

BELMONT LIGHT
Financial Statements
December 31, 2023 and 2022

BELMONT LIGHT
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DECEMBER 31, 2023 AND 2022

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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, 2023 and 2022, and the related notes to the financial statements, which collectively 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 respective financial position of Belmont Light as of December 31, 2023 and 2022, and the respective 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.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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, individually or in the aggregate, 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, 2023 and 2022, 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 ten and pages 40 through 43 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 44 and 45 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Goulet, Salvidio & Associates, P.C.

Goulet, Salvidio & Associates, P.C.

Worcester, Massachusetts
August 30, 2024

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, 2023 and 2022. 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, 2023, it shows our net position increased by 18.4% to \$30,208,453 from \$25,519,361 compared to the year ended December 31, 2022. 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, 2023 and 2022 was \$5,139,092 and \$585,287, respectively. Belmont Light increased its rates effective January 1, 2023. Additionally, Belmont Light adjusted the Time of Use (TOU) Pilot program and rates including the solar buy back schedule effective December 1, 2023. The rate increases were done based on the results of a cost of service study to effectively recover costs and meet Belmont Light financial KPIs (Key Performance Indicators). However, 2023 expenses were significantly lower than anticipated during the study and budget cycle.

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>2023</u>	<u>2022</u>
Current Assets	\$ 16,929,300	\$ 18,000,829
Noncurrent Assets	<u>47,782,629</u>	<u>43,329,680</u>
Total Assets	<u>64,711,929</u>	<u>61,330,509</u>
Deferred Outflows of Resources	<u>2,983,936</u>	<u>2,110,520</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 67,695,865</u>	<u>\$ 63,441,029</u>
Current Liabilities	\$ 4,404,134	\$ 5,389,968
Noncurrent Liabilities	<u>26,059,908</u>	<u>25,497,148</u>
Total Liabilities	<u>30,464,042</u>	<u>30,887,116</u>
Deferred Inflows of Resources	<u>7,023,370</u>	<u>7,034,552</u>

Summary of Net Position (Continued)

	<u>2023</u>	<u>2022</u>
Net Position:		
Net Investment in Capital Assets, Net of Related Debt	21,025,433	19,618,011
Restricted for Depreciation	9,743,300	9,916,949
Unrestricted Net Position	<u>(560,280)</u>	<u>(4,015,599)</u>
Total Net Position	<u>30,208,453</u>	<u>25,519,361</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 67,695,865</u>	<u>\$ 63,441,029</u>

Summary of Changes in Net Position

	<u>2023</u>	<u>2022</u>
Operating Revenues	\$ 29,603,096	\$ 26,350,254
Operating Expenses	<u>25,104,315</u>	<u>25,156,528</u>
Operating Income	4,498,781	1,193,726
Nonoperating Revenues (Expenses)	<u>640,311</u>	<u>(608,439)</u>
Income Before Contributions and Transfers	5,139,092	585,287
Beginning Net Position	25,519,361	25,284,074
Transfers Out – Payment in Lieu of Taxes	<u>(450,000)</u>	<u>(350,000)</u>
Ending Net Position	<u>\$ 30,208,453</u>	<u>\$ 25,519,361</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, an 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 2023 voluntary payment (also known as PILOT payment) of \$450,000 was approved and transferred in December 2023. Any voluntary payments are subject to the availability of funds in accordance with Massachusetts General Laws.

Belmont Light is a utility organization committed to providing 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 Services

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 2023.

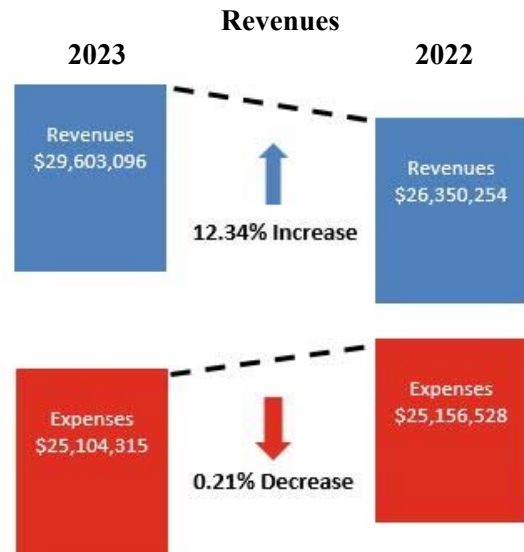
- 122,373,365 kWh of electricity to 11,825 customer accounts.
- Highest system peak demand of 32,756 kWh occurred on September 7th.
- Top 20 kWh users generate ~20% of Belmont Light revenue.
- Annually 0.403 outages per customer lasting an average of 90.656 minutes.

Operating Overview

2023 Revenues vs. 2022 Revenues

Total revenues increased by \$3,252,842:

- Revenues from sales of electricity for 2023 were \$29,119,805 compared to \$25,837,680 in 2022. While kWh sales for 2023 were ~2% lower than 2022, electric revenues increased by ~13% due to rates increases.
- Other operating revenues of \$483,291 show a decrease of \$29,283, primarily due to an increase of rebate amounts given to the customers.



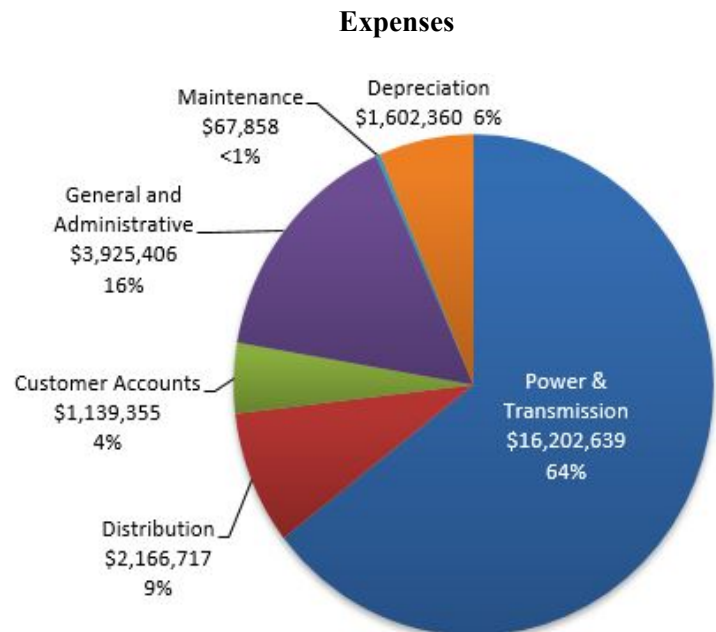
2023 Expenses vs. 2022 Expenses

Purchased Power costs were \$16,202,639 (including \$1,500,000 attributed to the transfer to the Rate Stabilization fund) in 2023 compared to \$17,079,162 in 2022. The decrease of \$876,523 (5%) is mainly caused by the decrease of spot market prices for electricity, changed RECs procurement strategy and an overall mild year comparing to anticipated during the budgeting cycle.

