported a liability of \$4,333,167 and \$4,076,314, respectively, for its net OPEB liability. The 2020 and 2019 net OPEB liability was measured as of December 31, 2020 and 2019, and was determined by an actuarial valuation as of June 30, 2019.

BELMONT LIGHT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY (Continued):

OPEB Expense

For the years ended December 31, 2020 and 2019, Belmont Light recognized OPEB Expense of \$411,091 and \$352,014, respectively. At December 31, 2020 and 2019, Belmont Light reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Deferred Outflows of Resources Related to OPEB</u>	<u>2020</u>	<u>2019</u>
Changes of assumptions	\$ 48,788	\$ 13,494
Net difference between projected and actual earnings on OPEB Trust investments	<u>10,957</u>	<u>13,634</u>
Total	<u>\$ 59,745</u>	<u>\$ 27,128</u>
<u>Deferred Inflows of Resources Related to OPEB</u>	<u>2020</u>	<u>2019</u>
Changes of assumptions	\$ 119,155	\$ 163,570
Net difference between projected and actual earnings on OPEB Trust investments	17,079	24,224
Net difference between expected and actual experience	<u>91,692</u>	<u>122,256</u>
Total	<u>\$ 227,926</u>	<u>\$ 310,050</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:		
2021	\$	22,270	2021	\$	82,122
2022		15,521	2022		79,948
2023		10,977	2023		65,856
2024		<u>10,977</u>	2024		<u>0</u>
Total	\$	<u>59,745</u>		\$	<u>227,926</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 THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

NOTE 18 - PENSION PLAN:

Plan Description

Belmont Light, through the Town of Belmont, is a member of the Belmont Contributory Retirement System which, in turn, is a member of the Massachusetts Contributory Retirement System which is governed by M.G.L. c.32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees. The plan is a cost-sharing multiple-employer contributory defined benefit plan for all town employees except those employees who are covered by teachers' retirement board. The Plan's separately issued financial statements can be obtained by contacting Belmont Contributory Retirement System at 455 Concord Avenue, 1<sup>st</sup> floor, Belmont, Massachusetts 02478.

Benefits Provided

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

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

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

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

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

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

BELMONT LIGHT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

NOTE 18 - 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, 2020 and 2019 were \$1,045,824 and \$910,577, respectively, which were paid during calendar years 2019 and 2018, respectively.

Pension Liabilities

At December 31, 2020 and 2019, Belmont Light reported a liability of \$7,870,726 and \$7,814,033, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019 and 2018, respectively, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of January 1, 2020 and January 1, 2018, respectively. 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, 2019 and 2018, respectively. At the measured dates of December 31, 2019 and 2018, Belmont Light's portion was 10.26% and 9.44%, respectively of the total System contributions.

Pension Expense

For the years ended December 31, 2020 and 2019, Belmont Light recognized a pension expense of \$1,328,744 and \$1,150,222, respectively. For the years ended December 31, 2020 and 2019, 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>2020</u>	<u>2019</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 707,464	\$ 360,384
Differences between expected and actual experience	168,543	157,668
Changes of assumptions	543,101	312,461
Net difference between projected and actual earnings on pension plan investments	0	617,241
Department contributions subsequent to the measurement date	<u>1,106,072</u>	<u>1,045,824</u>
Total	<u>\$ 2,525,180</u>	<u>\$ 2,493,578</u>

BELMONT LIGHT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

NOTE 18 - PENSION PLAN (Continued):

Pension Expense (continued)

<u>Deferred Inflows of Resources Related to Pensions</u>	<u>2020</u>	<u>2019</u>
Differences between expected and actual experience	\$ 0	\$ 43,604
Net difference between projected and actual earnings on pension plan investments	281,063	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>0</u>	<u>39,878</u>
Total	<u>\$ 281,063</u>	<u>\$ 83,482</u>

Of the total amount reported as deferred outflows of resources related to pensions, \$1,106,072 resulting from contributions paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net pension liability in the year ended December 31, 2021. 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:	2021	\$ 396,540
	2022	403,597
	2023	287,731
	2024	<u>50,177</u>
	Total	<u>\$ 1,138,045</u>

Actuarial Assumptions

The total pension liability as of December 31, 2020 was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement.

