

BELMONT LIGHT
Financial Statements
December 31, 2021 and 2020

BELMONT LIGHT
TABLE OF CONTENTS
DECEMBER 31, 2021 AND 2020

	Page
Independent Auditors' Report	1-3
Management's Discussion & Analysis	4-13
Financial Statements:	
Operating Fund:	
Statements of Net Position	14,15
Statements of Revenues, Expenses and Changes in Net Position	16
Statements of Cash Flows	17,18
Other Postemployment Benefits (OPEB) Trust Fund:	
Statements of Fiduciary Net Position	19
Statements of Changes in Fiduciary Net Position	19
Notes to the Financial Statements	20-39
Supplementary Information:	
Operating Fund:	
Required Supplementary Information – Net Pension Liability	40
Operating Fund and OPEB Trust Fund:	
Required Supplementary Information – OPEB	41,42
Notes to the Required Supplementary Information	43
Operating Fund:	
Schedules of Sales of Electricity	44
Schedules of Operations and Maintenance Expenses	45

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

INDEPENDENT AUDITORS' REPORT

The Belmont Municipal Light Board
Belmont Light
Belmont, Massachusetts 02478

Opinion

We have audited the financial statements of Belmont Light which comprise the statements of net position as of December 31, 2021 and 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Belmont Light and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Belmont Light's ability to continue as a going concern for the years ended December 31, 2021 and 2020.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Belmont Light's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Belmont Light's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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, 2021 and 2020, and the changes in financial position, and cash flows thereof 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 four 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
April 28, 2022

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, 2021 and 2020.

Belmont Light purchases and distributes electricity to the residents, businesses and the Town of Belmont. Because Belmont Light is owned by the town and not by investors, our net profit is returned to our customers in the way of stable rates, better service and increased assets. As management of Belmont Light, we offer readers of the basic financial statements this narrative overview and analysis of the financial activities of Belmont Light.

Overview of the Financial Statements

The basic financial statements include (1) The Statements of Net Position (2) The Statements of Revenues, Expenses and Changes In Net Position (3) The Cash Flow Statements and (4) Notes to The Financial Statements. The Statements of Net Position are designed to indicate our financial position as of a specific point in time. At December 31, 2021, it shows our net position increased by 6.5% to \$25,284,074 from \$23,741,732 compared to the year ended December 31, 2020. 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, 2021 and 2020 was \$2,192,342 and \$1,726,961, 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.

There was no significant impact on operations in 2021 related to the Covid-19 pandemic.

Summary of Net Position

	<u>2021</u>	<u>2020</u>
Current Assets	\$ 20,153,644	\$ 21,060,593
Noncurrent Assets	<u>41,788,671</u>	<u>39,789,590</u>
Total Assets	<u>61,942,315</u>	<u>60,850,183</u>
Deferred Outflows of Resources	<u>2,179,551</u>	<u>2,584,925</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 64,121,866</u>	<u>\$ 63,435,108</u>
Current Liabilities	\$ 4,266,378	\$ 4,247,651
Noncurrent Liabilities	<u>28,838,448</u>	<u>31,933,892</u>
Total Liabilities	<u>33,104,826</u>	<u>36,181,543</u>
Deferred Inflows of Resources	<u>\$ 5,732,966</u>	<u>\$ 3,511,833</u>

Summary of Net Position (Continued)

	2021	2020
Net Position:		
Net Investment in Capital Assets, Net of Related Debt	\$ 17,369,084	\$ 17,581,028
Restricted for Depreciation	9,946,424	9,254,137
Unrestricted Net Position	(2,031,434)	(3,093,433)
Total Net Position	25,284,074	23,741,732
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 64,121,866	\$ 63,435,108

Summary of Changes in Net Position

	2021	2020
Operating Revenues	\$ 25,476,768	\$ 24,753,863
Operating Expenses	22,990,147	22,549,939
Operating Income	2,486,621	2,203,924
Nonoperating Revenues (Expenses)	(294,279)	(476,963)
Income Before Contributions and Transfers	2,192,342	1,726,961
Beginning Net Position	23,741,732	23,164,771
Transfers Out – Payment in Lieu of Taxes	(650,000)	(1,150,000)
Ending Net Position	\$ 25,284,074	\$ 23,741,732

The Municipal Light 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 FY2022 position, Belmont Light came to an agreement in December 2020 to transfer \$650,000 as a Payment in Lieu of Taxes (PILOT) in two installments: \$500,000 in June 2021 and \$150,000 in December 2021, which was approved by the Municipal Light Board. Under this agreement, future PILOT payments are expected to be \$350,000 in 2022, \$450,000 in 2023, and \$650,000 in 2024, subject to further review and adjustment. The amount paid in 2020 was \$1,150,000. Any PILOT payments are subject to the availability of funds in accordance with Massachusetts General Laws.

In April 2022, Belmont Light's governance changed to an elected 5 member Municipal Light Board. This change replaced the previous 3 member Municipal Light Board which was made up of the Select Board.

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

In order to fulfill our mission, Belmont Light commits to maintain rate value while providing reliable service for its customers. It intends to maintain local control and access to the wholesale power market. Belmont Light acknowledges the obligation to look at alternative sources of renewable energy in order to preserve the integrity of the environment for future generations. Belmont Light will employ its resources effectively and efficiently to achieve its strategic priorities. Public Power must be accountable to the communities it serves in order to survive.

Overview of Service

Belmont Light is responsible for acquiring and delivering electricity to the residents, businesses and the Town of Belmont. Belmont Light has two main divisions: Operations and Business/Customer Services. The Operations Division plans, designs, constructs, operates and maintains the distribution system to deliver reliable electricity to customers. The Business/Customer Services Division provides managerial, public relations, financial, ratemaking and legislative services, along with public benefits programs, including energy efficiency and renewable energy to all Belmont Light customers. The Division also ensures generating and transmission energy resources are available to meet the needs of the Belmont community.

Belmont Light Highlights

Compared to industry standards Belmont Light continues to provide a high level of system reliability as evidenced by Belmont Light's performance in 2021.

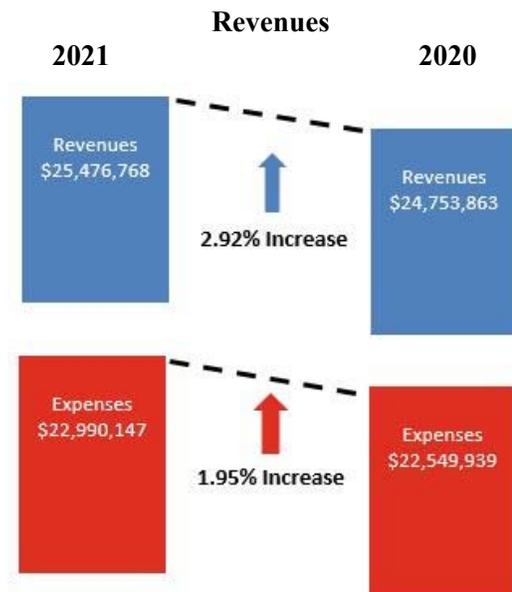
- 126,371,772 kWh of electricity provided to 11,829 customer accounts.
- Highest system peak demand of 35,586 kWh occurred on June 29th.
- Top 20 kWh users account for ~20% of Belmont Light revenue.
- Annually 0.964 outages per customer lasting an average of 112.993 minutes.