Included in the purchased power costs are credits in the amount of \$215,510 provided to Belmont rooftop solar customers in 2023 compared to \$180,680 in 2022.

Distribution expenses increased by \$108,582 (5%), mainly caused by overall inflation, and an increase of maintenance work performed by the operations team.

Customer Accounts expenses increased by \$15,045 (1%), which includes an increase in uncollectible expenses compared to 2022, and were partially off-set by customer accounting and collection cost decreases primarily due to understaffing. In 2022 uncollectible expenses were significantly lower than usual due to a reduction of the bad debt allowance reserve which was the result of significant efforts by the Customer Service team to collect overdue accounts.



Operating Overview (Continued)

2023 Expenses vs. 2022 Expenses (continued)

The General & Administrative expenses increase of \$616,728 (19%) is primarily due to an increase in the costs associated with employee's pensions & benefits related to the change of cost allocation done by the Town and annual actuary adjustments.

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, 2023 was \$31.5 million (\$28.3 million for Distribution Plant, \$2.4 million for General Plant and \$0.8 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.

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 2023 we converted approximately .788MW of load in the Town. Areas included Belmont St, Jonathan St, Ridge Rd, Frederick St, Jeanette Ave, Vale Rd, Walnut St, Chestnut St, Maple St, White St & Hull St.

Civil upgrades were continued in preparation for future conversion work at the Hill Estates, Royal Road & Waverly St. as well as other miscellaneous modifications which equated to the installation of approx. 4,038 linear feet along with handholes/foundations.

Overall, we installed/replaced approximately 13,734 (8,524 – Primary) circuit feet of underground cable, approximately 14,524 circuit feet of overhead Spacer Cable and 22,050 linear feet of Service Cable. A significant number of transformers (approximately 110) along with switches/protective devices were also installed/replaced in order to aid with our ongoing initiatives and to support customer-driven projects.

In total, we replaced 185 wooden poles and 13 aluminum street light poles throughout areas of the Town with the majority being related to voltage conversion project (Capital improvement upgrades) and others related to the Pole Inspection program, customer service upgrades and general system maintenance.

Station Maintenance: Complete maintenance of Station 2 and Blair Pond Substations were performed via testing of all equipment (Station Transformers, Breakers, etc.) per NETA (Inter-National Electrical Testing Association) specifications to ensure that we can continue to provide a high level of service.

Replacements of Transformer cooling fans at Station 1 & 2 were performed as well.

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 2023, Belmont Light maintained its goal of a 100% renewable power supply. 2023's portfolio is on track to reach 100% and will be finalized in 2024.

Year	Minimum Renewables Target	Total Renewables Level Achieved	Class I Target	Class I Level Achieved
2018	33.00%	34.00%	16.00%	17.00%
2019	50.00%	50.60%	18.00%	18.60%
2020	66.00%	66.30%	20.00%	20.30%
2021	83.00%	83.30%	22.00%	22.30%
2022	100.00%	100.30%	24.00%	24.30%
2023	100.00%	100.30%	26.00%	26.95%

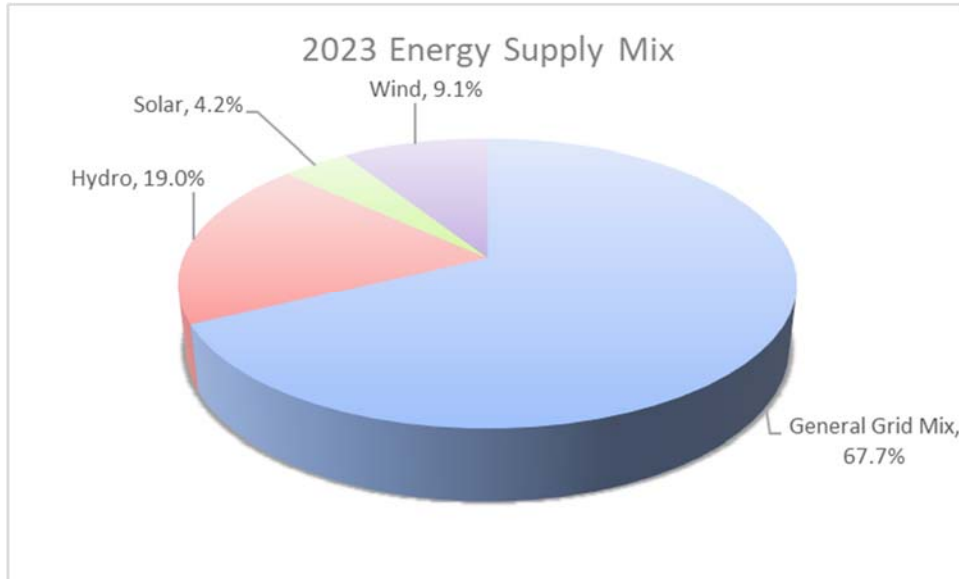
Belmont Light's 2023 purchased power expenses totaled \$16.2 million (including a \$1.5 million transfer to the Rate Stabilization fund) compared to \$17.1 million in 2022. Energy was the largest spending category, followed by Transmission and Capacity.

