

BELMONT LIGHT
Financial Statements
December 31, 2022 and 2021

BELMONT LIGHT
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DECEMBER 31, 2022 AND 2021

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

INDEPENDENT AUDITORS' REPORT

The Belmont Municipal Light Board
Belmont Light
Belmont, Massachusetts 02478

Opinion

We have audited the accompanying financial statements of Belmont Light, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which comprise the basic financial statements as listed in the table of contents.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' 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 Belmont Light's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

324 Grove Street Worcester MA, 01605

Tel: 508.757.5957 • Fax: 1.508.422.0883 • Email: admin@gsamycpa.com • Web: www.gsamycpa.com

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 generally accepted auditors standards 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 there is a substantial likelihood that they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditors standards, 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, 2022 and 2021, the changes in financial position, or, where applicable, its cash flows for the years then ended in conformity 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 eleven and pages 41 through 44 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 45 and 46 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 26, 2023

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, 2022 and 2021. 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, 2022, it shows our net position increased by 0.93% to \$25,519,361 from \$25,284,074 compared to the year ended December 31, 2021. 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, 2022 and 2021 was \$585,287 and \$2,192,342, respectively. Belmont Light has maintained its base electric rate unchanged since 2019 to help minimize the financial impact of COVID-19 pandemic. Our 2022 net income decrease is caused by two factors: escalated purchased power costs and low base electric rates. Therefore, new base electric rates were approved in 2022 to be applied to the customer accounts effective January 1, 2023.

The Statements of Cash Flows provide information about the cash receipts and cash payments during the accounting period. It also provides information about the investing and financing activities for the same period. A review of our Statements of Cash Flows indicates that cash receipts from operating activities, (that is, electricity sales and related services) adequately cover our operating expenses.

Summary of Net Position

	<u>2022</u>	<u>2021</u>
Current Assets	\$ 18,000,829	\$ 20,153,644
Noncurrent Assets	<u>43,329,680</u>	<u>41,788,671</u>
Total Assets	<u>61,330,509</u>	<u>61,942,315</u>
Deferred Outflows of Resources	<u>2,110,520</u>	<u>2,179,551</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 63,441,029</u>	<u>\$ 64,121,866</u>
Current Liabilities	\$ 5,389,968	\$ 4,266,378
Noncurrent Liabilities	<u>25,497,148</u>	<u>28,838,448</u>
Total Liabilities	<u>30,887,116</u>	<u>33,104,826</u>
Deferred Inflows of Resources	<u>7,034,552</u>	<u>5,732,966</u>

Summary of Net Position (Continued)

Net Position:		
Net Investment in Capital Assets, Net of Related Debt	19,618,011	17,369,084
Restricted for Depreciation	9,916,949	9,946,424
Unrestricted Net Position	<u>(4,015,599)</u>	<u>(2,031,434)</u>
Total Net Position	<u>25,519,361</u>	<u>25,284,074</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 63,441,029</u>	<u>\$ 64,121,866</u>

Summary of Changes in Net Position

	<u>2022</u>	<u>2021</u>
Operating Revenues	\$ 26,350,254	\$ 25,476,768
Operating Expenses	<u>25,156,528</u>	<u>22,990,147</u>
Operating Income	1,193,726	2,486,621
Nonoperating Revenues (Expenses)	<u>(608,439)</u>	<u>(294,279)</u>
Income Before Contributions and Transfers	585,287	2,192,342
Beginning Net Position	25,284,074	23,741,732
Transfers Out – Payment in Lieu of Taxes	<u>(350,000)</u>	<u>(650,000)</u>
Ending Net Position	<u>\$ 25,519,361</u>	<u>\$ 25,284,074</u>

The Belmont Select Board served as the Municipal Light Board from 1938 through April 2022, with guidance from the Light Board Advisory Committee (previously the Municipal Light Advisory Board) since 2005. With the Town Meeting vote in approval of Article 2 on May 3, 2021, a new elected, 5-member Municipal Light Board, separate from the Select Board, was chosen during the April 5, 2022 Town Election in accordance with M.G.L., Ch. 164, sec. 55.

The Municipal Light Board is responsible for determining the voluntary amount that Belmont Light pays to the Town in lieu of taxes. Working from an agreement reached in 2020, a 2022 PILOT payment of \$350,000 was approved for transfer in November 2022 and transferred to the Town in the beginning of 2023. Expected future PILOT payments are \$450,000 in 2023, and \$650,000 in 2024, subject to further review and adjustment. Any PILOT payments are subject to the availability of funds in accordance with Massachusetts General Laws.

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

In order to fulfill our mission, Belmont Light commits to maintain rate value while providing reliable service for its customers. It intends to maintain local control and access to the wholesale power market. Belmont Light acknowledges the obligation to look at alternative sources of renewable energy in order to preserve the integrity of the environment for future generations. Belmont Light will employ its resources effectively and efficiently to achieve its strategic priorities. 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 2022.

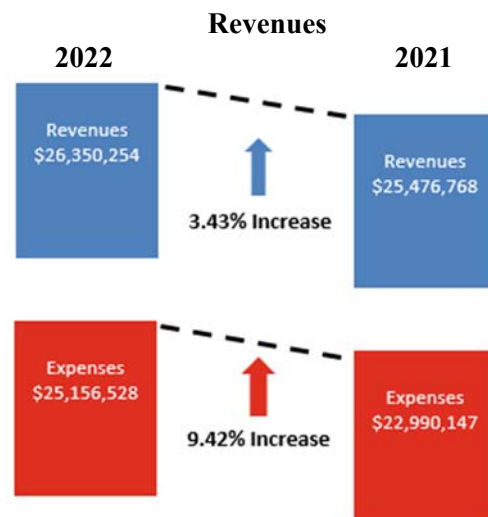
- 124,913,451 kWh of electricity to 11,817 customer accounts.
- Highest system peak demand of 34,229 kWh occurred on August 8th.
- Top 20 kWh users generate ~20% of Belmont Light revenue.
- Annually 0.419 outages per customer lasting an average of 71.509 minutes.

Operating Overview

2022 Revenues vs. 2021 Revenues

Total revenues increased by \$873,486:

- Revenues from sales of electricity for 2022 were \$25,837,680 compared to \$25,016,601 in 2021. 2022 revenues include a Power Cost Adjustment (PCA) charge collection of \$966,807 to cover escalated costs of power.
- Other operating revenues of \$512,574 show an increase by \$52,407, primarily due to efficient collection actions (connect-disconnect fees, etc.), change of scrap metal contractor and related revenues.