Operating Overview

2021 Revenues vs. 2020 Revenues

Total revenues increased by \$722,905:

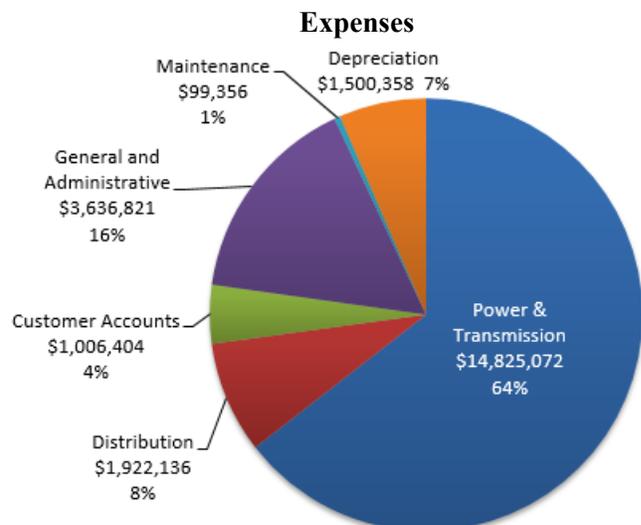
- Revenues from sales of electricity for 2021 were \$25,016,601 compared to \$24,437,130 in 2020 due to a 3.2% kWh sales increase. This increase is mainly related to commercial (COVID related improvement) and municipal (new High School) sales.
- Other operating revenues increased by \$143,434 and were \$460,167, mainly due to the lift of the moratorium for shut-offs, change of scrap metal contractor and customer jobs.



2021 Expenses vs. 2020 Expenses

Purchased Power costs were \$14,825,072 in 2021 compared to \$13,804,902 in 2020. An increase of \$1,020,170 (7%) is mainly caused by the increased cost of natural gas often used to generate electricity. This increase had a significant impact on the spot market power purchases effective the second half of 2021. There was no Rate Stabilization Fund additions in 2021 compared to \$800,000 transferred to the fund in 2020.

Included in the purchased power costs are credits in the amount of \$143,533 provided to Belmont rooftop solar customers in 2021 comparing to \$153,056 in 2020.



Operating Overview (Continued)

2021 Expenses vs. 2020 Expenses (continued)

Distribution expenses increased by \$269,306 (16%), primarily caused by an increase of maintenance jobs performed by the operating team and a significant increase of the cost of the materials used for distribution system maintenance.

Customer accounts expenses decreased by \$66,584 (6%), primarily due to the significant efforts and progress of the customer service team to collect past due amounts resulting in a decrease of the uncollectible allowance expense and reserve. Extensive collection actions which targeted past due accounts had started in July 2021 with the lift of the moratorium for collection and lasted through November 15, 2021 resulting in a 43% decrease of past due balances. An increase of customer collections and billing module charges partially off-sets the decrease of uncollectible expenses.

General and administrative expenses decreased by \$752,598 (17%), which was mostly related to a significant reduction of COVID-19 salaries related to the inability to work in the field in 2020, and employee's pensions and benefits expenses (a result of actuarial adjustments). A decrease of outside services and consultants costs is partially off-set by increased insurance related 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, 2021 was \$27.02 million (\$24.65 million for Distribution Plant, \$2.23 million for General Plant and \$0.14 million for Construction Work In Progress).

Debt Administration

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

Operations

Even though the COVID-19 pandemic has been extremely impactful from a resource, planning and preparation standpoint, the Engineering and Operations team continued to make significant headway relating to maintenance and capital improvements on the electrical distribution system.

LED Street Light Project: Our street light conversion initiative continued throughout the year where 744 sodium-vapor style streetlights were replaced with 3,000 Kelvin LED style fixtures. These changes helped reduce Street Light costs by \$64,648 in 2021 compared to 2020. As previously noted, a substantial portion of the project is expected to be complete by the end of 2022 with the entirety by the early part of calendar year 2023.

Voltage Conversion Project: Also known as "Project C", Belmont Light's voltage conversion project is a long-term initiative to convert existing circuits along with associated equipment and devices from 5kV to 15kV class, thereby enabling us to retire older infrastructure, which correlates to increased reliability.

In calendar year 2021 we converted approximately 1.5 Megavolt Amperes (MVA) of connected load in the Town. Parts include Snake Hill Road, Hay Road, Centre Ave, Portions of Concord Avenue, Brighton Street, Flanders Road, Church Street, Trapelo Road, and Thayer Street.

Operations (Continued)

The existing switchgear behind Station 3 (Hittinger Street) has also been retired and replaced with a new pad mount switchgear. This new switchgear now acts as a protective device for a large industrial customer and will ultimately protect the mainline of the Baker Street area where conversion make ready work is presently in progress and slated for completion in 2022.

The new high school permanent service has been energized which entailed the installation of a perimeter manholes (MH) and duct system and approximately 3,000 circuit feet of underground cable along with the installation of (2) transformers and other associated equipment. During this project, other provisions have also been added to allow for future access and conversion of Channing Road.

Overall, our organization installed more than 10,000 circuit feet of underground cable along with the removal of more than 6,000 circuit feet. A significant number of transformers and switches/protective devices were also installed/replaced in order to aid in our ongoing initiatives and to support customer-driven projects.

Belmont Light completed a couple high-level maintenance projects with the Pole Inspection Program and maintenance of the Oakley Road substation. The Pole program entailed the inspection of over 600 poles in the southern portion of Town, utilizing non-destructive ultrasonic testing to identify any poles nearing end of life. As a result, any poles that were identified as deficient are now in the process of being replaced.

Complete maintenance of the Oakley Road substation was performed via testing of all equipment per NETA (International Electrical Testing Association) specifications along with other necessary device replacement upgrades to ensure that we can continue to provide a high level of service.

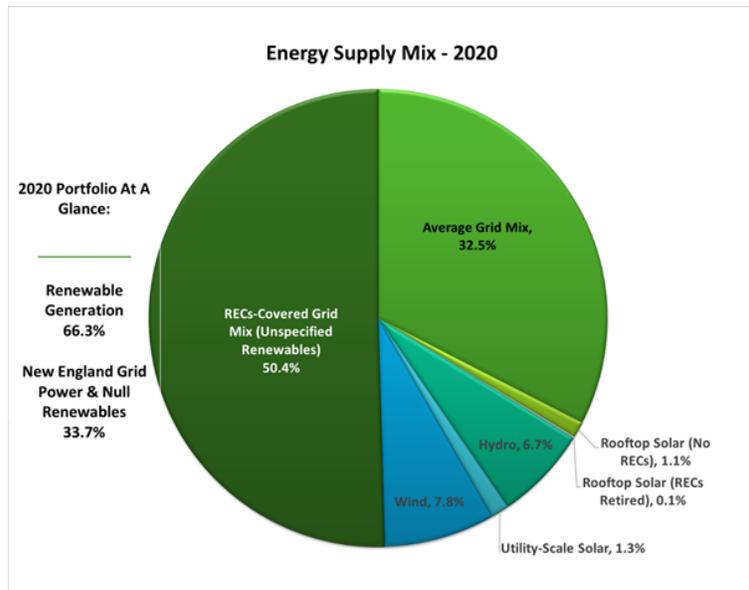
Supply-Side Management & Renewable Energy

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.