Valuation Date	January 1, 2020
Actuarial Cost Method	Entry Age Normal
Amortization Method	Payments increasing 4.5% for the 2003 ERI liability, and remaining liability amortized so that the total payment increases 5.75% per year.
Remaining Amortization Period	As of January 1, 2020, 5 years for the 2003 ERI liability, 9 years for the remaining unfunded liability.
Inflation Rate	3% per year

BELMONT LIGHT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

NOTE 18 - PENSION PLAN (Continued):

Actuarial Assumptions (continued)

Asset Valuation Method	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period. Asset value is adjusted as 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 \$13,000
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	7.15%

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, 2019 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%	6.15%
International Developed Markets Equity	13%	6.78%
International Emerging Markets Equity	7%	8.65%
Core Fixed Income	10%	1.11%
High-Yield Fixed Income	11%	3.51%
Real Estate	12%	4.33%
Commodities	10%	4.13%
Hedge Fund, GTAA, Risk Parity	7%	3.19%
Private Equity	7%	9.99%
Total	100%	



BELMONT LIGHT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

NOTE 18 - PENSION PLAN (Continued):

Discount Rate

The discount rate used to measure the total pension liability was 7.15% and 7.40% as of the measured date December 31, 2019 and 2018, respectively. 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 7.15%, 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 (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Proportionate share of the Net Pension Liability	\$ 10,145,571	\$ 7,870,726	\$ 5,952,021

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Belmont Contributory Retirement System financial report.

BELMONT LIGHT  
REQUIRED SUPPLEMENTARY INFORMATION  
NET PENSION LIABILITY

OPERATING FUND

For the Year Ending December 31,	2020	2019	2018	2017	2016	2015
Actuarial Valuation Date	1/1/2020	1/1/2018	1/1/2018	1/1/2016	1/1/2016	1/1/2014
Measurement Date	12/31/2019	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	10.26%	9.44%	9.42%	8.59%	8.58%	8.87%
Department's Proportionate Share of the NPL	\$ 7,870,726	\$ 7,814,033	\$ 6,975,686	\$ 6,466,318	\$ 6,611,771	\$ 6,236,954
Department's Covered Payroll	\$ 3,181,228	\$ 2,834,630	\$ 2,730,334	\$ 2,485,260	\$ 2,384,359	\$ 2,193,362
NPL as a Percentage of Covered Payroll	247.41%	275.66%	255.49%	260.19%	277.30%	284.36%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	61.79%	56.16%	59.53%	55.97%	53.55%	56.19%

**Schedule of Contributions:**

Actuarially Determined Contributions	\$ 1,045,824	\$ 910,577	\$ 848,861	\$ 723,497	\$ 676,065	\$ 653,599
Contributions in Relation to the Actuarially Determined Contribution	(1,045,824)	(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>	<u>\$ 0</u>
Department's Covered Payroll	\$ 3,181,228	\$ 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	32.87%	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.

See Independent Auditors' Report

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

OPERATING FUND AND OPEB TRUST FUND

	2020	2019	2018	2017
<b>Total OPEB Liability:</b>				
Service Cost	\$ 225,753	\$ 179,506	\$ 176,967	\$ 171,763
Interest	268,577	275,449	258,321	239,224
Change of Benefit Terms	0	(12,924)	0	0
Differences Between Expected and Actual Experience	0	(152,821)	0	0
Changes of Assumptions	52,550	(151,620)	(70,456)	33,732
Benefit Payments	(252,121)	(227,280)	(140,506)	(135,832)
Net Change in Total OPEB Liability	294,759	(89,690)	224,326	308,887
Total OPEB Liability - Beginning	4,427,621	4,517,311	4,292,985	3,984,098
Total OPEB Liability - Ending	\$ 4,722,380	\$ 4,427,621	\$ 4,517,311	\$ 4,292,985
<b>Plan Fiduciary Net Position:</b>				
Contributions-Employer	\$ 268,979	\$ 251,593	\$ 161,151	\$ 151,990
Net Investment Income	21,048	44,023	(4,697)	24,792
Benefit Payments	(252,121)	(227,280)	(140,506)	(135,832)
Net Change in Plan Fiduciary Net Position	37,906	68,336	15,948	40,950
Plan Fiduciary Net Position - Beginning	351,307	282,971	267,023	226,073
Plan Fiduciary Net Position - Ending	\$ 389,213	\$ 351,307	\$ 282,971	\$ 267,023
<b>Net OPEB Liability - Ending</b>	\$ 4,333,167	\$ 4,076,314	\$ 4,234,340	\$ 4,025,962