Power Supply Expenses		
	2023	2022
Total MWh Purchased	126,739	131,553
Total \$ - Energy	\$ 7,429,799	\$ 8,779,866
Total \$ - Ancillary, Schedule	\$ 842,125	\$ 434,844
Total \$ - Capacity	\$ 1,821,340	\$ 2,652,601
Total \$ - Transmission	\$ 3,436,094	\$ 3,795,319
Total \$ - RECs*	\$ 1,025,010	\$ 1,422,569
All-in Power Costs**	\$ 14,554,368	\$ 17,085,200
\$/MWh	\$ 114.84	\$ 129.87

* Does not include Green Choice RECs Costs

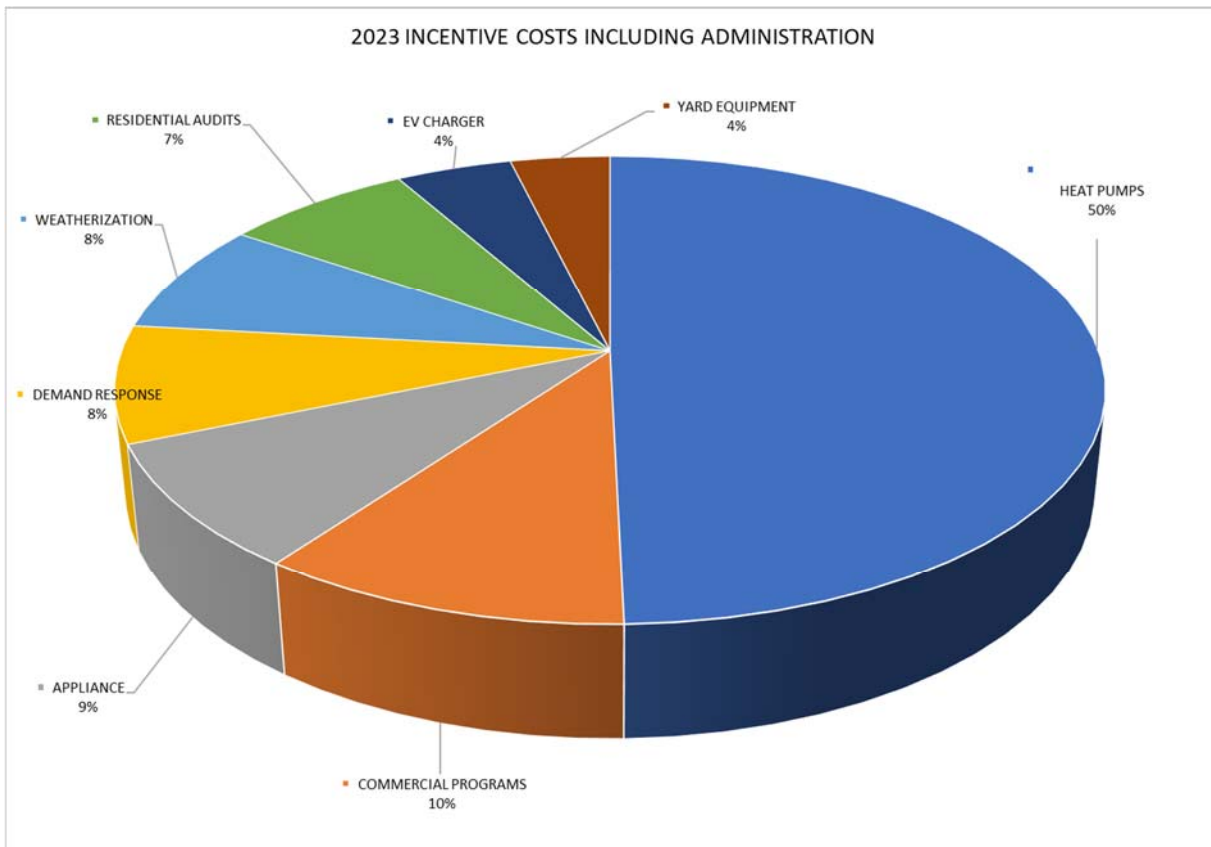
** Does not include Rate Stabilization fund transfers and interest

Supply-Side Management & Renewable Energy (Continued)



Demand-Side Management & Energy Conservation

For 2023, Belmont Light saw increased interest and activity across multiple programs. With each customer that we helped, we continually and strategically boosted electrification to both help achieve Belmont’s Climate Action goals and keep rates stable into the future. In total, our residential and commercial incentives and program administration costs were \$410,914, additional marketing and general administrative costs associated with the incentives were \$107,006, totaling \$517,920 for DSM & Energy Conservation expenses.



New Rates

During 2022 Belmont Light underwent a Cost of Service Study and 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

125 Years of Serving the Town of Belmont

2023 marked Belmont Light’s 125th year of serving the Town of Belmont. To celebrate this milestone, Belmont Light invited all residents to an open house event at our Prince Street headquarters, which included safety demonstrations, a Touch-a-Truck with our bucket trucks, a chance to dress like a line worker, and more. A big number of Belmont residents young and old attended the event, played games, and celebrated their community-owned utility.

Community Involvement

Belmont Light staff worked closely with the community throughout 2023 to spread awareness about the benefits of public power and safe electricity usage, with an emphasis on bill management and energy efficiency. In 2023, Belmont Light participated in and supported:

- The Belmont Farmers’ Market
- Belmont Town Day
- Induction Stove Cooking Demo event in partnership with the Belmont Public Library
- Air Source Heat Pump Buyer’s Guide webinar
- Hurricane Preparedness Event with Belmont Fire Department and Emergency Management
- Touch A Truck Event
- Trick or Treating at Town Hall
- Annual “Light Up the Town” Tree Lighting Ceremony
- Various virtual presentations and forums

In addition to events, Belmont Light aided other Town departments and community groups by lending labor and equipment in a number of ways, including:

- Continuing our lighting project for the Veterans Memorial Park
- Installing a new power supply for the Payson Park Music Festival’s temporary new home
- Removing banners from the rafters of the Skip Viglirolo Ice Rink ahead of its closing
- Lending our electric vehicle to the BFD for their training on response to fires and accidents with EVs

In December 2023, 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, 2023 AND 2022