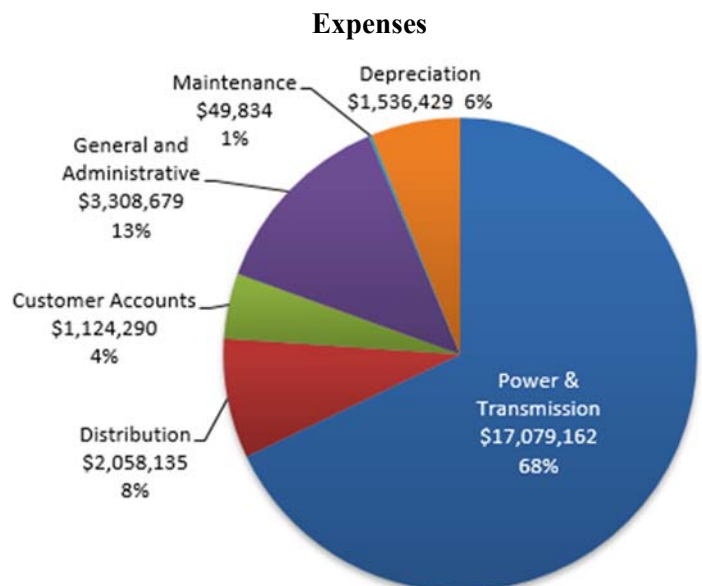


2022 Expenses vs. 2021 Expenses

Purchased Power costs were \$17,079,162 in 2022 compared to \$14,825,072 in 2021. The increase of \$2,254,090 (15%) is mainly caused by the increased cost of natural gas often used to generate electricity. This increase was significantly impacted by spot market power purchases in 2022.

Included in the purchased power costs are credits in the amount of \$180,680 provided to Belmont rooftop solar customers in 2022 comparing to \$143,533 in 2021.

Distribution expenses increased \$135,999 (7%), mainly caused by overall inflation, an increase of maintenance work performed by the operations team, and a significant increase of the cost of the materials used for distribution system maintenance.



Operating Overview (Continued)

2022 Expenses vs. 2021 Expenses (continued)

Customer Accounts expenses increased by \$117,886 (12%) mainly due to an increase of Demand Side Management related programs and the cost associated with our customer collections & billing. Significant efforts of the Customer Service team aimed to collect past due amounts resulting in a decrease of uncollectible expenses which partially off-set the increase of other customer accounts related expenses.

The General & Administrative expenses decrease of \$328,143 (9%) is primarily due to a reduction of the costs associated with employee's pensions & benefits (as a result of annual actuary adjustments). Additionally, in 2022 there was an increase of outside services and consultants costs, as well as transportation and office 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, 2022 was \$28.66 million (\$26.30 million for Distribution Plant, \$2.18 million for General Plant and \$0.18 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.

Engineering & Operations

The Engineering and Operations team made significant progress this year pertaining to capital improvements and maintenance on its electrical distribution system where some of the details are summarized below.

LED Street Light Project: Our street light conversion initiative was completed this year, ahead of schedule, with the replacement of the remaining 823 sodium-vapor style streetlights with LED style fixtures. With the completion of this project, all streetlights, approximately 2,400 throughout the Town, have been converted to LEDs, which will lead to a significant decrease of kilowatt-hour consumption (electrical energy), which results in cost savings for the Town going forward and simultaneously reducing Street Light revenues for Belmont Light.

Voltage Conversion Project: 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 2022 we converted approximately 1.028MW of load (approx. 1.25MVA connected load) in the Town. Parts include Belmont St, Trapelo Rd, Horne Rd, Harding Ave, Statler Rd, Hoitt Rd, Barnard St, Poplar St and Vincent Ave.

Civil upgrades were performed with the modification/installation of a manhole and duct system in preparation for future conversion work at the Hill Estates that consisted of installing approximately 2,500 linear feet of conduit along with switchgear manhole and transformer foundations.

Overall, our organization installed and removed approximately 9,000 circuit feet of underground cable and 8,000 circuit feet of overhead cable. 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.

Engineering & Operations (Continued)

Belmont Light completed some high-level maintenance projects with the continuation of our Pole Inspection Program along with maintenance of the Concord Ave and Hittinger St substations. The second phase of the Pole program entailed the inspection of 575 poles in the central west 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, were then scheduled for replacement.

In total, Belmont Light replaced 113 wooden poles and 16 aluminum street light poles throughout parts of the Town with the majority being related to Capital improvement upgrades.

Complete maintenance of the Concord Road and Hittinger Street substations were performed via testing of all equipment per NETA (Inter-National 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 2022, Belmont Light continued progress toward its goal of a 100% renewable power supply. By achieving an 83.3% renewable supply mix for the 2021 portfolio year, Belmont Light marked a third consecutive year of exceeding minimum annual renewable targets set forth in its Power Supply Policy. 2022's portfolio is on track to reach 100% and will be finalized in 2023.

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%	83.3%	22%	22.3%
2022	100%	-	24%	-

Belmont Light's 2022 purchased power expenses totaled \$17.1 million comparing to \$14.8 million in 2021. Energy was the largest spending category, followed by Transmission and Capacity.

Supply-Side Management & Renewable Energy (Continued)

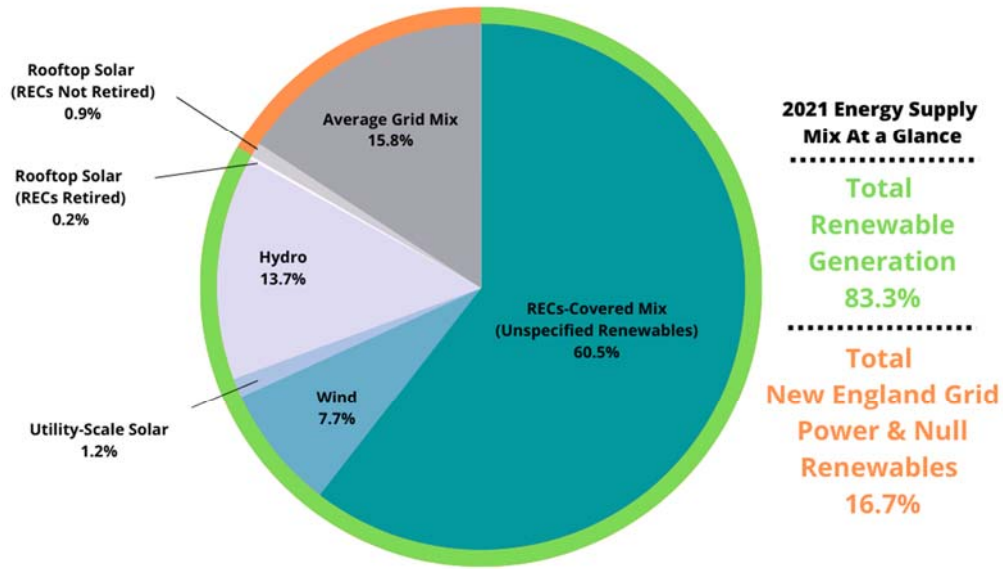
Power Supply Expenses		
	2022	2021
Total MWh Purchased	131,553	132,098
Total \$- Energy*	\$ 9,214,710.45	\$ 6,920,458.63
Total \$- Capacity	\$ 2,652,601.19	\$ 3,128,432.55
Total \$- Transmission	\$ 3,795,319.46	\$ 3,629,302.64
Total \$- RECs**	\$ 1,422,569.25	\$ 1,109,011.86
All-In Power Costs***	\$ 17,085,200.35	\$ 14,787,205.68
\$/MWh	\$ 129.87	\$ 111.94