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

	2020	2019	2018	2017
<b>Schedules of Net OPEB Liability:</b>				
Total OPEB Liability	\$ 4,722,380	\$ 4,427,621	\$ 4,517,311	\$ 4,292,985
Plan Fiduciary Net Position	389,213	351,307	282,971	267,023
Net OPEB Liability	\$ 4,333,167	\$ 4,076,314	\$ 4,234,340	\$ 4,025,962
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	8.24%	7.93%	6.26%	6.22%
Total Employee Payroll*	\$ 3,392,464	\$ 3,581,997	\$ 3,320,698	\$ 3,147,743
Net OPEB Liability as a Percentage of Total Employee Payroll	127.73%	113.80%	127.51%	127.90%
<b>Schedules of Employer Contributions:</b>				
Actuarially Determined Contributions	\$ 416,940	\$ 404,501	\$ 194,521	\$ 759,438
Contributions in relation to the actuarially determined contribution	(268,979)	(251,593)	(161,151)	(151,990)
Contribution Deficiency (Excess)	\$ 147,961	\$ 152,908	\$ 33,370	\$ 607,448
Total Employee Payroll*	\$ 3,392,464	\$ 3,581,997	\$ 3,320,698	\$ 3,147,743
Contributions as a percentage of Total Employee Payroll	7.93%	7.02%	4.85%	4.83%
<b>Schedules of Investment Returns:</b>				
Annual Money-Weighted rate of Return, net of investment expenses	5.56%	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.

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BELMONT LIGHT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
OPERATING FUND AND OPEB TRUST FUND

NOTE A – NET PENSION LIABILITY:

Changes in Assumptions

The net investment return assumption was lowered from 7.40% for the measured date December 31, 2018 to 7.15% for the measured date December 31, 2019.

NOTE B – OTHER POSTEMPLOYMENT BENEFITS:

Changes in Assumptions

The discount rate was decreased from 5.93% as of December 31, 2019 to 5.83% as of December 31, 2020.

BELMONT LIGHT  
SCHEDULES OF SALES OF ELECTRICITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

OPERATING FUND

	<u>2020</u>	<u>2019</u>
SALES OF ELECTRICITY:		
Residential	\$ 15,239,363	\$ 14,317,587
Commercial	3,690,186	3,961,477
Industrial	4,145,419	4,622,199
Municipal	1,044,232	1,165,531
Private Lighting	59,668	60,194
Street Lights	<u>258,262</u>	<u>297,695</u>
TOTAL SALES OF ELECTRICITY	<u>\$ 24,437,130</u>	<u>\$ 24,424,683</u>

See Independent Auditors' Report

BELMONT LIGHT  
SCHEDULES OF OPERATIONS AND MAINTENANCE EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

OPERATING FUND

	<u>2020</u>	<u>2019</u>
<b>POWER PRODUCTION EXPENSES:</b>		
Purchased Power Expense	\$ 10,740,726	\$ 10,894,645
Transmission Expense	<u>3,064,176</u>	<u>2,708,633</u>
Total Power Production Expenses	<u>13,804,902</u>	<u>13,603,278</u>
<b>DISTRIBUTION EXPENSES:</b>		
Miscellaneous Distribution Expenses	144,560	158,073
Line Expenses	666,420	781,984
Operation Supplies and Expenses	567,431	769,192
Maintenance of Meters	107,031	166,956
Customer Installations Expense	71,393	57,071
Stores Expense	<u>95,995</u>	<u>112,433</u>
Total Distribution Expenses	<u>1,652,830</u>	<u>2,045,709</u>
<b>CUSTOMER ACCOUNT EXPENSES:</b>		
Customer Accounting and Collection Expense	835,727	735,728
Meter Reading Expense	98,930	139,615
Uncollectible Accounts	<u>138,331</u>	<u>159,524</u>
Total Customer Accounts	<u>1,072,988</u>	<u>1,034,867</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES:</b>		
Administrative and General Salaries	1,316,991	915,473
Office Supplies and Expenses	256,415	208,795
Outside Services Employed	354,610	557,772
Insurance, Injuries and Damages	215,156	236,795
Employees' Pension and Benefits	2,116,603	1,857,084
Dues, Meetings, and Other General Expenses	43,514	43,099
Transportation Expenses	53,557	74,139
Marketing Expenses	<u>32,573</u>	<u>98,422</u>
Total General and Administrative Expenses	<u>4,389,419</u>	<u>3,991,579</u>
<b>MAINTENANCE EXPENSES:</b>		
Maintenance - Other	<u>146,984</u>	<u>196,880</u>
<b>TOTAL OPERATIONS AND MAINTENANCE EXPENSES</b>	<u><u>\$ 21,067,123</u></u>	<u><u>\$ 20,872,313</u></u>

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