OPERATING FUND

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2023	2022
CURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Operating Cash	\$ 5,362,437	\$ 4,303,893
Construction Cash	6,293,393	9,182,774
Accounts Receivable - Customers, Net	1,764,364	1,392,574
Accounts Receivable - Other	258,408	277,348
Interest Receivable	17,582	21,613
Materials and Supplies	1,269,389	934,659
Prepaid Expenses	92,443	76,239
Purchased Power Prepayments	1,871,284	1,811,729
 TOTAL CURRENT ASSETS	 16,929,300	 18,000,829
 NONCURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Depreciation Fund	9,743,300	9,916,949
Customer Deposits	179,525	146,053
Rate Stabilization Reserve Fund	4,188,574	2,571,346
Debt Sinking Reserve Fund - Premium	1,700,078	1,628,778
Rate Stabilization Reserve Fund - MMWEC	425,292	407,559
Utility Plant Assets, Net	31,545,860	28,658,995
 TOTAL NONCURRENT ASSETS	 47,782,629	 43,329,680
 TOTAL ASSETS	 64,711,929	 61,330,509
 DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows of Resources Related to Pensions	2,800,990	2,066,160
Deferred Outflows of Resources Related to OPEB	182,946	44,360
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 2,983,936	 2,110,520
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 \$ 67,695,865	 \$ 63,441,029

See Accompanying Notes to the Financial Statements

BELMONT LIGHT
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

OPERATING FUND

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2023	2022
CURRENT LIABILITIES:		
Bond Payable, Current	\$ 1,464,938	\$ 1,409,938
Accounts Payable	2,374,249	3,366,152
Accrued Expenses	564,947	613,878
TOTAL CURRENT LIABILITIES	4,404,134	5,389,968
NONCURRENT LIABILITIES:		
Customer Deposits	189,833	154,784
Bond Payable, Net of Current Portion	15,348,882	16,813,820
Net Pension Liability	7,141,161	5,109,560
Net Other Postemployment Benefit Liability	3,380,032	3,418,984
TOTAL NONCURRENT LIABILITIES	26,059,908	25,497,148
TOTAL LIABILITIES	30,464,042	30,887,116
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows of Resources Related to Pensions	403,660	2,023,642
Deferred Inflows of Resources Related to OPEB	917,677	928,055
Customer Advances	0	8,277
Rate Stabilization Reserve	4,613,875	2,978,915
Contribution in Aid of Construction, Net of Amortization	1,088,158	1,095,663
TOTAL DEFERRED INFLOWS OF RESOURCES	7,023,370	7,034,552
NET POSITION:		
Net Investment in Capital Assets, Net of Related Debt	21,025,433	19,618,011
Restricted for Depreciation	9,743,300	9,916,949
Unrestricted Net Position	(560,280)	(4,015,599)
TOTAL NET POSITION	30,208,453	25,519,361
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 67,695,865	\$ 63,441,029

See Accompanying Notes to the Financial Statements

BELMONT LIGHT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

OPERATING FUND

	2023	2022
OPERATING REVENUES:		
Sales of Electricity	\$ 29,119,805	\$ 25,837,680
Other Operating Revenues	483,291	512,574
	29,603,096	26,350,254
OPERATING EXPENSES:		
Operations and Maintenance	23,501,955	23,620,099
Depreciation, Net of Amortization	1,602,360	1,536,429
	25,104,315	25,156,528
OPERATING INCOME	4,498,781	1,193,726
NONOPERATING REVENUES (EXPENSES):		
Grant Revenue	39,690	30,000
Grant Expense	0	(30,000)
Investment Income	1,202,683	46,125
Bond Interest Expense	(602,062)	(654,564)
	640,311	(608,439)
Income Before Contributions and Transfers	5,139,092	585,287
NET POSITION - JANUARY 1	25,519,361	25,284,074
Transfers Out - Payment in Lieu of Taxes	(450,000)	(350,000)
NET POSITION - DECEMBER 31	\$ 30,208,453	\$ 25,519,361

See Accompanying Notes to the Financial Statements

BELMONT LIGHT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

OPERATING FUND

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 30,920,256	\$ 26,306,413
Cash Paid to Suppliers	(19,765,393)	(18,296,018)
Cash Paid to Employees	(3,868,229)	(3,747,337)
Cash Paid for Benefits	(1,827,297)	(1,242,954)
Payment in Lieu of Taxes	(450,000)	(350,000)
Net Cash Provided by Operating Activities	5,009,337	2,670,104
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal Repayment on Bond Payable	(1,310,000)	(1,260,000)
Contribution in Aid of Construction	30,004	135,771
Additions to Plant Assets	(4,526,733)	(3,209,420)
Grant Revenue	39,690	0
Interest Expense	(613,825)	(665,225)
Net Cash Used by Capital and Related Financing Activities	(6,380,864)	(4,998,874)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Income (Loss)	460,337	52,018
Net Transfers to Rate Stabilization Fund	(1,500,000)	0
Net Transfers from Depreciation Fund	613,825	0
Net Cash Provided (Used) by Investing Activities	(425,838)	52,018
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,797,365)	(2,276,752)
CASH AND CASH EQUIVALENTS - BEGINNING	13,632,720	15,909,472
CASH AND CASH EQUIVALENTS - ENDING	\$ 11,835,355	\$ 13,632,720

See Accompanying Notes to the Financial Statements

BELMONT LIGHT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

OPERATING FUND

	2023	2022
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 4,498,781	\$ 1,193,726
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,639,868	1,569,864
Amortization of Contribution in Aid of Construction	(37,508)	(33,435)
Allowance for Doubtful Accounts	(21,697)	(47,738)
Rate Stabilization Reserve	1,634,961	(46,400)
Payment in Lieu of Taxes	(450,000)	(350,000)
Pension Expense	1,005,253	784,640
OPEB Expense	(21,881)	2,449
(Increase) Decrease in Assets:		
Accounts Receivable - Customers, Net	(350,093)	129,304
Accounts Receivable - Other	18,940	(82,030)
Materials and Supplies	(334,730)	(104,968)
Deferred Outflows Related to Pensions	(1,328,464)	(1,251,316)
Prepaid Expenses	(16,204)	16,909
Purchased Power Prepayments	(59,555)	(15,975)
Increase (Decrease) in Liabilities:		
Accounts Payable	(991,903)	1,085,452
Customer Deposits	35,049	3,023
Accrued Expenses	(37,168)	(1,201)
Customer Advances	(8,277)	8,277
Net Other Postemployment Benefits Liability	(166,035)	(190,477)
Net Cash Provided by Operating Activities	\$ 5,009,337	\$ 2,670,104

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

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

	2023	2022
Operating Cash	\$ 5,362,437	\$ 4,303,893
Construction Cash	6,293,393	9,182,774
Customer Deposits	179,525	146,053
	\$ 11,835,355	\$ 13,632,720