During 2021, Belmont Light continued progress toward its goal of a 100% renewable power supply by 2022 by achieving a 66.3% renewable supply mix for the 2020 portfolio year. By finishing the year slightly above 66%, Belmont Light marked a third consecutive year of exceeding minimum annual renewable targets set forth in its Power Supply Policy. 2021's portfolio is on track to reach 83% and will be finalized in mid-2022.

Year	Minimum Renewables Target	Total Renewable Level Achieved	Class I Target	Class I Level Achieved
2018	33%	34.0%	16%	17%
2019	50%	50.6%	18%	18.6%
2020	66%	66.3%	20%	20.3%
2021	83%	-	22%	-
2022	100%	-	24%	-

Supply-Side Management & Renewable Energy (Continued)



Also in 2021, Belmont Light signed a new power purchase agreement for generation from the Broadleaf Solar facility (MA Class I designation) and amended existing agreements Belmont Light holds with the New York Power Authority and Brown Bear Hydro (MA Class I and ME Class II designation) for hydro generation.

Belmont Light's 2021 purchased power expenses totaled \$14.8 million. Energy was the largest spending category, followed by Transmission and Capacity.

2021 Power Supply Expenses	
Total MWh Purchased	132,098
Total \$- Energy*	\$ 6,933,682
Total \$- Capacity	\$ 3,115,209
Total \$- Transmission	\$ 3,629,303
Total \$- RECs**	\$ 1,109,012
2021 All-In Power Costs***	\$14,787,206
\$/MWh	\$ 111.94

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

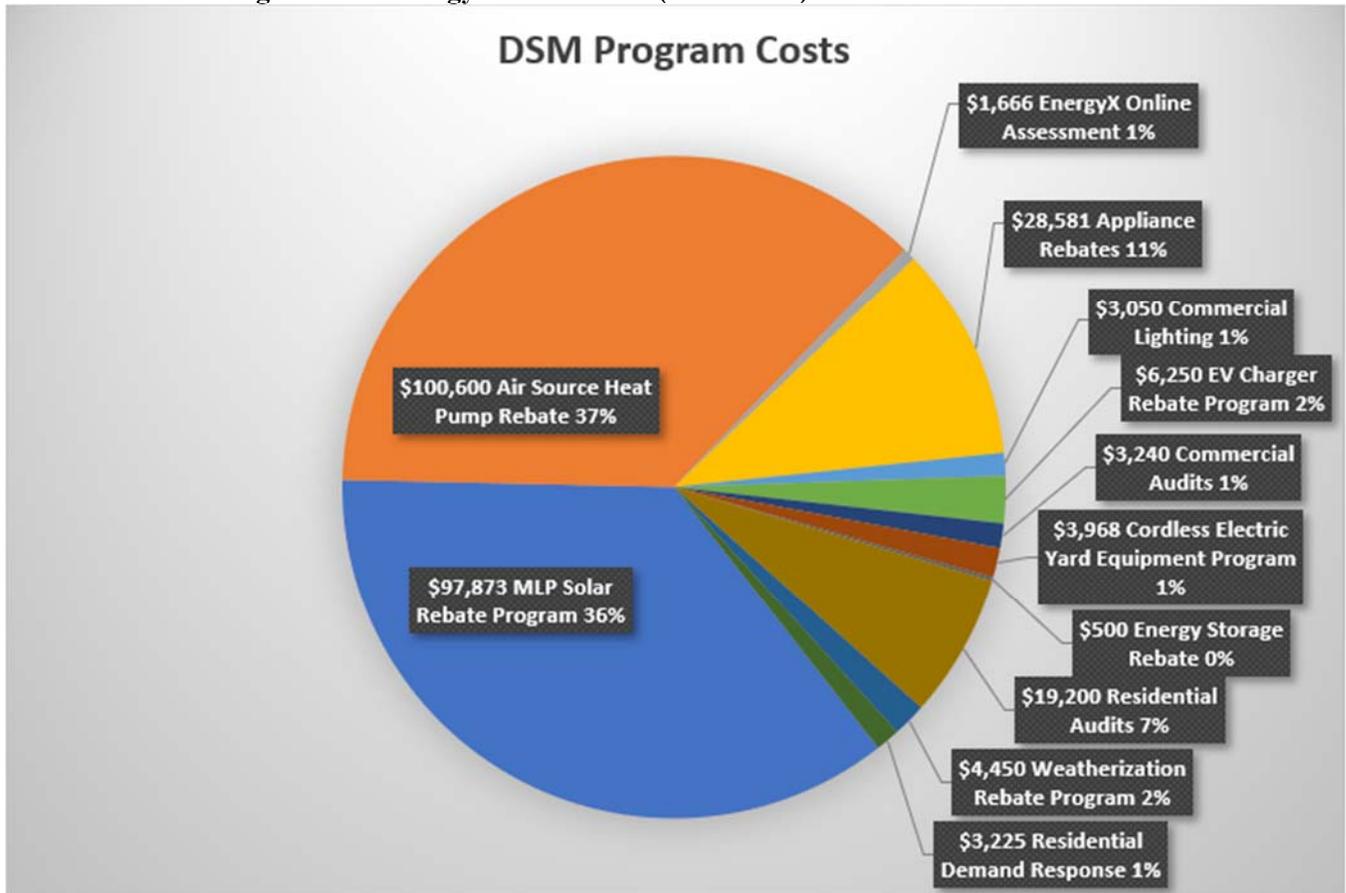
**Does not include Green Choice REC Costs

***Does not include Rate Stabilization funds

Demand-Side Management & Energy Conservation

As with 2020, 2021 included the challenge of operating primarily via video and phone, 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 \$425,353.

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 2021, 78 systems were installed and rebated, with total incentives at \$100,600.

For comparison, this is a slightly larger number of systems installed than in 2020 and much more than in 2019. This is showing that more and more residents are showing interest in air source heat pumps and indicates 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

In 2020, Belmont Light signed an agreement with Abode Energy Management (Abode) to offer technical support to Belmont Light staff and our customers in the adoption of air-source heat pumps. Abode's Heat Pump Specialists are available for residents at different stages, from those just starting out to those who have already received quotes, to answer questions and help ensure the project scope is correct. Abode works with HVAC contractors to answer questions about the rebate program and to resolve any issues with a customer's project 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 as it should.

Residential Rebate Programs (Continued)

CleanComfort (continued)

During 2021, Abode spoke with, exchanged emails, or had video conferences with customers 148 times, spending 105 hours working with them to answer questions. This did not include the time spent offering a Heat Pump 101 webinar to educate Municipal Light Plant customers about the benefits of air source heat pumps. A copy of this webinar is on Belmont Light's website and has been cited by residents as a very good source of information.

Appliance and Smart Device Rebate Program

For the 2021 program year, Belmont Light made some changes to the Appliance Rebate Program to expand the availability of rebates for more customers to participate. These changes are designed to encourage residents to purchase devices that may use electricity instead of a fossil fuel or will use electricity in a more efficient manner than an alternative device. Belmont Light issued 260 rebates for appliances and smart devices in 2021, for a total of \$28,581 in bill credits to customers.