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

**Does not include Green Choice RECs Costs

***Does not include Rate Stabilization funds

Belmont Light Energy Supply Mix 2021

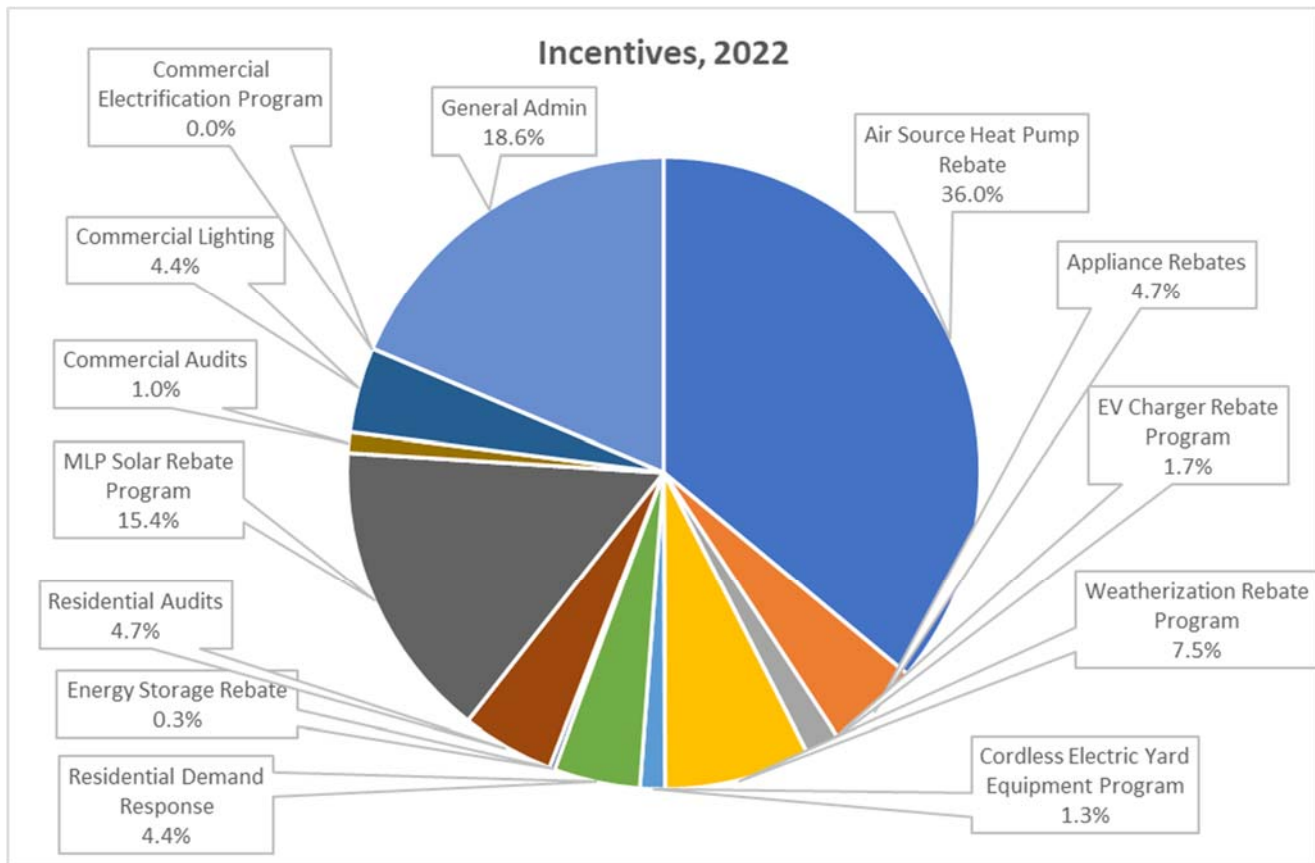


Demand-Side Management & Energy Conservation

Demand side management programs and rebates are important for promoting energy efficiency and reducing energy consumption. Overall, these programs play an important role in promoting sustainability and reducing the environmental impact of energy consumption.

For 2022, Belmont Light saw increased interest and activity across multiple programs. With each customer that we helped, we were continually and strategically boosting electrification to both help achieve Belmont’s Climate Action goals and to keep rates stable into the future. In total, our incentives and administration and marketing costs associated with the residential programs totaled \$522,420. Demand-Side Management programs expenses have risen by 23% compared to the previous year, while the popularity of heat-pump, solar, weatherization, and appliance rebate programs has increased.

Demand-Side Management & Energy Conservation (Continued)



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 2022, there were no changes in Belmont Light’s base rates for residential, commercial, and municipal customers. However, during 2022 Belmont Light underwent a Cost of Service Study and has since adjusted its rates effective January 1, 2023. Our new rates produce a 6% increase in distribution revenue for every rate class except Large Municipal. The Large Municipal distribution charges were lowered to produce a 4.1% return which matches the overall rate of return in 2023.

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 throughout the year through its PCA clause. Belmont Light prepares a “true-up” of projections regularly to verify the correctness of the charge (or credit) that has been established and makes changes if necessary.

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

Community Outreach

With some semblance of normalcy return following the COVID-19 pandemic, Belmont Light was able to participate in a full slate of in-person public events in 2022. Throughout the year, staff partook in or supported:

- The Belmont Farmers' Market
- Belmont Town Day
- Home electrification event with the Energy Committee
- Belmont Goes Electric! Home, Garden, & Garage event
- Touch A Truck Event
- Trick or Treating at Town Hall
- Annual "Light Up the Town" Tree Lighting Ceremony
- Electric vehicle info session in partnership with the Belmont Public Library
- Many more virtual presentations and forums

In December 2022, 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, 2022 AND 2021