See Accompanying Notes to the Financial Statements

BELMONT LIGHT
STATEMENTS OF FIDUCIARY NET POSITION
DECEMBER 31, 2023 AND 2022

OPEB TRUST FUND

ASSETS

	2023	2022
Funds on Deposit with Town Treasurer		
Cash and Investments	\$ 526,708	\$ 489,323

FIDUCIARY NET POSITION

FIDUCIARY NET POSITION - Restricted	\$ 526,708	\$ 489,323
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BELMONT LIGHT
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

OPEB TRUST FUND

	2023	2022
Contributions	\$ 17,000	\$ 17,000
Net Investment Income	20,385	1,919
CHANGE IN FIDUCIARY NET POSITION	37,385	18,919
FIDUCIARY NET POSITION - JANUARY 1	489,323	470,404
FIDUCIARY NET POSITION - DECEMBER 31	\$ 526,708	\$ 489,323

See Accompanying Notes to the Financial Statements

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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 2023 and 2022 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 2023 presentation.

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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 \$198,766 and \$220,463 for the years ended December 31, 2023 and 2022, 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, 2023 AND 2022

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, 2023 and 2022 was \$4,613,866 and \$2,978,905, 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, 2023 and 2022, funds held by MMWEC amounted to \$425,292 and \$407,559, respectively. As of December 31, 2023 and 2022, rate stabilization funds held by the Town of Belmont amounted to \$4,188,574 and \$2,571,346, 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, 2023 AND 2022

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, 2023 AND 2022

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, 2023 and 2022. As of December 31, 2023 and 2022, the Department did not have any investments that were measured using Level 3 inputs.

December 31, 2023			
Description	Level 1 Fair Value	Level 2 Fair Value	Total
<u>FMV Investments:</u>			
Municipal Bonds			
AAA	\$ 0	\$ 8,887	\$ 8,887
AA	0	17,910	17,910
AA-	0	23,020	23,020
A+	0	4,390	4,390
US Government Securities	<u>71,014</u>	<u>274,326</u>	<u>345,340</u>
Total FMV Investments	<u>71,014</u>	<u>328,533</u>	<u>399,547</u>
<u>Other Securities</u>			
Money Market	5,945	0	5,945
Certificates of Deposit	<u>19,800</u>	<u>0</u>	<u>19,800</u>
Total Other Securities	<u>25,745</u>	<u>0</u>	<u>25,745</u>
Total	<u>\$ 96,759</u>	<u>\$ 328,533</u>	<u>\$ 425,292</u>

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	21,990	21,990
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>191,066</u>	<u>327,495</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>\$ 191,066</u>	<u>\$ 407,559</u>

	Ratings as of Year End	2023 Fair Value	2023 Under 1 Year	2023 1-5 Years	2022 Fair Value
<u>Term Securities</u>					
Certificate of Deposit	Exempt	<u>\$ 19,800</u>	<u>\$ 0</u>	<u>\$ 19,800</u>	<u>\$ 19,800</u>

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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, 2023 and 2022 was \$113,204. These funds are commingled and deposited in investment pools. The total amount of these investment pools as of December 31, 2023 and 2022 was \$3,739,038 and \$4,194,507, respectively, of which Belmont Light's ownership was approximately 3.03% and 2.70% for 2023 and 2022, respectively.

NOTE 4 - DEPRECIATION FUND:

Pursuant to provisions of the Commonwealth's General Laws, cash in an amount equivalent to the annual depreciation expense is transferred from unrestricted funds to the depreciation fund. Interest earned on the balance of the fund must also remain in the fund. Such cash may be used for the cost of plant, nuclear decommissioning costs, costs of contractual commitments, and future costs related to such commitments which the Municipal Light Board determines are above market value. The balance at December 31, 2023 and 2022 was \$9,743,300 and \$9,916,949, respectively. See Note 11 for disclosure of Belmont Light's investments held by the Town of Belmont.

NOTE 5 - RELATED PARTY TRANSACTIONS:

In 2023 and 2022, Belmont Light received payments from the Town in the amount of \$2,045,685 and \$1,730,602, respectively, and made payments to the Town in the amount of \$2,643,868 and \$2,392,699, respectively. At December 31, 2023 and 2022, the outstanding receivable balance was \$251,486 and \$164,574, respectively. As of December 31, 2023 and 2022 amounts due to the Town were \$4,251 and \$356,509, respectively.

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 6 - UTILITY PLANT ASSETS:

	Balance January 1, 2023	Increases	Decreases	Balance December 31, 2023
Capital Assets Not Being Depreciated:				
Land	\$ 1,586,597	\$ 0	\$ 0	\$ 1,586,597
Construction in Progress	<u>184,853</u>	<u>3,269,305</u>	<u>(2,632,739)</u>	<u>821,419</u>
Total Capital Assets Not Being Depreciated	<u>1,771,450</u>	<u>3,269,305</u>	<u>(2,632,739)</u>	<u>2,408,016</u>
Capital Assets Being Depreciated:				
Distribution Plant	44,654,563	3,350,906	(389,074)	47,616,395
General Plant	<u>10,007,713</u>	<u>539,261</u>	<u>(78,228)</u>	<u>10,468,746</u>
Total Capital Assets Being Depreciated	<u>54,662,276</u>	<u>3,890,167</u>	<u>(467,302)</u>	<u>58,085,141</u>
Less Accumulated Depreciation for:				
Distribution Plant	(19,944,173)	(1,339,637)	389,074	(20,894,736)
General Plant	<u>(7,830,558)</u>	<u>(300,231)</u>	<u>78,228</u>	<u>(8,052,561)</u>
Total Accumulated Depreciation	<u>(27,774,731)</u>	<u>(1,639,868)</u>	<u>467,302</u>	<u>(28,947,297)</u>
Capital Assets Being Depreciated, Net	<u>26,887,545</u>	<u>2,250,299</u>	<u>0</u>	<u>29,137,844</u>
Utility Plant Assets, Net	<u>\$ 28,658,995</u>	<u>\$ 5,519,604</u>	<u>\$ (2,632,739)</u>	<u>\$ 31,545,860</u>

Depreciation for the years ended December 31, 2023 and 2022 was \$1,639,868 and \$1,569,864, respectively. Depreciation expense reported on the Statements of Revenues, Expenses and Changes in Net Position is net of amortization of \$37,508 and \$33,435 related to contribution in aid of construction for the years ended December 31, 2023 and 2022, respectively.