Cordless Yard Equipment Rebate Program

In 2021, Belmont Light initiated the Cordless Yard Equipment Rebate Program, which gives rebates for yard equipment that is electric-based and does not require a cord. For the first year, with some marketing efforts, we received 79 applications and processed rebates for 66 devices. Belmont Light gave out \$3,968 in bill credits.

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 2021, Belmont Light issued 25 rebates for EV charger equipment installations for a total of \$6,250 in rebates, a large increase from the 10 rebates issues in 2020.

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. In 2021, Belmont Light representatives completed 64 home energy assessments of residences in Belmont. Until further notice, all of Belmont Light's home assessments will be performed virtually.

Weatherization Rebate Program

Beginning in 2021, Belmont Light launched the Weatherization Rebate Program allowing all customers to access incentives for installing insulation and performing air sealing in their homes. During the first year of the program, 8 applications were submitted and approved for a total of \$4,450 in incentives. Belmont Light is looking to expand the outreach and knowledge of the program to all customers in 2022.

Demand Response

Beginning in 2021, Belmont Light modified the implementation of its demand response program and signed onto the Connected Homes program. This program, administered by the Massachusetts Municipal Wholesale Electric Company (MMWEC), uses the same software platform Belmont Light used in its previous program, but gives more control and events for its customers. Under Connected Homes, participants receive up to five notifications per month during peak hours. A customer does have the choice to opt-out but does relinquish the ability to receive the incentive for that month. Participation during events was overall at 97.75%. Belmont Light has continued to actively recruit customers for the program, which now has 96 devices enrolled.

Solar

At the end of 2021, Belmont had 366 solar customers providing 2,324.71 kW of distributed solar. There were 26 new customers added since December 2020.

Residential Rebate Programs (Continued)

Solar (continued)

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. By the end of the period, Belmont Light contributed \$285,000 for a total available amount of \$570,00 for our customers. By the conclusion of the program in June 2021, 50 Belmont Light customers applied for the MLP Solar Rebate Program for a total approved amount of \$498,884.

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. Two customers took advantage of the program in 2021, with Belmont Light covering \$3,240 in assessment costs. Due to social distancing, it is hopeful that through 2022, we are able to market the program to a wider audience.

Commercial Lighting Rebate Program

Similar to the Assessment Program, few individual commercial customers applied for the program. One business installed LED lighting upgrades in their locations with a total incentive of \$3,050 and annual energy savings of 5,427 kWh. With the incentive, the customers should see payback for their investment in around 2.5-3.0 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 2021, there were no changes in Belmont Light's base rates for residential, commercial, and municipal customers. In response to a changing power market and increased purchased power costs, in early 2022 Belmont Light initiated a Cost of Service Study, which is expected to be completed in the first half of the year, followed by Rate Design. As a result, Belmont Light electric base rates are likely to change.

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.

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. In the first quarter of 2022 Belmont Light implemented a PCA charge in an effort to supplement revenue shortfalls associated with increasing power supply costs.

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

Community Outreach

With some, although not all, restrictions stemming from the COVID-19 pandemic lifted in 2021, Belmont Light was able to participate in in-person public events once again. Throughout the year, staff partook in or supported:

- The Belmont Farmers' Market
- Belmont Town Day
- HeatSmart Belmont
- Annual "Light Up the Town" Tree Lighting Ceremony
- Virtual presentations and forums

Belmont Light also continued its support of customers impacted by the COVID-19 pandemic through financial aid and other initiatives, including:

- Suspending shutoffs for nonpayment through June 2021
- Eliminating fees for late payments
- Removing interest and penalties
- 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 December 2021, 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, 2021 AND 2020

OPERATING FUND

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2021	2020
CURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Operating Cash	\$ 5,832,251	\$ 4,796,545
Construction Cash	9,933,342	11,951,879
Accounts Receivable - Customers, Net	1,474,140	1,268,983
Accounts Receivable - Other	195,318	393,275
Materials and Supplies	829,691	766,737
Prepaid Expenses	93,148	87,573
Purchased Power Prepayments	1,795,754	1,795,601
 TOTAL CURRENT ASSETS	 20,153,644	 21,060,593
 NONCURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Depreciation Fund	9,946,424	9,254,137
Customer Deposits	143,879	136,577
Rate Stabilization Reserve Fund	2,571,584	1,745,846
Debt Sinking Reserve Fund - Premium	1,680,348	1,695,414
Rate Stabilization Reserve Fund - MMWEC	426,997	429,832
Utility Plant Assets, Net	27,019,439	26,527,784
 TOTAL NONCURRENT ASSETS	 41,788,671	 39,789,590
 TOTAL ASSETS	 61,942,315	 60,850,183
 DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows of Resources Related to Pensions	2,142,076	2,525,180
Deferred Outflows of Resources Related to OPEB	37,475	59,745
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 2,179,551	 2,584,925
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 \$ 64,121,866	 \$ 63,435,108

See Accompanying Notes to the Financial Statements

BELMONT LIGHT
STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020

OPERATING FUND

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2021	2020
CURRENT LIABILITIES:		
Bond Payable, Current	\$ 1,359,938	\$ 1,314,938
Accounts Payable	2,280,700	1,524,950
Due to Rate Stabilization Reserve	0	800,000
Accrued Expenses	625,740	607,763
TOTAL CURRENT LIABILITIES	4,266,378	4,247,651
NONCURRENT LIABILITIES:		
Customer Deposits	151,761	146,302
Bond Payable, Net of Current Portion	18,223,759	19,583,697
Net Pension Liability	7,140,786	7,870,726
Net Other Postemployment Benefit Liability	3,322,142	4,333,167
TOTAL NONCURRENT LIABILITIES	28,838,448	31,933,892
TOTAL LIABILITIES	33,104,826	36,181,543
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows of Resources Related to Pensions	535,008	281,063
Deferred Inflows of Resources Related to OPEB	1,206,040	227,926
Rate Stabilization Reserve	2,998,591	2,175,688
Contribution in Aid of Construction, Net of Amortization	993,327	827,156
TOTAL DEFERRED INFLOWS OF RESOURCES	5,732,966	3,511,833
NET POSITION:		
Net Investment in Capital Assets, Net of Related Debt	17,369,084	17,581,028
Restricted for Depreciation	9,946,424	9,254,137
Unrestricted Net Position	(2,031,434)	(3,093,433)
TOTAL NET POSITION	25,284,074	23,741,732
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 64,121,866	\$ 63,435,108