OPERATING FUND

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2022	2021
CURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Operating Cash	\$ 4,303,893	\$ 5,832,251
Construction Cash	9,182,774	9,933,342
Accounts Receivable - Customers, Net	1,392,574	1,474,140
Accounts Receivable - Other	277,348	195,318
Interest Receivable	21,613	0
Materials and Supplies	934,659	829,691
Prepaid Expenses	76,239	93,148
Purchased Power Prepayments	1,811,729	1,795,754
TOTAL CURRENT ASSETS	18,000,829	20,153,644
NONCURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Depreciation Fund	9,916,949	9,946,424
Customer Deposits	146,053	143,879
Rate Stabilization Reserve Fund	2,571,346	2,571,584
Debt Sinking Reserve Fund - Premium	1,628,778	1,680,348
Rate Stabilization Reserve Fund - MMWEC	407,559	426,997
Utility Plant Assets, Net	28,658,995	27,019,439
TOTAL NONCURRENT ASSETS	43,329,680	41,788,671
TOTAL ASSETS	61,330,509	61,942,315
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows of Resources Related to Pensions	2,066,160	2,142,076
Deferred Outflows of Resources Related to OPEB	44,360	37,475
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,110,520	2,179,551
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 63,441,029	\$ 64,121,866

See Accompanying Notes to the Financial Statements

BELMONT LIGHT
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

OPERATING FUND

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2022	2021
CURRENT LIABILITIES:		
Bond Payable, Current	\$ 1,409,938	\$ 1,359,938
Accounts Payable	3,366,152	2,280,700
Accrued Expenses	613,878	625,740
TOTAL CURRENT LIABILITIES	5,389,968	4,266,378
NONCURRENT LIABILITIES:		
Customer Deposits	154,784	151,761
Bond Payable, Net of Current Portion	16,813,820	18,223,759
Net Pension Liability	5,109,560	7,140,786
Net Other Postemployment Benefit Liability	3,418,984	3,322,142
TOTAL NONCURRENT LIABILITIES	25,497,148	28,838,448
TOTAL LIABILITIES	30,887,116	33,104,826
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows of Resources Related to Pensions	2,023,642	535,008
Deferred Inflows of Resources Related to OPEB	928,055	1,206,040
Customer Advances	8,277	0
Rate Stabilization Reserve	2,978,915	2,998,591
Contribution in Aid of Construction, Net of Amortization	1,095,663	993,327
TOTAL DEFERRED INFLOWS OF RESOURCES	7,034,552	5,732,966
NET POSITION:		
Net Investment in Capital Assets, Net of Related Debt	19,618,011	17,369,084
Restricted for Depreciation	9,916,949	9,946,424
Unrestricted Net Position	(4,015,599)	(2,031,434)
TOTAL NET POSITION	25,519,361	25,284,074
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 63,441,029	\$ 64,121,866

See Accompanying Notes to the Financial Statements

BELMONT LIGHT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

OPERATING FUND

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES:		
Sales of Electricity	\$ 25,837,680	\$ 25,016,601
Other Operating Revenues	512,574	460,167
	<u>26,350,254</u>	<u>25,476,768</u>
OPERATING EXPENSES:		
Operations and Maintenance	23,620,099	21,489,789
Depreciation, Net of Amortization	1,536,429	1,500,358
	<u>25,156,528</u>	<u>22,990,147</u>
OPERATING INCOME	<u>1,193,726</u>	<u>2,486,621</u>
NONOPERATING REVENUES (EXPENSES):		
Investment Income (Loss)	46,125	410,166
Bond Interest Expense	(654,564)	(704,445)
	<u>(608,439)</u>	<u>(294,279)</u>
Income Before Contributions and Transfers	585,287	2,192,342
NET POSITION - JANUARY 1	25,284,074	23,741,732
Transfers Out - Payment in Lieu of Taxes	<u>(350,000)</u>	<u>(650,000)</u>
NET POSITION - DECEMBER 31	<u>\$ 25,519,361</u>	<u>\$ 25,284,074</u>

See Accompanying Notes to the Financial Statements

BELMONT LIGHT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

OPERATING FUND

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 26,306,413	\$ 25,497,930
Cash Paid to Suppliers	(18,296,018)	(15,582,627)
Cash Paid to Employees	(3,747,337)	(3,542,073)
Cash Paid for Benefits	(1,242,954)	(1,753,295)
Payment in Lieu of Taxes	(350,000)	(650,000)
Net Cash Provided by Operating Activities	2,670,104	3,969,935
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal Repayment on Bond Payable	(1,260,000)	(1,215,000)
Contribution in Aid of Construction	135,771	193,792
Additions to Plant Assets	(3,209,420)	(2,019,634)
Interest Expense	(665,225)	(714,726)
Net Cash Used by Capital and Related Financing Activities	(4,998,874)	(3,755,568)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Income	52,018	12,498
Net Transfers to Rate Stabilization Fund	0	(800,000)
Net Transfers to Depreciation Fund	0	(402,394)
Net Cash Provided (Used) by Investing Activities	52,018	(1,189,896)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,276,752)	(975,529)
CASH AND CASH EQUIVALENTS - BEGINNING	15,909,472	16,885,001
CASH AND CASH EQUIVALENTS - ENDING	\$ 13,632,720	\$ 15,909,472

See Accompanying Notes to the Financial Statements

BELMONT LIGHT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

OPERATING FUND

	2022	2021
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 1,193,726	\$ 2,486,621
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,569,864	1,527,979
Amortization of Contribution in Aid of Construction	(33,435)	(27,621)
Allowance for Doubtful Accounts	(47,738)	(205,324)
Rate Stabilization Reserve	(46,400)	22,903
Payment in Lieu of Taxes	(350,000)	(650,000)
Pension Expense	784,640	1,105,118
OPEB Expense	2,449	158,214
(Increase) Decrease in Assets:		
Accounts Receivable - Customers, Net	129,304	167
Accounts Receivable - Other	(82,030)	197,957
Materials and Supplies	(104,968)	(62,954)
Deferred Outflows Related to Pensions	(1,251,316)	(1,198,009)
Prepaid Expenses	16,909	(5,575)
Purchased Power Prepayments	(15,975)	(153)
Increase (Decrease) in Liabilities:		
Accounts Payable	1,085,452	755,750
Customer Deposits	3,023	5,459
Accrued Expenses	(1,201)	28,258
Customer Advances	8,277	0
Net Other Postemployment Benefits Liability	(190,477)	(168,855)
Net Cash Provided by Operating Activities	\$ 2,670,104	\$ 3,969,935

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

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

	2022	2021
Operating Cash	\$ 4,303,893	\$ 5,832,251
Construction Cash	9,182,774	9,933,342
Customer Deposits	146,053	143,879
	\$ 13,632,720	\$ 15,909,472

See Accompanying Notes to the Financial Statements

BELMONT LIGHT
STATEMENTS OF FIDUCIARY NET POSITION
DECEMBER 31, 2022 AND 2021

OPEB TRUST FUND

ASSETS

	2022	2021
Funds on Deposit with Town Treasurer		
Cash and Investments	\$ 489,323	\$ 470,404

FIDUCIARY NET POSITION

FIDUCIARY NET POSITION - Restricted	\$ 489,323	\$ 470,404
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BELMONT LIGHT
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

OPEB TRUST FUND

	2022	2021
Contributions	\$ 17,000	\$ 17,000
Net Investment Income	1,919	64,191
CHANGE IN FIDUCIARY NET POSITION	18,919	81,191
FIDUCIARY NET POSITION - JANUARY 1	470,404	389,213
FIDUCIARY NET POSITION - DECEMBER 31	\$ 489,323	\$ 470,404

See Accompanying Notes to the Financial Statements

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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 2022 and 2021 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 2022 presentation.