NOTE 7 - NET INVESTMENT IN CAPITAL ASSETS:

	<u>2023</u>	<u>2022</u>
Cost of Capital Assets Acquired	\$ 60,493,157	\$ 56,433,726
Less: Accumulated Depreciation	(28,947,297)	(27,774,731)
Less: Outstanding Debt Related to Capital Assets	<u>(10,520,427)</u>	<u>(9,040,984)</u>
Net Investment in Capital Assets	<u>\$ 21,025,433</u>	<u>\$ 19,618,011</u>

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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, 2023 and 2022, the outstanding principal was \$15,905,000 and \$17,215,000, respectively.

Future maturities of the bonds are as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the Years Ending December 31,	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	1,580,000	351,412	1,931,412
	2029-2033	7,695,000	829,594	8,524,594
	2034	<u>840,000</u>	<u>16,800</u>	<u>856,800</u>
		15,905,000	<u>\$ 3,110,938</u>	<u>\$ 19,015,938</u>
Plus: Unamortized Bond Premium		908,820		
Less: Current Maturities of Long Term Debt		<u>(1,464,938)</u>		
		<u>\$ 15,348,882</u>		

NOTE 9 - ACCRUED EXPENSES:

Accrued expenses as of December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Interest on Bonds	\$ 123,627	\$ 135,390
Accrued Payroll	75,364	139,830
Compensated Absences	<u>365,956</u>	<u>338,658</u>
Total Accrued Expenses	<u>\$ 564,947</u>	<u>\$ 613,878</u>

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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, 2023 and 2022, 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, 2023 AND 2022

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, 2023 and 2022 held by the Town of Belmont. As of December 31, 2023 and 2022, 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, 2023 AND 2022

NOTE 11 - CASH AND INVESTMENTS (Continued):

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

	December 31, 2023 Quoted Prices in Active Markets for Identical Assets <u>(All Level 1)</u>	December 31, 2022 Quoted Prices in Active Markets for Identical Assets <u>(All Level 1)</u>
<u>FMV Investments:</u>		
U.S. Government Securities	\$ 7,458,751	\$ 9,187,222
Equities	1,342,018	1,281,862
Mutual Funds	<u>3,870,047</u>	<u>0</u>
Total FMV Investments	12,670,816	10,469,084
 <u>Other Securities:</u>		
Money Markets	26,122	222,920
Certificates of Deposit	<u>2,935,014</u>	<u>3,425,069</u>
Total Other Securities	<u>2,961,136</u>	<u>3,647,989</u>
 Total	 <u>\$ 15,631,952</u>	 <u>\$ 14,117,073</u>

	Ratings As of <u>Year End</u>	2023 Fair Value	2023 Under 1 Year	2023 1-5 Years	2022 Fair Value
<u>Term Securities:</u>					
Certificates of Deposit	Exempt	<u>\$ 2,935,014</u>	<u>\$ 2,690,012</u>	<u>\$ 245,002</u>	<u>\$ 3,425,069</u>

The following accounts were considered to be investments as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Debt Sinking Fund	\$ 1,700,078	\$ 1,628,778
Depreciation Fund	9,743,300	9,916,949
Rate Stabilization Fund	<u>4,188,574</u>	<u>2,571,346</u>
	 <u>\$ 15,631,952</u>	 <u>\$ 14,117,073</u>

As of December 31, 2023 and 2022, 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 \$450,000 and \$350,000 for the years ended December 31, 2023 and 2022, respectively.

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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 2050.

Belmont Light’s annual energy costs related to its long-term power purchase commitments as of 2023 are approximately as follows:

For the Years Ending December 31, 2024	\$	6,803,906
2025		6,168,394
2026		5,071,278
2027		3,944,071
2028		4,099,866
2029-2033		19,850,311
2034-2038		18,066,101
2039-2043		10,637,799
2044-2048		6,975,716
2049-2050		<u>1,942,971</u>
Total	\$	<u>83,560,413</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, 2023 and 2022 was \$526,708 and \$489,323, 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, 2023 AND 2022

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, 2023 and 2022.

- 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, 2023 and 2022. As of December 31, 2023 and 2022, 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, 2023 AND 2022

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

	December 31, 2023 Quoted Prices in Active Markets for Identical Assets (All Level 1)	December 31, 2022 Quoted Prices in Active Markets for Identical Assets (All Level 1)
<u>FMV Investments:</u>		
Mutual Funds	\$ 361,792	\$ 343,245
U.S. Government Securities	161,615	143,242
Total FMV Investments	523,407	486,487
 <u>Other Securities:</u>		
Money Market	3,301	2,836
Total	\$ 526,708	\$ 489,323

As of December 31, 2023 and 2022, the investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represented 5% or more of total investments are listed on the table below.

Investment Issuer	Amount	% of total Investments
Eli Lilly Co.	\$ 29,559	5.6%

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, 2023, OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	23
Active plan members	26
Total Number of Participants	49

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.

BELMONT LIGHT
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2023 AND 2022

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

Investment Policy

The OPEB plan's investment policy in regard to the allocation of invested assets is established by the Town, and may be amended at any time. It is the policy of the Town to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio, 60% using equity investments from the Massachusetts Legal List and 40% fixed using certificates of deposit, corporate bonds and governmental agencies.

Rate of Return

The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of OPEB plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the OPEB plan investments at the ending fair value of OPEB plan investments.

Net OPEB Liability of the Plan

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

	2023	2022
Total OPEB Liability	\$ 3,906,740	\$ 3,908,307
Fiduciary Net Position	(526,708)	(489,323)
Net OPEB Liability	\$ 3,380,032	\$ 3,418,984

Fiduciary net position as a percentage of the total OPEB liability as of the measured date of December 31, 2023 and 2022 was 13.48% and 12.52%.

Actuarial Assumptions

The total OPEB liability as of December 31, 2023 was determined by an actuarial valuation as of June 30, 2023, using the following assumptions, applied to all periods included in the measurement:

Wage inflation	3.0%
Investment rate of return	6.25% as of December 31, 2023 and 2022.
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-2021.
<i>Healthy Mortality</i>	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year for females projected generationally with Scale MP-2021.
<i>Disabled Mortality</i>	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2021.