See Accompanying Notes to the Financial Statements

BELMONT LIGHT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

OPERATING FUND

	2021	2020
OPERATING REVENUES:		
Sales of Electricity	\$ 25,016,601	\$ 24,437,130
Other Operating Revenues	460,167	316,733
 TOTAL OPERATING REVENUES	 25,476,768	 24,753,863
 OPERATING EXPENSES:		
Operations and Maintenance	21,489,789	21,067,123
Depreciation, Net of Amortization	1,500,358	1,482,816
 TOTAL OPERATING EXPENSES	 22,990,147	 22,549,939
 OPERATING INCOME	 2,486,621	 2,203,924
 NONOPERATING REVENUES (EXPENSES):		
Investment Income	410,166	276,636
Bond Interest Expense	(704,445)	(753,433)
Grant Income	0	115,000
Grant Expenses	0	(115,166)
 TOTAL NONOPERATING REVENUES (EXPENSES)	 (294,279)	 (476,963)
 Income Before Contributions and Transfers	 2,192,342	 1,726,961
 NET POSITION - JANUARY 1	 23,741,732	 23,164,771
 Transfers Out - Payment in Lieu of Taxes	 (650,000)	 (1,150,000)
 NET POSITION - DECEMBER 31	 \$ 25,284,074	 \$ 23,741,732

See Accompanying Notes to the Financial Statements

BELMONT LIGHT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

OPERATING FUND

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 25,497,930	\$ 25,656,891
Cash Paid to Suppliers	(15,582,627)	(15,623,372)
Cash Paid to Employees	(3,542,073)	(3,392,464)
Cash Paid for Benefits	(1,753,295)	(2,116,603)
Payment in Lieu of Taxes	<u>(650,000)</u>	<u>(1,150,000)</u>
Net Cash Provided by Operating Activities	<u>3,969,935</u>	<u>3,374,452</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Grant Income	0	115,000
Grant Expense	<u>0</u>	<u>(115,166)</u>
Net Cash Used by Noncapital Financing Activities	<u>0</u>	<u>(166)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal Repayment on Bond Payable	(1,215,000)	(1,170,000)
Contribution in Aid of Construction	193,792	31,255
Additions to Plant Assets	(2,019,634)	(1,784,124)
Interest Expense	<u>(714,726)</u>	<u>(762,425)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(3,755,568)</u>	<u>(3,685,294)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Income	12,498	25,277
Net Transfers to Rate Stabilization Fund	(800,000)	0
Net Transfers to Depreciation Fund	<u>(402,394)</u>	<u>0</u>
Net Cash Provided (Used) by Investing Activities	<u>(1,189,896)</u>	<u>25,277</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(975,529)	(285,731)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>16,885,001</u>	<u>17,170,732</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 15,909,472</u>	<u>\$ 16,885,001</u>

See Accompanying Notes to the Financial Statements

BELMONT LIGHT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

OPERATING FUND

	2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 2,486,621	\$ 2,203,924
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,527,979	1,509,499
Amortization of Contribution in Aid of Construction	(27,621)	(26,683)
Allowance for Doubtful Accounts	(205,324)	109,948
Rate Stabilization Reserve	22,903	835,380
Payment in Lieu of Taxes	(650,000)	(1,150,000)
Pension Expense	1,105,118	1,328,744
OPEB Expense	158,214	411,091
(Increase) Decrease in Assets:		
Accounts Receivable - Customers, Net	167	(30,901)
Accounts Receivable - Other	197,957	(9,312)
Materials and Supplies	(62,954)	(271,344)
Deferred Outflows Related to Pensions	(1,198,009)	(1,106,072)
Prepaid Expenses	(5,575)	(32,833)
Purchased Power Prepayments	(153)	(4,672)
Increase (Decrease) in Liabilities:		
Accounts Payable	755,750	(217,361)
Customer Deposits	5,459	(2,087)
Accrued Expenses	28,258	96,110
Net Other Postemployment Benefits Liability	(168,855)	(268,979)
Net Cash Provided by Operating Activities	\$ 3,969,935	\$ 3,374,452

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

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

	2021	2020
Operating Cash	\$ 5,832,251	\$ 4,796,545
Construction Cash	9,933,342	11,951,879
Customer Deposits	143,879	136,577
	\$ 15,909,472	\$ 16,885,001

See Accompanying Notes to the Financial Statements

BELMONT LIGHT
 STATEMENTS OF FIDUCIARY NET POSITION
 DECEMBER 31, 2021 AND 2020

OPEB TRUST FUND

ASSETS

	2021	2020
Funds on Deposit with Town Treasurer		
Cash and Investments	\$ 470,404	\$ 389,213

FIDUCIARY NET POSITION

FIDUCIARY NET POSITION - Restricted	\$ 470,404	\$ 389,213
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 BELMONT LIGHT
 STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

OPEB TRUST FUND

	2021	2020
Contributions	\$ 17,000	\$ 16,858
Net Investment Income	64,191	21,048
CHANGE IN FIDUCIARY NET POSITION	81,191	37,906
FIDUCIARY NET POSITION - JANUARY 1	389,213	351,307
FIDUCIARY NET POSITION - DECEMBER 31	\$ 470,404	\$ 389,213

See Accompanying Notes to the Financial Statements

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 2021 and 2020 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 2021 presentation.

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 of \$268,201 and \$473,525 for the years ended December 31, 2021 and 2020, respectively. 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, 2021 AND 2020

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, 2021 and 2020 was \$2,998,581 and \$2,175,678, 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, 2021 and 2020, funds held by MMWEC amounted to \$426,997 and \$428,832, respectively. The total amount of this investment pool as of December 31, 2021 and 2020 was \$87,646,556 and \$86,014,914 respectively, of which Belmont Light's ownership was approximately 0.49% and 0.50%, respectively. As of December 31, 2021 and 2020, rate stabilization funds held by the Town of Belmont amounted to \$2,571,584 and \$1,745,846, respectively. See Note 11 for disclosure of Belmont Light investments held by the Town of Belmont.

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021 and 2020 was \$113,204. These funds are commingled and deposited in investment pools. The total amount of these investment pools as of December 31, 2021 and 2020 was \$4,185,076 and \$4,349,339, respectively, of which Belmont Light's ownership was approximately 2.70% and 2.60%, 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, 2021 and 2020 was \$9,946,424 and \$9,254,137, respectively. See Note 11 for disclosure of Belmont Light's investments held by the Town of Belmont.

NOTE 5 - RELATED PARTY TRANSACTIONS:

In 2021 and 2020, Belmont Light received payments from the Town in the amount of \$1,774,169 and \$1,549,286, respectively, and made payments to the Town in the amount of \$2,561,658 and \$2,974,376, respectively. At December 31, 2021 and 2020, the outstanding receivable balance was \$0 and \$123,192, respectively. As of December 31, 2021 and 2020 amounts due to the Town were \$316,270 and \$624, respectively.