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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 \$220,463 and \$268,201 for the years ended December 31, 2022 and 2021, 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, 2022 AND 2021

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, 2022 and 2021 was \$2,978,905 and \$2,998,581, 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, 2022 and 2021, funds held by MMWEC amounted to \$407,559 and \$426,997, respectively. As of December 31, 2022 and 2021, rate stabilization funds held by the Town of Belmont amounted to \$2,571,346 and \$2,571,584, 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, 2022 AND 2021

NOTE 2 - RATE STABILIZATION FUND (Continued):

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.

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.

- Level 1 - U.S. Government Securities and Certificates of Deposit:
Valued at closing price as reported on the active market on which the individual securities are traded.
- Level 2- Municipal Bonds and U.S. Government Securities:
Investments in debt securities are valued using interest rate curves and credit spreads applied to the terms of the debt instrument along with counterparty credit rating.

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.

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 - RATE STABILIZATION FUND (Continued):

The chart below sets forth, by level within the fair value hierarchy, Belmont Light's rate stabilization investments at fair value at December 31, 2022 and 2021. As of December 31, 2022 and 2021, the Department did not have any investments that were measured using Level 3 inputs.

December 31, 2022			
Description	Level 1 Fair Value	Level 2 Fair Value	Total
<u>FMV Investments:</u>			
Municipal Bonds			
AAA	\$ 0	\$ 8,280	\$ 8,280
AA	0	36,854	36,854
AA-	0	21,989	21,989
A+	0	4,067	4,067
US Government Securities	<u>136,429</u>	<u>119,875</u>	<u>256,304</u>
Total FMV Investments	<u>136,429</u>	<u>191,065</u>	<u>327,494</u>
<u>Other Securities</u>			
Money Market	60,264	0	60,264
Certificates of Deposit	<u>19,800</u>	<u>0</u>	<u>19,800</u>
Total Other Securities	<u>80,064</u>	<u>0</u>	<u>80,064</u>
Total	<u>\$ 216,493</u>	<u>\$ 191,065</u>	<u>\$ 407,558</u>

December 31, 2021			
Description	Level 1 Fair Value	Level 2 Fair Value	Total
<u>FMV Investments:</u>			
Municipal Bonds			
AAA	\$ 0	\$ 9,550	\$ 9,550
AA	0	59,699	59,699
AA-	0	39,355	39,355
A+	0	4,906	4,906
US Government Securities	<u>167,681</u>	<u>109,090</u>	<u>276,771</u>
Total FMV Investments	<u>167,681</u>	<u>222,600</u>	<u>390,281</u>
<u>Other Securities</u>			
Money Market	17,173	0	17,173
Certificates of Deposit	<u>19,543</u>	<u>0</u>	<u>19,543</u>
Total Other Securities	<u>36,716</u>	<u>0</u>	<u>36,716</u>
Total	<u>\$ 204,397</u>	<u>\$ 222,600</u>	<u>\$ 426,997</u>

	Ratings as of Year End	2022 Fair Value	2022 Under 1 Year	2022 1-5 Years	2021 Fair Value
<u>Term Securities</u>					
Certificate of Deposit	Exempt	<u>\$ 19,800</u>	<u>\$ 0</u>	<u>\$ 19,800</u>	<u>\$ 19,543</u>

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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, 2022 and 2021 was \$113,204. These funds are commingled and deposited in investment pools. The total amount of these investment pools as of December 31, 2022 and 2021 was \$4,194,507 and \$4,185,076, respectively, of which Belmont Light's ownership was approximately 2.70% for both years.

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, 2022 and 2021 was \$9,916,949 and \$9,946,424, respectively. See Note 11 for disclosure of Belmont Light's investments held by the Town of Belmont.

NOTE 5 - RELATED PARTY TRANSACTIONS:

In 2022 and 2021, Belmont Light received payments from the Town in the amount of \$1,730,602 and \$1,774,169, respectively, and made payments to the Town in the amount of \$2,392,699 and \$2,561,658, respectively. At December 31, 2022 and 2021, the outstanding receivable balance was \$164,574 and \$270,045, respectively. As of December 31, 2022 and 2021 amounts due to the Town were \$356,509 and \$316,270, respectively.

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 - UTILITY PLANT ASSETS:

	Balance January 1, 2022	Increases	Decreases	Balance December 31, 2022
Capital Assets Not Being Depreciated:				
Land	\$ 1,586,597	\$ 0	\$ 0	\$ 1,586,597
Construction in Progress	<u>135,609</u>	<u>84,289</u>	<u>(35,045)</u>	<u>184,853</u>
Total Capital Assets Not Being Depreciated	<u>1,722,206</u>	<u>84,289</u>	<u>(35,045)</u>	<u>1,771,450</u>
Capital Assets Being Depreciated:				
Distribution Plant	42,414,200	2,919,867	(679,504)	44,654,563
General Plant	<u>9,914,617</u>	<u>240,309</u>	<u>(147,213)</u>	<u>10,007,713</u>
Total Capital Assets Being Depreciated	<u>52,328,817</u>	<u>3,160,176</u>	<u>(826,717)</u>	<u>54,662,276</u>
Less Accumulated Depreciation for:				
Distribution Plant	(19,351,251)	(1,272,426)	679,504	(19,944,173)
General Plant	<u>(7,680,333)</u>	<u>(297,438)</u>	<u>147,213</u>	<u>(7,830,558)</u>
Total Accumulated Depreciation	<u>(27,031,584)</u>	<u>(1,569,864)</u>	<u>826,717</u>	<u>(27,774,731)</u>
Capital Assets Being Depreciated, Net	<u>25,297,233</u>	<u>1,590,312</u>	<u>0</u>	<u>26,887,545</u>
Utility Plant Assets, Net	<u>\$ 27,019,439</u>	<u>\$ 1,674,601</u>	<u>\$ (35,045)</u>	<u>\$ 28,658,995</u>

Depreciation for the years ended December 31, 2022 and 2021 was \$1,569,864 and \$1,527,979, respectively. Depreciation expense reported on the Statements of Revenues, Expenses and Changes in Net Position is net of amortization of \$33,435 and \$27,621 related to contribution in aid of construction for the years ended December 31, 2022 and 2021, respectively.