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

Actuarial Assumptions (continued)

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>	10.00% decreasing by 0.50% each year to an ultimate level of 4.50% per year.
<i>Medicare (Prescription Drug)*</i>	22.40%, 18.60%, 9.20%, then 8.50% decreasing by 0.50% each year to an ultimate level of 4.5% per year.
<i>Medicare Advantage*</i>	9.60%, 12.30%, 7.40%, then 5.25% decreasing by 0.25% to an ultimate level of 4.5% per year.
<i>Administrative Expenses</i>	3.00% per year
<i>Contributions</i>	Retiree contributions are expected to increase with medical trend.

*First year trend reflects known premiums effective January 1, 2024.

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, 2023 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic Equity	70%	6.59%
Core Fixed Income	30%	1.53%
Total	100%	

Blended Discount Rate

The discount rate is a blend of the long-term expected rate of return on OPEB Trust assets (6.25% as of June 30, 2023 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 (3.26% as of December 31, 2023 and 3.72% as of December 31, 2022). The blending is based on the sufficiency of projected assets to make projected benefits payments. Since assets are partially sufficient to cover projected benefit payments, the blended discount rate used to measure the total OPEB liability was 6.15% as of December 31, 2023 and 6.00% as of December 31, 2022.

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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 (5.15%) or 1-percentage point higher (7.15%) than the current rate:

	1% Decrease <u>5.15%</u>	Current Discount Rate <u>6.15%</u>	1% Increase <u>7.15%</u>
Net OPEB Liability	\$ 3,935,852	\$ 3,380,032	\$ 2,924,763

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:

	1% Decrease <u> </u>	Current Trend Rate <u> </u>	1% Increase <u> </u>
Net OPEB Liability	\$ 2,862,063	\$ 3,380,032	\$ 4,035,974

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, 2023, OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	23
Active plan members	<u>26</u>
Total Number of Participants	<u><u>49</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, 2023 and 2022, total premiums plus implicit costs for the retiree medical program were \$149,035 and \$173,477, respectively. During 2023 and 2022, Belmont Light also made contributions to an OPEB Trust of \$17,000 in each year, for a total contribution during 2023 and 2022 of \$166,035 and \$190,477, respectively.

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

OPEB Liabilities

At December 31, 2023 and 2022, Belmont Light reported a liability of \$3,380,032 and \$3,418,984, respectively, for its net OPEB liability. The 2023 and 2022 net OPEB liability was measured as of December 31, 2023 and 2022, and was determined by an actuarial valuation as of June 30, 2023 and 2021, respectively.

OPEB Expense

For the year ended December 31, 2023, Belmont Light recognized OPEB Revenue of \$21,881 and for the year ended December 31, 2022 recognized OPEB Expense of \$2,449. At December 31, 2023 and 2022, 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>2023</u>	<u>2022</u>
Changes of assumptions	\$ 157,090	\$ 21,020
Net difference between projected and actual earnings on OPEB Trust investments	<u>25,856</u>	<u>23,340</u>
Total	<u>\$ 182,946</u>	<u>\$ 44,360</u>
<u>Deferred Inflows of Resources Related to OPEB</u>	<u>2023</u>	<u>2022</u>
Changes of assumptions	\$ 256,684	\$ 406,971
Net difference between projected and actual earnings on OPEB Trust investments	15,337	27,974
Net difference between expected and actual experience	<u>645,656</u>	<u>493,110</u>
Total	<u>\$ 917,677</u>	<u>\$ 928,055</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:		
2024	\$	55,370	2024	\$	366,138
2025		44,392	2025		366,137
2026		44,393	2026		101,079
2027		<u>38,791</u>	2027		<u>84,323</u>
Total	\$	<u>182,946</u>			<u>\$ 917,677</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, 2023 AND 2022

NOTE 16 - PENSION PLAN:

Plan Description

Belmont Light, through the Town of Belmont, is a member of the Belmont Contributory Retirement System (the 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, 2023 AND 2022

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, 2023 and 2022 were \$1,251,316 and \$1,198,009, respectively, which were paid during calendar years 2022 and 2021, respectively.

Pension Liabilities

At December 31, 2023 and 2022, Belmont Light reported a liability of \$7,141,161 and \$5,109,560, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022 and 2021, respectively, and the total pension liability used to calculate the pension liability was determined by an actuarial valuation as of January 1, 2022. 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, 2022 and 2021, respectively. At the measured dates of December 31, 2022 and 2021, Belmont Light's portion was 10.64% of the total System contributions.

Pension Expense

For the years ended December 31, 2023 and 2022, Belmont Light recognized a pension expense of \$1,005,253 and \$784,640, respectively. For the years ended December 31, 2023 and 2022, 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>2023</u>	<u>2022</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 276,685	\$ 450,349
Differences between expected and actual experience	14,100	28,200
Changes of assumptions	199,296	336,295
Net difference between projected and actual earnings on pension plan investments	982,445	0
Department contributions subsequent to the measurement date	<u>1,328,464</u>	<u>1,251,316</u>
Total	<u>\$ 2,800,990</u>	<u>\$ 2,066,160</u>

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 16 - PENSION PLAN (Continued):

Pension Expense (continued)

<u>Deferred Inflows of Resources Related to Pensions</u>	<u>2023</u>	<u>2022</u>
Net difference between projected and actual earnings on pension plan investments	\$ 403,642	\$ 1,485,451
Differences between expected and actual experience	0	538,191
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>18</u>	<u>0</u>
 Total	 <u>\$ 403,660</u>	 <u>\$ 2,023,642</u>

Of the total amount reported as deferred outflows of resources related to pensions, \$1,328,464 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, 2024. 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:				
	2024	\$	179,162	
	2025		131,446	
	2026		217,644	
	2027		<u>540,614</u>	
	Total	\$	<u>1,068,866</u>	

Actuarial Assumptions

The total pension liability as of the measurement date December 31, 2022, 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.