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 6 - UTILITY PLANT ASSETS:

	Balance January 1, 2021	Increases	Decreases	Balance December 31, 2021
Capital Assets Not Being Depreciated:				
Land	\$ 1,586,597	\$ 0	\$ 0	\$ 1,586,597
Construction in Progress	<u>324,185</u>	<u>380,100</u>	<u>(568,676)</u>	<u>135,609</u>
Total Capital Assets Not Being Depreciated	<u>1,910,782</u>	<u>380,100</u>	<u>(568,676)</u>	<u>1,722,206</u>
Capital Assets Being Depreciated:				
Distribution Plant	41,169,975	1,778,601	(534,374)	42,414,200
General Plant	<u>9,762,661</u>	<u>429,609</u>	<u>(277,655)</u>	<u>9,914,617</u>
Total Capital Assets Being Depreciated	<u>50,932,636</u>	<u>2,208,210</u>	<u>(812,029)</u>	<u>52,328,817</u>
Less Accumulated Depreciation for:				
Distribution Plant	(18,650,526)	(1,235,099)	534,374	(19,351,251)
General Plant	<u>(7,665,108)</u>	<u>(292,880)</u>	<u>277,655</u>	<u>(7,680,333)</u>
Total Accumulated Depreciation	<u>(26,315,634)</u>	<u>(1,527,979)</u>	<u>812,029</u>	<u>(27,031,584)</u>
Capital Assets Being Depreciated, Net	<u>24,617,002</u>	<u>680,231</u>	<u>0</u>	<u>25,297,233</u>
Utility Plant Assets, Net	<u>\$ 26,527,784</u>	<u>\$ 1,060,331</u>	<u>\$ (568,676)</u>	<u>\$ 27,019,439</u>

Depreciation for the years ended December 31, 2021 and 2020 was \$1,527,979 and \$1,509,499, respectively. Depreciation expense reported on the Statements of Revenues, Expenses and Changes in Net Position is net of amortization of \$27,621 and \$26,683 related to contribution in aid of construction for the years ended December 31, 2021 and 2020, respectively.

NOTE 7 - NET INVESTMENT IN CAPITAL ASSETS:

	<u>2021</u>	<u>2020</u>
Cost of Capital Assets Acquired	\$ 54,051,023	\$ 52,843,418
Less: Accumulated Depreciation	(27,031,584)	(26,315,634)
Less: Outstanding Debt Related to Capital Assets	<u>(9,650,355)</u>	<u>(8,946,756)</u>
Net Investment in Capital Assets	<u>\$ 17,369,084</u>	<u>\$ 17,581,028</u>

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 8 - 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, 2021 and 2020, the outstanding principal was \$18,475,000 and \$19,690,000, respectively.

Future maturities of the bonds are as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the Years Ending December 31,	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	1,475,000	456,194	1,931,194
	2027-2031	8,165,000	1,441,363	9,606,363
	2032-2034	<u>3,470,000</u>	<u>161,956</u>	<u>3,631,956</u>
		18,475,000	<u>\$ 4,389,988</u>	<u>\$ 22,864,988</u>
Plus: Unamortized Bond Premium		1,108,697		
Less: Current Maturities of Long Term Debt		<u>(1,359,938)</u>		
		<u>\$ 18,223,759</u>		

NOTE 9 - ACCRUED EXPENSES:

Accrued expenses as of December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Interest on Bonds and BAN	\$ 146,051	\$ 156,332
Accrued Payroll	131,783	115,101
Compensated Absences	<u>347,906</u>	<u>336,330</u>
Total Accrued Expenses	<u>\$ 625,740</u>	<u>\$ 607,763</u>

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 10 - 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 11 - 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, 2021 and 2020, 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, 2021 AND 2020

NOTE 11 - 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, 2021 and 2020 held by the Town of Belmont. As of December 31, 2021 and 2020, 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, 2021 AND 2020

NOTE 11 - CASH AND INVESTMENTS (Continued):

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

	December 31, 2021 Quoted Prices in Active Markets for Identical Assets <u>(All Level 1)</u>	December 31, 2020 Quoted Prices in Active Markets for Identical Assets <u>(All Level 1)</u>
<u>FMV Investments:</u>		
U.S. Government Securities	\$ 1,586,106	\$ 10,191,578
Equities	1,299,436	803,326
Mutual Funds	<u>410,100</u>	<u>410,074</u>
Total Investments	3,295,642	11,404,978
 <u>Other Securities:</u>		
Money Markets	9,678,517	782,338
Certificates of Deposit	<u>1,224,197</u>	<u>508,081</u>
Total Other Securities	<u>10,902,714</u>	<u>1,290,419</u>
 Total	 <u>\$ 14,198,356</u>	 <u>\$ 12,695,397</u>

	Ratings As of <u>Year End</u>	2021 Fair Value	2021 Under 1 Year	2021 1-5 Years	2020 Fair Value
<u>Term Securities:</u>					
Certificates of Deposit	Exempt	<u>\$ 1,224,197</u>	<u>\$ 0</u>	<u>\$ 1,224,197</u>	<u>\$ 508,081</u>

The following accounts were considered to be investments as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Debt Sinking Fund	\$ 1,680,348	\$ 1,695,414
Depreciation Fund	9,946,424	9,254,137
Rate Stabilization Fund	<u>2,571,584</u>	<u>1,745,846</u>
	 <u>\$ 14,198,356</u>	 <u>\$ 12,695,397</u>

As of December 31, 2021 and 2020, 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 12 - PAYMENT IN LIEU OF TAXES:

The Municipal Light 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 \$650,000 and \$1,150,000 for the years ended December 31, 2021 and 2020, respectively.

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 13 - 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, 2021 and 2020 were \$0 and \$166, 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 years ended December 31, 2021 and 2020, Belmont Light received grant funding of \$0 and \$115,000, respectively, for its participation in the program. Grant expenditures related to this program for the years ended December 31, 2021 and 2020 were \$0 and \$115,000, respectively.

NOTE 14 - 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 2021 are approximately as follows:

For the Years Ending December 31,	2022	\$	4,515,016
	2023		3,938,766
	2024		3,911,807
	2025		1,870,564
	2026		1,663,748
	2027-2031		6,321,075
	2032-2036		4,701,153
	2037-2041		2,958,847
	2042-2046		1,287,289
	2047		<u>127,715</u>
		\$	<u>31,295,980</u>

BELMONT LIGHT
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021 AND 2020

NOTE 15 - 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, 2021 and 2020 was \$470,404 and \$389,213, respectively. The total amount of this investment pool as of December 31, 2021 and 2020 was \$6,793,383 and \$5,763,783, respectively, of which Belmont Light’s ownership was approximately 6.92% and 6.75%, 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, 2021, OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	26
Active plan members	28
Total Number of Participants	<u>54</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, 2021 AND 2020

NOTE 15 - 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:

	2021	2020
Total OPEB Liability	\$ 3,792,546	\$ 4,722,380
Fiduciary Net Position	(470,404)	(389,213)
Net OPEB Liability	\$ 3,322,142	\$ 4,333,167

Fiduciary net position as a percentage of the total OPEB liability as of the measured date of December 31, 2021 and 2020 was 12.40% and 8.24%.

Actuarial Assumptions

The total OPEB liability as of December 31, 2021 was determined by an actuarial valuation as of June 30, 2021, using the following assumptions, applied to all periods included in the measurement:

Payroll growth	3.0%
Investment rate of return	6.25%
Healthcare cost trend rate	
<i>Non-Medicare (Medical)</i>	7.00% decreasing by 0.25% each year to an ultimate level of 4.5% per year.
<i>Medicare (Medical)</i>	6.00% decreasing by 0.25% each year to an ultimate level of 4.50% per year.
<i>Non-Medicare (Prescription Drug)</i>	8.00% decreasing by 0.25% each year to an ultimate level of 4.5% per year.
<i>Medicare Prescription Drug*</i>	-9.10% for one year, then 7.75% decreasing by 0.25% each year to an ultimate level of 4.5% per year.
<i>Medicare Advantage*</i>	5.70% then an ultimate level of 4.50% per year.
<i>Administrative Expenses</i>	3.00% per year
<i>Contributions</i>	Retiree contributions are expected to increase with blended medical trend.