NOTE 7 - NET INVESTMENT IN CAPITAL ASSETS:

	<u>2022</u>	<u>2021</u>
Cost of Capital Assets Acquired	\$ 56,433,726	\$ 54,051,023
Less: Accumulated Depreciation	(27,774,731)	(27,031,584)
Less: Outstanding Debt Related to Capital Assets	<u>(9,040,984)</u>	<u>(9,650,355)</u>
Net Investment in Capital Assets	<u>\$ 19,618,011</u>	<u>\$ 17,369,084</u>

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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, 2022 and 2021, the outstanding principal was \$17,215,000 and \$18,475,000, respectively.

Future maturities of the bonds are as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the Years Ending December 31,	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	1,520,000	405,513	1,925,513
	2028-2032	8,470,000	1,131,306	9,601,306
	2033-2034	1,645,000	66,500	1,711,500
		17,215,000	<u>\$ 3,724,763</u>	<u>\$ 20,939,763</u>
Plus: Unamortized Bond Premium		1,008,758		
Less: Current Maturities of Long Term Debt		<u>(1,409,938)</u>		
		<u>\$ 16,813,820</u>		

NOTE 9 - ACCRUED EXPENSES:

Accrued expenses as of December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Interest on Bonds	\$ 135,390	\$ 146,051
Accrued Payroll	139,830	131,783
Compensated Absences	<u>338,658</u>	<u>347,906</u>
Total Accrued Expenses	<u>\$ 613,878</u>	<u>\$ 625,740</u>

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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, 2022 and 2021, 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, 2022 AND 2021

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, 2022 and 2021 held by the Town of Belmont. As of December 31, 2022 and 2021, 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, 2022 AND 2021

NOTE 11 - CASH AND INVESTMENTS (Continued):

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

	December 31, 2022 Quoted Prices in Active Markets for Identical Assets <u>(All Level 1)</u>	December 31, 2021 Quoted Prices in Active Markets for Identical Assets <u>(All Level 1)</u>
<u>FMV Investments:</u>		
U.S. Government Securities	\$ 9,187,222	\$ 1,586,106
Equities	1,281,862	1,299,436
Mutual Funds	<u>0</u>	<u>410,100</u>
Total FMV Investments	10,469,084	3,295,642
 <u>Other Securities:</u>		
Money Markets	222,920	9,678,517
Certificates of Deposit	<u>3,425,069</u>	<u>1,224,197</u>
Total Other Securities	<u>3,647,989</u>	<u>10,902,714</u>
 Total	 <u>\$ 14,117,073</u>	 <u>\$ 14,198,356</u>

	Ratings As of <u>Year End</u>	2022 Fair Value	2022 Under 1 Year	2022 1-5 Years	2021 Fair Value
<u>Term Securities:</u>					
Certificates of Deposit	Exempt	<u>\$ 3,425,069</u>	<u>\$ 490,009</u>	<u>\$ 2,935,060</u>	<u>\$ 1,224,197</u>

The following accounts were considered to be investments as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Debt Sinking Fund	\$ 1,628,778	\$ 1,680,348
Depreciation Fund	9,916,949	9,946,424
Rate Stabilization Fund	<u>2,571,346</u>	<u>2,571,584</u>
	 <u>\$ 14,117,073</u>	 <u>\$ 14,198,356</u>

As of December 31, 2022 and 2021, 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 \$350,000 and \$650,000 for the years ended December 31, 2022 and 2021, respectively.

BELMONT LIGHT
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2022 AND 2021

NOTE 13 - 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 2049.

Belmont Light’s annual energy costs related to its long-term power purchase commitments as of 2022 are approximately as follows:

For the Years Ending December 31, 2023	\$	6,057,423
2024		5,562,842
2025		3,973,983
2026		3,632,365
2027		3,120,128
2028-2032		7,620,591
2033-2037		5,989,218
2038-2042		4,294,684
2043-2047		2,559,720
2048-2049		<u>834,405</u>
Total	\$	<u>43,645,359</u>

NOTE 14 - 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, 2022 and 2021 was \$489,323 and \$470,404, respectively.

The Trust implemented Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, which provides a definition of fair value. This framework 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 as follows:

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, 2022 AND 2021

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS TRUST 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. There have been no changes in methodologies used at December 31, 2022 and 2021.

- Mutual Funds and U.S. Government Securities:
Valued at closing price as reported on the active market on which the individual funds 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 following chart sets forth, by level within the fair value hierarchy, Belmont Light's investments at fair value at December 31, 2022 and 2021. As of December 31, 2022 and 2021, 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, 2022 AND 2021

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS TRUST FUND (Continued):

	December 31, 2022 Quoted Prices in Active Markets for Identical Assets (All Level 1)	December 31, 2021 Quoted Prices in Active Markets for Identical Assets (All Level 1)
<u>FMV Investments:</u>		
Mutual Funds	\$ 343,245	\$ 333,004
U.S. Government Securities	143,242	132,067
Total FMV Investments	486,487	465,071
 <u>Other Securities:</u>		
Money Market	2,836	5,333
 Total	 \$ 489,323	 \$ 470,404

As of December 31, 2022 and 2021, 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.

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	54

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.

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS TRUST FUND (Continued):

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.

Net OPEB Liability of the Plan

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

	2022	2021
Total OPEB Liability	\$ 3,908,307	\$ 3,792,546
Fiduciary Net Position	(489,323)	(470,404)
Net OPEB Liability	\$ 3,418,984	\$ 3,322,142

Fiduciary net position as a percentage of the total OPEB liability as of the measured date of December 31, 2022 and 2021 was 12.52% and 12.40%.

Actuarial Assumptions

The total OPEB liability as of December 31, 2022 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%
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, 2022 AND 2021

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS TRUST FUND (Continued):

Actuarial Assumptions (continued)

Investment rate of return	6.25%
Mortality tables	
<i>Pre-Retirement Mortality</i>	RP-2014 Blue Collar Employee Mortality Table set forward one year for females projected generationally with Scale MP-2017.
 <i>Healthy Mortality</i>	 RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year for females projected generationally with Scale MP-2017.
 <i>Disabled Mortality</i>	 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 expected future rates of return (expected returns, net of 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. The target allocation as of December 31, 2022 and the 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 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Equity	70%	6.11%
Core Fixed Income	30%	0.38%
Total	100%	

Discount Rate

The discount rate is a blend of long-term expected rate of return on OPEB Trust assets (6.25% as of June 30, 2021 and 2022) and a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (2.06% as of December 31, 2021 and 3.72% as of December 31, 2022). 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 5.82% as of December 31, 2021 and 6.00% as of December 31, 2022.