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 16 - PENSION PLAN (Continued):

Actuarial Assumptions (continued)

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
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, 2022 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%	6.59%
International Developed Markets Equity	13%	6.87%
International Emerging Markets Equity	7%	8.30%
Core Fixed Income	16%	1.53%
Private Credit	5%	6.01%
Real Estate	12%	3.44%
Commodities	10%	4.01%
Hedge Fund, GTAA, Risk Parity	7%	3.06%
Private Equity	7%	9.49%
Total	100%	

BELMONT LIGHT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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, 2022. 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	\$ 9,619,309	\$ 7,141,161	\$ 5,054,485

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,	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarial Valuation Date	1/1/2022	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	12/31/2022	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%	10.64%	10.26%	10.26%	9.44%	9.42%	8.59%	8.58%	8.87%
Department's Proportionate Share of the NPL	\$ 7,141,161	\$ 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	\$ 3,399,032	\$ 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	210.09%	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	69.03%	77.11%	66.47%	61.79%	56.16%	59.53%	55.97%	53.55%	56.19%
Schedule of Contributions:									
Actuarially Determined Contributions	\$ 1,251,316	\$ 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	(1,251,316)	(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	\$ 0
Department's Covered Payroll	\$ 3,399,032	\$ 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	36.81%	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability:							
Service Cost	\$ 146,950	\$ 148,623	\$ 230,747	\$ 225,753	\$ 179,506	\$ 176,967	\$ 171,763
Interest	238,909	224,399	284,403	268,577	275,449	258,321	239,224
Change of Benefit Terms	0	0	(6,176)	0	(12,924)	0	0
Differences Between Expected and Actual Experience	(421,617)	0	(770,905)	0	(152,821)	0	0
Changes of Assumptions	183,226	(83,784)	(516,048)	52,550	(151,620)	(70,456)	33,732
Benefit Payments	(149,035)	(173,477)	(151,855)	(252,121)	(227,280)	(140,506)	(135,832)
Net Change in Total OPEB Liability	<u>(1,567)</u>	<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>3,908,307</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>	<u>3,984,098</u>
Total OPEB Liability - Ending	<u>\$ 3,906,740</u>	<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	\$ 166,035	\$ 190,477	\$ 168,855	\$ 268,979	\$ 251,593	\$ 161,151	\$ 151,990
Net Investment Income	20,385	1,919	64,191	21,048	44,023	(4,697)	24,792
Benefit Payments	(149,035)	(173,477)	(151,855)	(252,121)	(227,280)	(140,506)	(135,832)
Net Change in Plan Fiduciary Net Position	<u>37,385</u>	<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>489,323</u>	<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>\$ 526,708</u>	<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>\$ 3,380,032</u>	<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

	2023	2022	2021	2020	2019	2018	2017
Schedules of Net OPEB Liability:							
Total OPEB Liability	\$ 3,906,740	\$ 3,908,307	\$ 3,792,546	\$ 4,722,380	\$ 4,427,621	\$ 4,517,311	\$ 4,292,985
Plan Fiduciary Net Position	526,708	489,323	470,404	389,213	351,307	282,971	267,023
Net OPEB Liability	<u>\$ 3,380,032</u>	<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	13.48%	12.52%	12.40%	8.24%	7.93%	6.26%	6.22%
Total Employee Payroll*	\$ 3,868,229	\$ 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	87.38%	91.24%	93.79%	127.73%	113.80%	127.51%	127.90%
Schedules of Employer Contributions:							
Actuarially Determined Contributions	\$ 325,715	\$ 329,624	\$ 312,318	\$ 416,940	\$ 404,501	\$ 194,521	\$ 759,438
Contributions in relation to the actuarially determined contribution	<u>(166,035)</u>	<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>\$ 159,680</u>	<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*	\$ 3,868,229	\$ 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	4.29%	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	4.11%	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 6.00% as of December 31, 2022 to 6.15% as of December 31, 2023.

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BELMONT LIGHT
SCHEDULES OF SALES OF ELECTRICITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

OPERATING FUND

	<u>2023</u>	<u>2022</u>
SALES OF ELECTRICITY:		
Residential	\$ 17,801,649	\$ 15,962,939
Commercial	4,463,684	4,005,860
Industrial	5,069,427	4,231,907
Municipal	1,652,581	1,461,029
Private Lighting	62,615	64,360
Street Lights	<u>69,849</u>	<u>111,585</u>
 TOTAL SALES OF ELECTRICITY	 <u><u>\$ 29,119,805</u></u>	 <u><u>\$ 25,837,680</u></u>

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BELMONT LIGHT
SCHEDULES OF OPERATIONS AND MAINTENANCE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

OPERATING FUND

	<u>2023</u>	<u>2022</u>
POWER PRODUCTION EXPENSES:		
Purchased Power Expense	\$ 12,766,545	\$ 13,283,843
Transmission Expense	<u>3,436,094</u>	<u>3,795,319</u>
Total Power Production Expenses	<u>16,202,639</u>	<u>17,079,162</u>
DISTRIBUTION EXPENSES:		
Miscellaneous Distribution Expenses	194,048	166,328
Line Expenses	872,230	854,082
Operation Supplies and Expenses	705,939	689,926
Maintenance of Meters	210,494	203,702
Customer Installations Expense	100,063	68,308
Stores Expense	<u>83,943</u>	<u>75,789</u>
Total Distribution Expenses	<u>2,166,717</u>	<u>2,058,135</u>
CUSTOMER ACCOUNT EXPENSES:		
Customer Accounting and Collection Expense	1,043,365	1,118,858
Meter Reading Expense	23,086	32,896
Uncollectible Accounts	<u>72,884</u>	<u>(27,464)</u>
Total Customer Accounts	<u>1,139,335</u>	<u>1,124,290</u>
GENERAL AND ADMINISTRATIVE EXPENSES:		
Administrative and General Salaries	980,489	963,552
Office Supplies and Expenses	284,750	290,468
Outside Services Employed	362,509	371,925
Insurance, Injuries and Damages	275,545	276,119
Employees' Pension and Benefits	1,827,297	1,242,954
Dues, Meetings, and Other General Expenses	60,212	51,742
Transportation Expenses	89,108	68,869
Marketing Expenses	<u>45,496</u>	<u>43,049</u>
Total General and Administrative Expenses	<u>3,925,406</u>	<u>3,308,678</u>
MAINTENANCE EXPENSES:		
Maintenance - Other	<u>67,858</u>	<u>49,834</u>
TOTAL OPERATIONS AND MAINTENANCE EXPENSES	<u><u>\$ 23,501,955</u></u>	<u><u>\$ 23,620,099</u></u>

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