*First year trend reflects known premiums effective January 1, 2022.

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 15 - 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, 2021 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Equity	70.8%	6.28%
Core Fixed Income	29.2%	0.38%
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, 2020 and 6.25% as of June 30, 2021) and a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (2.12% as of December 31, 2020 and 2.06% as of December 31, 2021). 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 5.83% as of December 31, 2020 and 5.82% as of December 31, 2021.

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 5.82%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.82%) or 1-percentage point higher (6.82%) than the current rate:

	1% Decrease 4.82%	Current Discount Rate 5.82%	1% Increase 6.82%
Net OPEB Liability	\$ 3,818,275	\$ 3,322,142	\$ 2,913,296

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS TRUST FUND (Continued):

Sensitivity of the Net OPEB 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	\$ 2,857,615	\$ 3,322,142	\$ 3,899,909

NOTE 16 - 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, 2021, OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	26
Active plan members	<u>28</u>
Total Number of Participants	<u><u>54</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, 2021 and 2020, total premiums plus implicit costs for the retiree medical program were \$151,855 and \$252,121, respectively. During 2021 and 2020, Belmont Light also made contributions to an OPEB Trust of \$17,000 and \$16,858, respectively, for a total contribution during 2021 and 2020 of \$168,855 and \$268,979, respectively.

OPEB Liabilities

At December 31, 2021 and 2020 Belmont Light reported a liability of \$3,322,142 and \$4,333,167, respectively, for its net OPEB liability. The 2021 and 2020 net OPEB liability was measured as of December 31, 2021 and 2020, and was determined by an actuarial valuation as of June 30, 2021 and 2020, respectively.

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 16 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY (Continued):

OPEB Expense

For the years ended December 31, 2021 and 2020, Belmont Light recognized OPEB Expense of \$158,214 and \$411,091, respectively. At December 31, 2021 and 2020, 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>2021</u>	<u>2020</u>
Changes of assumptions	\$ 31,530	\$ 48,788
Net difference between projected and actual earnings on OPEB Trust investments	<u>5,945</u>	<u>10,957</u>
Total	<u>\$ 37,475</u>	<u>\$ 59,745</u>
 <u>Deferred Inflows of Resources Related to OPEB</u>	 <u>2021</u>	 <u>2020</u>
Changes of assumptions	\$ 487,574	\$ 119,155
Net difference between projected and actual earnings on OPEB Trust investments	40,610	17,079
Net difference between expected and actual experience	<u>677,856</u>	<u>91,692</u>
Total	<u>\$ 1,206,040</u>	<u>\$ 227,926</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:		
2022	\$	15,521	2022	\$	345,007
2023		10,977	2023		330,915
2024		10,977	2024		265,059
2025		<u>0</u>	2025		<u>265,059</u>
Total	\$	<u>37,475</u>			<u>\$ 1,206,040</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, 2021 AND 2020

NOTE 17 - PENSION PLAN:

Plan Description

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

Benefits Provided

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

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

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

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

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

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

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 17 - 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, 2021 and 2020 were \$1,106,072 and \$1,045,824, respectively, which were paid during calendar years 2020 and 2019, respectively.

Pension Liabilities

At December 31, 2021 and 2020, Belmont Light reported a liability of \$7,140,786 and \$7,870,726, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020 and 2019, respectively, and the total pension liability used to calculate the pension liability was determined by an actuarial valuation as of January 1, 2020. 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, 2020 and 2019, respectively. At the measured dates of December 31, 2020 and 2019, Belmont Light's portion was 10.26% of the total System contributions.

Pension Expense

For the years ended December 31, 2021 and 2020, Belmont Light recognized a pension expense of \$1,105,118 and \$1,328,744, respectively. For the years ended December 31, 2021 and 2020, 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>2021</u>	<u>2020</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 472,537	\$ 707,464
Differences between expected and actual experience	97,877	168,543
Changes of assumptions	373,653	543,101
Department contributions subsequent to the measurement date	<u>1,198,009</u>	<u>1,106,072</u>
Total	<u>\$ 2,142,076</u>	<u>\$ 2,525,180</u>
 <u>Deferred Inflows of Resources Related to Pensions</u>	 <u>2021</u>	 <u>2020</u>
Net difference between projected and actual earnings on pension plan investments	<u>\$ 535,008</u>	<u>\$ 281,063</u>

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 17 - PENSION PLAN (Continued):

Pension Expense (continued)

Of the total amount reported as deferred outflows of resources related to pensions, \$1,198,009 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, 2022. 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:	2022	\$ 320,495
	2023	204,630
	2024	(32,947)
	2025	<u>(83,119)</u>
	Total	<u>\$ 409,059</u>

Actuarial Assumptions

The total pension liability as of the measurement date 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, 4 years for the 2003 ERI liability, 8 years for the remaining unfunded liability.
Inflation Rate	3% per year
Asset Valuation Method	Market Value of assets as reported in the system's annual statement less unrecognized return in each of the last five years. Unrecognized return is equal to the difference between the actual market value return and the expected market value return and is recognized at 20% per year over a five-year period, further adjusted, if necessary, to be within 20% of the market value.
Projected Salary Increases	Varies by length of service with ultimate rates of 3.75% for Groups 1 and 2, and 4.25% to 7% for Group 4.
Cost of Living Allowance	3% of first \$13,000

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 17 - PENSION PLAN (Continued):

Actuarial Assumptions (continued)

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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic Equity	28%	6.28%
International Developed Markets Equity	10%	7.00%
International Emerging Markets Equity	8%	8.82%
Core Fixed Income	8%	0.38%
High-Yield Fixed Income	10%	2.97%
Emerging Market Debt	5%	3.16%
Real Estate	12%	3.50%
Hedge Fund, GTAA, Risk Parity	12%	2.35%
Private Equity	7%	10.11%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.15% as of the measured date December 31, 2020 and 2019. 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.

BELMONT LIGHT
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021 AND 2020

NOTE 17 - PENSION PLAN (Continued):

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:

	<u>1% Decrease</u>	<u>Current</u> <u>Discount Rate</u>	<u>1% Increase</u>
	<u>(6.15%)</u>	<u>(7.15%)</u>	<u>(8.15%)</u>
Proportionate share of the Net Pension Liability	\$ 9,473,611	\$ 7,140,786	\$ 5,174,799

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,	2021	2020	2019	2018	2017	2016	2015
Actuarial Valuation Date	1/1/2020	1/1/2020	1/1/2018	1/1/2018	1/1/2016	1/1/2016	1/1/2014
Measurement Date	12/31/2020	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%	10.26%	9.44%	9.42%	8.59%	8.58%	8.87%
Department's Proportionate Share of the NPL	\$ 7,140,786	\$ 7,870,726	\$ 7,814,033	\$ 6,975,686	\$ 6,466,318	\$ 6,611,771	\$ 6,236,954
Department's Covered Payroll	\$ 3,320,565	\$ 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	215.05%	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	66.47%	61.79%	56.16%	59.53%	55.97%	53.55%	56.19%

Schedule of Contributions:

Actuarially Determined Contributions	\$ 1,106,072	\$ 1,045,824	\$ 910,577	\$ 848,861	\$ 723,497	\$ 676,065	\$ 653,599
Contributions in Relation to the Actuarially Determined Contribution	<u>(1,106,072)</u>	<u>(1,045,824)</u>	<u>(910,577)</u>	<u>(848,861)</u>	<u>(723,497)</u>	<u>(676,065)</u>	<u>(653,599)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Department's Covered Payroll	\$ 3,320,565	\$ 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	33.31%	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

	2021	2020	2019	2018	2017
Total OPEB Liability:					
Service Cost	\$ 230,747	\$ 225,753	\$ 179,506	\$ 176,967	\$ 171,763
Interest	284,403	268,577	275,449	258,321	239,224
Change of Benefit Terms	(6,176)	0	(12,924)	0	0
Differences Between Expected and Actual Experience	(770,905)	0	(152,821)	0	0
Changes of Assumptions	(516,048)	52,550	(151,620)	(70,456)	33,732
Benefit Payments	(151,855)	(252,121)	(227,280)	(140,506)	(135,832)
Net Change in Total OPEB Liability	(929,834)	294,759	(89,690)	224,326	308,887
Total OPEB Liability - Beginning	4,722,380	4,427,621	4,517,311	4,292,985	3,984,098
Total OPEB Liability - Ending	<u>\$ 3,792,546</u>	<u>\$ 4,722,380</u>	<u>\$ 4,427,621</u>	<u>\$ 4,517,311</u>	<u>\$ 4,292,985</u>
Plan Fiduciary Net Position:					
Contributions-Employer	\$ 168,855	\$ 268,979	\$ 251,593	\$ 161,151	\$ 151,990
Net Investment Income	64,191	21,048	44,023	(4,697)	24,792
Benefit Payments	(151,855)	(252,121)	(227,280)	(140,506)	(135,832)
Net Change in Plan Fiduciary Net Position	81,191	37,906	68,336	15,948	40,950
Plan Fiduciary Net Position - Beginning	389,213	351,307	282,971	267,023	226,073
Plan Fiduciary Net Position - Ending	<u>\$ 470,404</u>	<u>\$ 389,213</u>	<u>\$ 351,307</u>	<u>\$ 282,971</u>	<u>\$ 267,023</u>
Net OPEB Liability - Ending	<u>\$ 3,322,142</u>	<u>\$ 4,333,167</u>	<u>\$ 4,076,314</u>	<u>\$ 4,234,340</u>	<u>\$ 4,025,962</u>

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

See Independent Auditors' Report

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

OPERATING FUND AND OPEB TRUST FUND

	2021	2020	2019	2018	2017
Schedules of Net OPEB Liability:					
Total OPEB Liability	\$ 3,792,546	\$ 4,722,380	\$ 4,427,621	\$ 4,517,311	\$ 4,292,985
Plan Fiduciary Net Position	470,404	389,213	351,307	282,971	267,023
Net OPEB Liability	<u>\$ 3,322,142</u>	<u>\$ 4,333,167</u>	<u>\$ 4,076,314</u>	<u>\$ 4,234,340</u>	<u>\$ 4,025,962</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	12.40%	8.24%	7.93%	6.26%	6.22%
Total Employee Payroll*	\$ 3,542,073	\$ 3,392,464	\$ 3,581,997	\$ 3,320,698	\$ 3,147,743
Net OPEB Liability as a Percentage of Total Employee Payroll	93.79%	127.73%	113.80%	127.51%	127.90%
Schedules of Employer Contributions:					
Actuarially Determined Contributions	\$ 312,318	\$ 416,940	\$ 404,501	\$ 194,521	\$ 759,438
Contributions in relation to the actuarially determined contribution	(168,855)	(268,979)	(251,593)	(161,151)	(151,990)
Contribution Deficiency (Excess)	<u>\$ 143,463</u>	<u>\$ 147,961</u>	<u>\$ 152,908</u>	<u>\$ 33,370</u>	<u>\$ 607,448</u>
Total Employee Payroll*	\$ 3,542,073	\$ 3,392,464	\$ 3,581,997	\$ 3,320,698	\$ 3,147,743
Contributions as a percentage of Total Employee Payroll	4.77%	7.93%	7.02%	4.85%	4.83%
Schedules of Investment Returns:					
Annual Money-Weighted rate of Return, net of investment expenses	16.58%	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.

See Independent Auditors' Report

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

NOTE A – OTHER POSTEMPLOYMENT BENEFITS:

Changes in Assumptions

The discount rate was decreased from 5.83% as of December 31, 2020 to 5.82% as of December 31, 2021.

The expected rate of return was decreased from 6.50% to 6.25%.

Changes in Plan Provisions

Changes to the out-of-pocket limit for the Harvard Pilgrim HMO and PPO plans were effective July 1, 2020.

BELMONT LIGHT
SCHEDULES OF SALES OF ELECTRICITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

OPERATING FUND

	<u>2021</u>	<u>2020</u>
SALES OF ELECTRICITY:		
Residential	\$ 15,368,651	\$ 15,239,363
Commercial	3,916,233	3,690,186
Industrial	4,178,800	4,145,419
Municipal	1,298,843	1,044,232
Private Lighting	60,460	59,668
Street Lights	<u>193,614</u>	<u>258,262</u>
TOTAL SALES OF ELECTRICITY	<u>\$ 25,016,601</u>	<u>\$ 24,437,130</u>

See Independent Auditors' Report

BELMONT LIGHT
SCHEDULES OF OPERATIONS AND MAINTENANCE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

OPERATING FUND

	2021	2020
POWER PRODUCTION EXPENSES:		
Purchased Power Expense	\$ 11,195,769	\$ 10,740,726
Transmission Expense	3,629,303	3,064,176
Total Power Production Expenses	14,825,072	13,804,902
DISTRIBUTION EXPENSES:		
Miscellaneous Distribution Expenses	156,174	144,560
Line Expenses	805,044	666,420
Operation Supplies and Expenses	649,836	567,431
Maintenance of Meters	170,841	107,031
Customer Installations Expense	60,223	71,393
Stores Expense	80,018	95,995
Total Distribution Expenses	1,922,136	1,652,830
CUSTOMER ACCOUNT EXPENSES:		
Customer Accounting and Collection Expense	1,068,845	835,727
Meter Reading Expense	31,646	98,930
Uncollectible Accounts	(94,087)	138,331
Total Customer Accounts	1,006,404	1,072,988
GENERAL AND ADMINISTRATIVE EXPENSES:		
Administrative and General Salaries	970,877	1,316,991
Office Supplies and Expenses	250,656	256,415
Outside Services Employed	262,470	354,610
Insurance, Injuries and Damages	280,462	215,156
Employees' Pension and Benefits	1,753,295	2,116,603
Dues, Meetings, and Other General Expenses	33,815	43,514
Transportation Expenses	42,224	53,557
Marketing Expenses	43,022	32,573
Total General and Administrative Expenses	3,636,821	4,389,419
MAINTENANCE EXPENSES:		
Maintenance - Other	99,356	146,984
TOTAL OPERATIONS AND MAINTENANCE EXPENSES	\$ 21,489,789	\$ 21,067,123

See Independent Auditors' Report