BELMONT LIGHT
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2022 AND 2021

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS TRUST FUND (Continued):

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

The following presents the net OPEB liability calculated using the discount rate of 6%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5%) or 1-percentage point higher (7%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>5%</u>	<u>6%</u>	<u>7%</u>
Net OPEB Liability	\$ 3,924,515	\$ 3,418,984	\$ 3,002,525

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	\$ 2,916,911	\$ 3,418,984	\$ 4,044,483

NOTE 15 - 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, 2022 and 2021, total premiums plus implicit costs for the retiree medical program were \$173,477 and \$151,855, respectively. During 2022 and 2021, Belmont Light also made contributions to an OPEB Trust of \$17,000 in each year, for a total contribution during 2022 and 2021 of \$190,477 and \$168,855, respectively.

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY (Continued):

OPEB Liabilities

At December 31, 2022 and 2021, Belmont Light reported a liability of \$3,418,984 and \$3,322,142, respectively, for its net OPEB liability. The 2022 and 2021 net OPEB liability was measured as of December 31, 2022 and 2021, and was determined by an actuarial valuation as of June 30, 2021.

OPEB Expense

For the years ended December 31, 2022 and 2021, Belmont Light recognized OPEB Expense of \$2,449 and \$158,214, respectively. At December 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
Changes of assumptions	\$ 21,020	\$ 31,530
Net difference between projected and actual earnings on OPEB Trust investments	<u>23,340</u>	<u>5,945</u>
Total	<u>\$ 44,360</u>	<u>\$ 37,475</u>
<u>Deferred Inflows of Resources Related to OPEB</u>	<u>2022</u>	<u>2021</u>
Changes of assumptions	\$ 406,971	\$ 487,574
Net difference between projected and actual earnings on OPEB Trust investments	27,974	40,610
Net difference between expected and actual experience	<u>493,110</u>	<u>677,856</u>
Total	<u>\$ 928,055</u>	<u>\$ 1,206,040</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:		
2023	\$	16,578	2023	\$	347,670
2024		16,579	2024		281,815
2025		5,601	2025		281,814
2026		<u>5,602</u>	2026		<u>16,756</u>
Total	\$	<u>44,360</u>			<u>\$ 928,055</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, 2022 AND 2021

NOTE 16 - 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, 2022 AND 2021

NOTE 16 - 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, 2022 and 2021 were \$1,198,009 and \$1,106,072, respectively, which were paid during calendar years 2021 and 2020, respectively.

Pension Liabilities

At December 31, 2022 and 2021, Belmont Light reported a liability of \$5,109,560 and \$7,140,786, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021 and 2020, respectively, and the total pension liability used to calculate the pension liability was determined by an actuarial valuation as of January 1, 2022 and 2020, respectively. Belmont Light's portion of the net pension liability was based on the current employees, retirees, inactive participants and actual share of net position to the entire system. Belmont Light's portion of the net pension liability was based on the percentage of the Belmont Light's contributions to the total System contributions as of the measured dates of December 31, 2021 and 2020, respectively. At the measured dates of December 31, 2021 and 2020, Belmont Light's portion was 10.64% and 10.26%, respectively, of the total System contributions.

Pension Expense

For the years ended December 31, 2022 and 2021, Belmont Light recognized a pension expense of \$784,640 and \$1,105,118, respectively. For the years ended December 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 450,349	\$ 472,537
Differences between expected and actual experience	28,200	97,877
Changes of assumptions	336,295	373,653
Department contributions subsequent to the measurement date	<u>1,251,316</u>	<u>1,198,009</u>
Total	<u>\$ 2,066,160</u>	<u>\$ 2,142,076</u>
 <u>Deferred Inflows of Resources Related to Pensions</u>	 <u>2022</u>	 <u>2021</u>
Net difference between projected and actual earnings on pension plan investments	\$ 1,485,451	\$ 535,008
Differences between expected and actual experience	<u>538,191</u>	<u>0</u>
Total	<u>\$ 2,023,642</u>	<u>\$ 535,008</u>

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 16 - PENSION PLAN (Continued):

Pension Expense (continued)

Of the total amount reported as deferred outflows of resources related to pensions, \$1,251,316 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, 2023. 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:	2023	\$	(115,222)
	2024		(361,448)
	2025		(409,164)
	2026		<u>(322,964)</u>
	Total	\$	<u>(1,208,798)</u>

Actuarial Assumptions

The total pension liability as of the measurement date December 31, 2021, was determined by an actuarial valuation as of January 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement.

Valuation Date	January 1, 2022
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 4.45% per year.
Remaining Amortization Period	As of January 1, 2022, 3 years for the 2003 ERI liability, 8 years for the remaining unfunded liability.
Asset Valuation Method	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period. Asset value is adjusted as necessary to be within 20% of the market value.
Investment Rate of Return	7.00%
Inflation Rate	3% per year
Projected Salary Increases	Varies by length of service with ultimate rates of 3.75% for Groups 1 and 2, and 4.25% for Group 4.
Cost of Living Allowance	3% of first \$13,000

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 16 - PENSION PLAN (Continued):

Actuarial Assumptions (continued)

Mortality Rates:

Pre-Retirement	RP-2014 Blue Collar Employee Mortality Table set forward one year for females and projected generationally with Scale MP-2021.
Healthy Retirees	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year for females and projected generationally with Scale MP-2021.
Disabled Retirees	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP-2021.

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

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, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic Equity	23%	6.11%
International Developed Markets Equity	13%	6.49%
International Emerging Markets Equity	7%	8.12%
Core Fixed Income	8%	0.38%
High-Yield Fixed Income	8%	2.48%
Emerging Market Debt	5%	2.67%
Real Estate	12%	3.72%
Commodities	10%	3.44%
Hedge Fund, GTAA, Risk Parity	7%	2.63%
Private Equity	7%	9.93%
Total	100%	

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 16 - PENSION PLAN (Continued):

Discount Rate

The discount rate used to measure the total pension liability was 7% as of the measured date December 31, 2021. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that Belmont Contributory Retirement System contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability of the Belmont Contributory Retirement System, calculated using the discount rate of 7%, 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%) or 1-percentage-point higher (8%) than the current rate:

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
Proportionate share of the Net Pension Liability	\$ 7,537,590	\$ 5,109,560	\$ 3,063,352

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,	2022	2021	2020	2019	2018	2017	2016	2015
Actuarial Valuation Date	1/1/2022	1/1/2020	1/1/2020	1/1/2018	1/1/2018	1/1/2016	1/1/2016	1/1/2014
Measurement Date	12/31/2021	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	10.64%	10.26%	10.26%	9.44%	9.42%	8.59%	8.58%	8.87%
Department's Proportionate Share of the NPL	\$ 5,109,560	\$ 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	\$ 3,257,218	\$ 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	156.87%	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	77.11%	66.47%	61.79%	56.16%	59.53%	55.97%	53.55%	56.19%
Schedule of Contributions:								
Actuarially Determined Contributions	\$ 1,198,009	\$ 1,106,072	\$ 1,045,824	\$ 910,577	\$ 848,861	\$ 723,497	\$ 676,065	\$ 653,599
Contributions in Relation to the Actuarially Determined Contribution	(1,198,009)	(1,106,072)	(1,045,824)	(910,577)	(848,861)	(723,497)	(676,065)	(653,599)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Department's Covered Payroll	\$ 3,257,218	\$ 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	36.78%	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.

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

OPERATING FUND AND OPEB TRUST FUND

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability:						
Service Cost	\$ 148,623	\$ 230,747	\$ 225,753	\$ 179,506	\$ 176,967	\$ 171,763
Interest	224,399	284,403	268,577	275,449	258,321	239,224
Change of Benefit Terms	0	(6,176)	0	(12,924)	0	0
Differences Between Expected and Actual Experience	0	(770,905)	0	(152,821)	0	0
Changes of Assumptions	(83,784)	(516,048)	52,550	(151,620)	(70,456)	33,732
Benefit Payments	(173,477)	(151,855)	(252,121)	(227,280)	(140,506)	(135,832)
Net Change in Total OPEB Liability	<u>115,761</u>	<u>(929,834)</u>	<u>294,759</u>	<u>(89,690)</u>	<u>224,326</u>	<u>308,887</u>
Total OPEB Liability - Beginning	<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>	<u>3,984,098</u>
Total OPEB Liability - Ending	<u>\$ 3,908,307</u>	<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	\$ 190,477	\$ 168,855	\$ 268,979	\$ 251,593	\$ 161,151	\$ 151,990
Net Investment Income	1,919	64,191	21,048	44,023	(4,697)	24,792
Benefit Payments	(173,477)	(151,855)	(252,121)	(227,280)	(140,506)	(135,832)
Net Change in Plan Fiduciary Net Position	<u>18,919</u>	<u>81,191</u>	<u>37,906</u>	<u>68,336</u>	<u>15,948</u>	<u>40,950</u>
Plan Fiduciary Net Position - Beginning	<u>470,404</u>	<u>389,213</u>	<u>351,307</u>	<u>282,971</u>	<u>267,023</u>	<u>226,073</u>
Plan Fiduciary Net Position - Ending	<u>\$ 489,323</u>	<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>\$ 3,418,984</u>	<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.

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

OPERATING FUND AND OPEB TRUST FUND

	2022	2021	2020	2019	2018	2017
Schedules of Net OPEB Liability:						
Total OPEB Liability	\$ 3,908,307	\$ 3,792,546	\$ 4,722,380	\$ 4,427,621	\$ 4,517,311	\$ 4,292,985
Plan Fiduciary Net Position	489,323	470,404	389,213	351,307	282,971	267,023
Net OPEB Liability	<u>\$ 3,418,984</u>	<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	12.52%	12.40%	8.24%	7.93%	6.26%	6.22%
Total Employee Payroll*	\$ 3,747,337	\$ 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	91.24%	93.79%	127.73%	113.80%	127.51%	127.90%
Schedules of Employer Contributions:						
Actuarially Determined Contributions	\$ 329,624	\$ 312,318	\$ 416,940	\$ 404,501	\$ 194,521	\$ 759,438
Contributions in relation to the actuarially determined contribution	<u>(190,477)</u>	<u>(168,855)</u>	<u>(268,979)</u>	<u>(251,593)</u>	<u>(161,151)</u>	<u>(151,990)</u>
Contribution Deficiency (Excess)	<u>\$ 139,147</u>	<u>\$ 143,463</u>	<u>\$ 147,961</u>	<u>\$ 152,908</u>	<u>\$ 33,370</u>	<u>\$ 607,448</u>
Total Employee Payroll*	\$ 3,747,337	\$ 3,542,073	\$ 3,392,464	\$ 3,581,997	\$ 3,320,698	\$ 3,147,743
Contributions as a percentage of Total Employee Payroll	5.08%	4.77%	7.93%	7.02%	4.85%	4.83%
Schedules of Investment Returns:						
Annual Money-Weighted rate of Return, net of investment expenses	0.42%	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.

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

NOTE A – OTHER POSTEMPLOYMENT BENEFITS LIABILITY:

Changes in Assumptions

The discount rate was increased from 5.82% as of December 31, 2021 to 6.00% as of December 31, 2022.

NOTE B – NET PENSION LIABILITY:

Changes in Assumptions

The investment rate of return was decreased from 7.15% as of the measurement date December 31, 2020 to 7.00% as of the measurement date December 31, 2021.

The mortality projection scale was updated from scale MP-2017 to MP-2021.

BELMONT LIGHT
SCHEDULES OF SALES OF ELECTRICITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

OPERATING FUND

	<u>2022</u>	<u>2021</u>
SALES OF ELECTRICITY:		
Residential	\$ 15,962,939	\$ 15,368,651
Commercial	4,005,860	3,916,233
Industrial	4,231,907	4,178,800
Municipal	1,461,029	1,298,843
Private Lighting	64,360	60,460
Street Lights	<u>111,585</u>	<u>193,614</u>
TOTAL SALES OF ELECTRICITY	<u>\$ 25,837,680</u>	<u>\$ 25,016,601</u>

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BELMONT LIGHT
SCHEDULES OF OPERATIONS AND MAINTENANCE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

OPERATING FUND

	2022	2021
POWER PRODUCTION EXPENSES:		
Purchased Power Expense	\$ 13,283,843	\$ 11,195,769
Transmission Expense	3,795,319	3,629,303
Total Power Production Expenses	17,079,162	14,825,072
DISTRIBUTION EXPENSES:		
Miscellaneous Distribution Expenses	166,328	156,174
Line Expenses	854,082	805,044
Operation Supplies and Expenses	689,926	649,836
Maintenance of Meters	203,702	170,841
Customer Installations Expense	68,308	60,223
Stores Expense	75,789	80,018
Total Distribution Expenses	2,058,135	1,922,136
CUSTOMER ACCOUNT EXPENSES:		
Customer Accounting and Collection Expense	1,118,858	1,068,845
Meter Reading Expense	32,896	31,646
Uncollectible Accounts	(27,464)	(94,087)
Total Customer Accounts	1,124,290	1,006,404
GENERAL AND ADMINISTRATIVE EXPENSES:		
Administrative and General Salaries	963,552	970,877
Office Supplies and Expenses	290,468	250,656
Outside Services Employed	371,925	262,470
Insurance, Injuries and Damages	276,119	280,462
Employees' Pension and Benefits	1,242,954	1,753,295
Dues, Meetings, and Other General Expenses	51,742	33,815
Transportation Expenses	68,869	42,224
Marketing Expenses	43,049	43,022
Total General and Administrative Expenses	3,308,678	3,636,821
MAINTENANCE EXPENSES:		
Maintenance - Other	49,834	99,356
TOTAL OPERATIONS AND MAINTENANCE EXPENSES	\$ 23,620,099	\$ 21,489,789

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